

**NOMINATIONS OF THE 110TH
CONGRESS—FIRST SESSION**

HEARINGS

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

—
JANUARY 30 THROUGH DECEMBER 19, 2007
—

Printed for the use of the Committee on Foreign Relations



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COMMITTEE ON FOREIGN RELATIONS
110TH CONGRESS—FIRST SESSION

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ANTONY J. BLINKEN, *Staff Director*

KENNETH A. MYERS, Jr., *Republican Staff Director*

*Note: Reassigned to Committee on Finance January 24, 2008.

COMMITTEE ON FOREIGN RELATIONS
110TH CONGRESS—SECOND SESSION

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ANTONY J. BLINKEN, *Staff Director*

KENNETH A. MYERS, Jr., *Republican Staff Director*

*Note: Appointed February 12, 2008.

NOMINATIONS

TUESDAY, MARCH 13, 2007

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

Almquist, Katherine, to be Assistant Administrator of the U.S. Agency for International Development for Africa
Bonicelli, Paul J., to be Assistant Administrator of the U.S. Agency for International Development for Latin America and the Caribbean
Chin, Curtis S., to be U.S. Director of the Asian Development Bank, with the rank of Ambassador
Debevoise, Eli Whitney, III, to be U.S. Executive Director of the International Bank for Reconstruction and Development
Kunder, James R., to be Deputy Administrator of the U.S. Agency for International Development
Lundsager, Margrethe, to be U.S. Executive Director of the International Monetary Fund
Menarchik, Douglas, to be Assistant Administrator of the U.S. Agency for International Development for Europe and Eurasia

The committee met, pursuant to notice, at 3:05 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez presiding.

Present: Senators Menendez and Lugar.

OPENING STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY

Senator MENENDEZ. This hearing of the Committee on Foreign Relations will come to order.

Today, the committee will consider the nominations for four administrators at the United States Agency for International Development, and three U.S. representatives at international financial institutions. I want to welcome the nominees, as well as their families who may be here, to the hearing.

I'm happy to be joined by the ranking member of the full committee, Senator Lugar, and also thank Senator Hagel, who is the ranking member of the Subcommittee on International Development, Foreign Assistance, Economic Affairs, and International Environmental Protection—I wish I could get a dollar for every time I had to say that, who is unable to join us today.

I know we have a busy agenda, so I will recognize myself for an opening statement.

While today's hearing is technically a nominations hearing, in my mind it also is a forum to discuss the broader issue of U.S. foreign assistance. Yes, we're going to examine the qualifications of all of these nominees, but, in my mind, equally as important, we'll be asking the question, "Is each nominee the best candidate for a position where they will be in charge of a key aspect of our United States foreign assistance program?"

"Why does U.S. foreign assistance matter?" I was asked earlier today in an interview. It's because we care that, globally, 10.6 million children are still dying from preventable diseases every year. It is because we care that nearly 2.7 billion people live on less than \$2 a day. It's because we care that every 5 seconds, a child dies from a hunger-related cause. Yes, it's also because it is in our national interest and our national security interest to help create a stable and secure world around us.

As President Kennedy said when he signed the Foreign Assistance Act in 1961, creating USAID, he said, quote, "In enacting this legislation, Members of the Congress, of both parties, have, again, demonstrated their understanding that it is in our national obligation and in our national interest and security to work for a world in which there is a chance for national sovereignty and national independence." That's why this hearing is so important. That's why I plan to carry out a vigorous oversight of our foreign assistance programs as chairman of the subcommittee. Our subcommittee has been tasked with the job of looking at every aspect of U.S. foreign assistance, from the Millennium Challenge Corporation to USAID and the international financial institutions. Today's hearing will be the first in a series of hearings that take a close look at these programs.

As we talk with these nominees, and as we proceed in the months to come, I hope to examine at least four major concerns that I have with our foreign assistance programs. First, the President has created a vision for transformational development, with the head of USAID also acting as the head of all U.S. foreign assistance inside the State Department. And, while I generally support the idea of coordinating all of our foreign assistance to avoid duplication, I am concerned that there may be unintended consequences from such a reorganization. I am also concerned that the new policy of graduating countries from U.S. assistance, and the new framework with a focus on shorter-term strategic issues, may take away from some of our long-term core development goals, such as poverty reduction.

My second question is, What's the future of USAID? By all accounts, the power and influence of USAID, the principal U.S. agency for foreign development aid, is slowly being chipped away, and I look at that through a series of signs. The head of USAID now sits at the State Department, not USAID. The Millennium Challenge Corporation is clearly taking money, prestige, and power away from USAID. And, if you look at the total foreign aid budget, State and USAID only had about 53 percent of the total budget in 2005, with other agencies managing the rest. It seems to me that we're in the process of decimating an agency that clearly has had bureaucratic problems, but that is also full of many, many qualified and talented people who actually know a great deal about develop-

ment. And these challenges—changes, I should say, warrant greater security.

I am also concerned about the Department of Defense's new role in development. According to the Congressional Research Service, in 2005 the DoD disbursed about 24 percent of the development budget, mostly in Iraq and Afghanistan. I question why the Defense Department is playing such a large role in development, particularly when the record in Iraq and the reports from the special inspector for Iraq reconstruction have shown they have done a poor job of it.

Finally, an issue I plan to examine at great length is the administration's foreign assistance budget. Although I support the general concept and goals of the Millennium Challenge Account, I am alarmed that the core development accounts have been cut as we pursue the MCC. A study last year from the Center for Global Development found that MCA-eligible and compact countries have experienced unequivocal reductions in the development assistance account at the U.S. development aid. We were promised that MCC would be additive, but, once again, the administration has proposed to cut funding for those core development accounts. I know the administration keeps touting the increase in the overall international affairs budget, yet their budget for fiscal year 2008 actually cuts funds from the core development accounts across the world.

In closing, I believe our nominees, if confirmed, will become a key part of the foreign assistance agenda. It is the President's job to propose America's foreign policy agenda, but it is Congress's job to appropriate funding and provide oversight for our development and foreign assistance programs. But it's ultimately going to be your job to implement those initiatives on the ground.

If confirmed to your respective posts, the four of you, as well as the three nominees in the second panel, will have a great responsibility of determining priorities, working with neighboring countries, representing the United States in vital endeavors. And I know none of you take that position lightly. I also would remind each of you that you have a responsibility not only to implement the President's policy, but also to report honestly and completely to Congress.

I look forward to learning more about your past experience. I've had an opportunity to speak to each and every one of you, and I appreciate those opportunities and they were very helpful. Your visions for the future of America's role in these important development programs and financial institutions.

And I will, before I turn to the distinguished ranking member, welcome you all formally so that, after Senator Lugar's statement, we can go directly to your testimony.

Mr. James Kunder is the nominee for the USAID Deputy Administrator. He is acting in that position currently. He previously served as Assistant Administrator for Asia and the Near East.

Dr. Edward Menarchik is the nominee for USAID Assistant Administrator for Europe and Eurasia, and is acting in that position currently. He previously served as Assistant Administrator, Bureau for Policy and Program Coordination for USAID.

Dr. Paul Bonicelli is the nominee for USAID Assistant Administrator of Latin America and the Caribbean. He currently serves as

the Deputy Assistant Administrator for the Bureau of Democracy, Conflict, and Humanitarian Assistance of USAID.

And Ms. Katherine Almquist is the nominee for USAID Assistant Administrator for Africa. She is currently serving as the USAID Mission Director for the Sudan.

Let me now recognize the distinguished ranking member, Senator Lugar, for his opening statements.

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,
U.S. SENATOR FROM INDIANA**

Senator LUGAR. Well, thank you very much, Mr. Chairman. I thank the Chairman, and I add my welcome to two impressive panels of nominees, as well as family members and friends who have accompanied you.

Today, the committee will have discussions with nominees for important positions at USAID. The United States has strong national security and humanitarian interests in alleviating poverty, and promoting development around the world. The efforts of USAID are central to this mission, and each of our nominees will play a key role in formulating policies that will impact U.S. standing in their regions of responsibility.

I would take this opportunity to express my hope that the Senate will move forward quickly on the nomination of Mr. James Kunder to be Deputy Administrator of USAID. Mr. Kunder would be responsible for assisting Ambassador Randall Tobias, the current Administrator of USAID, in executing U.S. foreign assistance programs. In addition, he would be charged with assisting the Administrator in the supervision of all personnel at the Agency in the United States and overseas.

Mr. Kunder currently is the Agency's Acting Deputy Administrator and continues to serve as the Assistant Administrator for Asia and the Near East. In this capacity, Mr. Kunder oversees some of USAID's largest and most important projects.

Mr. Kunder's nomination came before the committee last September, and he has been patient and thorough in addressing questions from Senators related to his nomination. He was asked to provide answers to nearly 100 detailed questions about reconstruction efforts in Afghanistan. In addition, he was asked to provide photographs of clinics and schools being constructed, or reconstructed, in Afghanistan.

Mr. Kunder's responses are contained in three voluminous binders consisting of some 1,500 pages. The responses incorporate photographs and maps of virtually all USAID projects in Afghanistan, including clinics and schools. I appreciate the serious attention that Mr. Kunder and his staff have given to congressional concerns. In fact, I cannot remember a nominee under the jurisdiction of this committee who has provided a greater volume of useful information about the projects and programs under his direction. The materials in these binders provide an excellent tutorial for any Senator who wants to know more about Afghanistan or the functions of USAID. The binders have been deposited with the committee staff and are available to any members or staff who might wish to review them.

Ambassador Tobias needs a deputy who is well-versed in the Agency's workings. He strongly supports Mr. Kunder's nomination

to the position. I am hopeful we will move forward so that Mr. Kunder can more fully contribute to USAID's vital mission.

I would also note that this hearing follows a very interesting hearing on Afghanistan held last week by this committee. There were several points raised at that hearing that I would ask Mr. Kunder to consider.

First, one of the witnesses observed that, unlike in Iraq and Bosnia, there is no civilian contact group in Afghanistan. Such a group might be a useful tool in advocating our goals in Afghanistan.

Second, we discussed whether a coherent United States program could be developed for providing United States foreign assistance directly to eastern Afghanistan and the federally administered tribal areas in Pakistan, including Waziristan. Such a program would acknowledge the ethnic and tribal realities of the area. Obviously, this would not be an easy mission, but we should explore whether United States foreign assistance could make an impact in that region, given its importance to the outcome in Afghanistan.

On our second panel, we will hear from nominees to be U.S. executive directors to international financial institutions. During the past 4 years, our committee has held six hearings on the operations of the multilateral development banks. Those hearings contributed to the committee's understanding of both the value of the banks' work and problems with their operation.

In 2005, building on this work, I introduced Senate bill 1129, the Development Bank Reform and Authorization Act. Most of the provisions of this bill were enacted into law in November 2005. With passage of this legislation, Congress made a strong statement that recognized the critical role of MDBs in achieving development goals around the world, but also that the operations of these banks must be transparent and free of corruption.

The U.S. Government must work hard to ensure that this money is spent efficiently, both because of our responsibility to American taxpayers and because inefficiency and corruption undermine the basic humanitarian and foreign policy objectives of our participation in MDB financing.

I congratulate all of the nominees, and I thank the Chairman for the opportunity to make this statement.

Senator MENENDEZ. Thank you, Senator.

We are pending a vote, and we hope to get through at least your testimony before that vote, before questions. So, we'll start with Mr. Kunder. And the same process, you're free to make your presentation. We'd ask you to limit it to 5 minutes. Your full statement will be included in the record. Should any of you have family members here, please introduce them. And if you summarize your testimony, we'll get through all of you, and then, hopefully, we'll have an opportunity for questions before the vote and be able to move on.

So, we'll go from Mr. Kunder, moving from right to left. That's not an ideological statement, it's just simply physical reality—

[Laughter.]

Senator MENENDEZ [continuing]. At the table.

And, with that, Mr. Kunder, you are welcome to present your testimony.

**STATEMENT OF HON. JAMES R. KUNDER, NOMINEE TO BE
DEPUTY ADMINISTRATOR OF THE U.S. AGENCY FOR INTER-
NATIONAL DEVELOPMENT**

Mr. KUNDER. Thank you, Mr. Chairman. It's an honor to be before the committee today as President Bush's nominee to be Deputy Administrator at USAID.

I would like to introduce to the panel my wife, Robbin, who is also a USAID employee, and my son, James, who is here primarily to collect Senatorial autographs for Ms. Eaton's class at St. Stephen's School in Alexandria. He's also the beneficiary—

Senator MENENDEZ. A worthy cause.

Mr. KUNDER [continuing]. Of the Squirms that I picked up in your office the other day.

We very much appreciate this panel's serious attention to USAID, the extensive oversight that the panel has provided, and also the leadership that the Committee has provided to looking at the questions of how the U.S. Government can be better organized to manage conflict and post-conflict situations on the civilian side of the government. This is an area that Senator Biden and Senator Lugar have worked on extensively. We very much appreciate that ongoing work, and, if confirmed, I very much look forward to continuing that discussion with the committee so that we can do the kind of serious work that the taxpayers expect from us when our soldiers are deployed overseas.

I won't go through my biography, sir. I worked at USAID previously, and served as director of the Office of Foreign Disaster Assistance there. I've also served in Afghanistan, deploying there soon after our troops chased the Taliban from Kabul. I also would like to mention that I have worked in the private not-for-profit sector as vice president of Save the Children Federation, so I've had the opportunity to look at these issues of foreign assistance, and U.S. taxpayer support for foreign assistance, from several different perspectives. I've also had the opportunity to serve as an infantry officer in the United States Marine Corps, so that I'm able to, I think, deal effectively with our military colleagues when we work with them, which is often, these days.

I think USAID has very important contributions to make to U.S. foreign policy. First, it is, as the Chairman said, an important tool in our national security arsenal. And, second, it meets the taxpayers' strong interest in a humanitarian presence overseas. I think it's this unique combination of roles that makes USAID an important part of the U.S. foreign policy establishment.

I also want to note that, having worked at USAID now for almost 10 years in two different iterations, that the men and women of USAID are among the most competent professionals and courageous individuals with whom I have had the opportunity to serve. They work in dedicated fashion in some of the most difficult places on the face of the Earth, and they are an extraordinarily important part of the U.S. Government's effort overseas.

I do hope that I have the opportunity to serve in this position, if confirmed, in order to help Ambassador Tobias move his reform agenda forward. We are very interested, as the Chairman has stated, in keeping alive the concept of long-term development—making contributions to long-term human progress. What Ambassador

Tobias is very much interested in doing is establishing a system that shows, in concrete terms, to the Senate and to the American public, that we are making measurable progress toward the human progress for which we all strive.

I just want to make one other personal comment, in closing, sir. I hoped my parents were able to travel from Pennsylvania, but they were not able to come down. I mention in my statement that my father, who's a World War II veteran and a steelworker, has done his duty over the years as a volunteer fireman, as a civic leader. My mother, who is an immigrant from Italy, who came here not speaking a word of English, served in the Pentagon during World War II and also was a community leader in our community in Pennsylvania. And I just noted in my statement that I hope, if confirmed by the Senate, I will be able to carry out my duties as well as they carried out theirs.

Thank you.

[The prepared statement of Mr. Kunder follows:]

PREPARED STATEMENT OF HON. JAMES R. KUNDER, NOMINEE TO BE DEPUTY ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, it is an honor to appear before the committee today as President Bush's nominee to serve as Deputy Administrator of the U.S. Agency of International Development (USAID).

I have had the honor to serve as the Acting Deputy Administrator for the past 6 months. This experience has made me acutely aware of the development challenges facing the U.S. Government and the intense interest of the committee in meeting them. I have devoted much of my time as Acting Deputy Administrator to assisting Administrator Tobias administer the foreign assistance reforms—reforms necessary to meet the 21st century's unprecedented challenges and opportunities. I am excited to be part of this change to leverage USAID strengths to support foreign assistance as an element of U.S. foreign policy.

Prior to serving as Acting Deputy Administrator, I was the Assistant Administrator of the Asia and Near East region, which stretches from Morocco to Mongolia, is home to millions of impoverished human beings, and is on the front lines in the global battle against terror, and against those conditions that allow terrorism to flourish. The U.S. Government's foreign assistance programs are an important weapon in the fight against terror, poverty, illiteracy, inequality, and instability. If confirmed by the Senate, I pledge that I will do everything in my power—in full consultation with the Congress—to assist Ambassador Tobias and Dr. Rice in furthering the goals of transformational diplomacy, and to ensure that U.S. Government development and reconstruction programs are carried out effectively, equitably, and with the oversight that the taxpayers have every right to demand.

From 1991 to 1993, I served at USAID as Director of U.S. Foreign Disaster Assistance. In January 2002, I returned to USAID to reopen the USAID Mission in Kabul immediately after the fall of the Taliban. Subsequent to serving as the Director of Relief and Reconstruction in Afghanistan for 5 months, I served as Deputy Assistant Administrator and then Assistant Administrator of the Asia and Near East Bureau, where I had the privilege to work on a wide range of issues in support of Iraq, West Bank and Gaza, Lebanon, and the countries affected by the 2004 tsunami and 2005 earthquake in Pakistan.

From these experiences I have learned that designing and implementing sustainable development and reconstruction processes in transitioning nations is a daunting, but critically important challenge. I look forward, if confirmed, to continuing to benefit from the committee's guidance and consultations in USAID's work.

If confirmed, Mr. Chairman, I will take very seriously my role in representing the agency in the many interagency deliberations in which U.S. support for international economic, governance, and social programs are discussed. Under the direction of Ambassador Tobias, we understand now better than ever the key importance of our relationship with the Department of State, and our respective staffs are making great efforts to ensure optimal coordination. If confirmed, I expect to devote significant time to addressing questions of budget, strategic priorities, and funding levels with colleagues at the Department of State and other U.S. Government agencies.

I also recognize that we within the U.S. Government do not have a monopoly on knowledge of what transforms societies. Having worked in both the for-profit and not-for-profit sectors, I look forward to a fruitful dialog with all elements in the development community, including but not limited to the NGOs, universities, and the business community, since activities in all these sectors impact human progress.

After 20 years of working in the development and reconstruction field, I remain an optimist about America's role in the world, and I firmly believe in the importance of the role assigned to the U.S. Agency for International Development. Working to build democracy and economic prosperity in the poorest countries in the world, countries that are in the strategic interest of the United States, as well as those countries that are simply deprived, suffering, or experiencing a humanitarian crisis, is one of the most inspiring missions of the U.S. Government. If confirmed, I look forward to working with you, Mr. Chairman, other members of the committee, and your staff, in order to help steer this work in the right direction and ensure that each tax dollar is used to make a real impact in the world.

On a personal note, Mr. Chairman, I had hoped that my parents, Jim and Virginia Kunder, from Rochester, PA, would be able to join me here today, but they were not able to make the trip. As they have been an inspiration to me, I wanted to note their contributions. Over 63 years ago, my father was pushing across the beaches at Normandy. Subsequently as a steelworker, volunteer firefighter, and community leader, he has continued to serve his country well. My mother was one of those millions of Americans who came here as a child from a far country, speaking not a word of English. She pulled herself up by her bootstraps, worked in the Pentagon during World War II, forged a career in the nonprofit world, and led numerous civic organizations. I would be proud if I am able to execute my duties half as well as they executed theirs.

This concludes my testimony, Mr. Chairman. I would be happy to answer any of your or the committee's questions.

Senator MENENDEZ. Thank you.
Mr. Menarchik.

STATEMENT OF HON. DOUGLAS MENARCHIK, NOMINEE TO BE ASSISTANT ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOR EUROPE AND EURASIA

Dr. MENARCHIK. Thank you, Mr. Chairman and members of the committee, for this opportunity to appear as President Bush's nominee for Assistant Administrator of the Bureau for Europe and Eurasia in the United States Agency for International Development.

I am pleased today to have my family with me, my wife of 38 years, Debbie Menarchik; my son, Lieutenant Commander Jason Menarchik, who has recently returned from a 1-year tour in Iraq, and is about to deploy to the Pacific theater aboard the Blue Ridge; my daughter, Heidi; my sister, Denise Stepanik; my brother-in-law, James Stepanik; and my sister, from Fairchance, Pennsylvania, Dede Cole.

I have submitted a written statement for the record and will provide a very brief oral statement.

I have been confirmed previously before this committee as the Assistant Administrator for Policy and Planning Coordination, about 2½ years ago, and, if confirmed again, I would join this USAID team at a critical time in the global war on terrorism and the critical time for foreign assistance as we work to better synchronize U.S. defense, diplomacy, and development efforts to attain our foreign policy objectives.

Europe and Eurasia remains a critical region in advancing America's frontiers of freedom. USAID has accomplished much there, but much remains to be done, with critical challenges to democracy in

Russia, remaining instability in the Balkans and the Caucasus, and complex development and strategic challenges in Central Asia. I pledge that I will continue to work with Congress to meet these challenges head-on.

These past few years with USAID and international development have been, in many ways, the most challenging and interesting of my 39 years of public service. As Assistant Administrator for Policy and Programs Coordination, I have a unique strategic priority and budget-setting position for transformational development and an understanding of the need to reform our system. My career has been both broad and deep in a variety of sectors—national security, foreign policy, military operations, international development, and executive leadership positions in both academia and business. I have served in the White House, the Pentagon, the National Archives, at USAID, and lived and traveled widely overseas. I have spent much time in the Europe/Eurasia region, and have done much thinking about it.

Many of my graduate students from the Marshall Center are now serving in senior leadership roles. I met with some of them last month on my trip to the Caucasus and Turkmenistan, and discussed international development issues with them.

I am proud to be nominated for this position with USAID, and I'm eager to serve the President and to work with Congress in carrying out our joint State/USAID strategy.

Mr. Chairman, thank you for providing me this opportunity to present my qualifications for this position and my views on the future of the Bureau for Europe and Eurasia.

This concludes my oral testimony, and I would be pleased to answer any questions, sir, you may have.

[The prepared statement of Dr. Menarchik follows:]

PREPARED STATEMENT OF HON. DOUGLAS MENARCHIK, NOMINEE TO BE ASSISTANT ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOR EUROPE AND EURASIA

Thank you, Mr. Chairman and members of the committee for this opportunity to appear as President Bush's nominee for Assistant Administrator of the Bureau for Europe and Eurasia (E&E) in the United States Agency for International Development (USAID).

If confirmed, I would join the USAID team at a critical time for foreign assistance as we work to better synchronize U.S. defense, diplomacy, and development efforts to attain our foreign policy objectives. The Director of Foreign Assistance and USAID Administrator, Ambassador Tobias, has instituted major reforms at the Department of State and USAID to more closely align our strategy and budget processes to achieve President Bush's and Secretary Rice's transformational diplomacy goals. USAID is also expanding collaboration with the Department of Defense (DoD) in civil-military planning, training, and operations to assure optimal use of the development tool within the national security framework.

United States assistance is particularly critical to achieving United States Government foreign policy goals and in advancing United States national security in the Europe and Eurasia region and beyond. USAID programs contribute significantly to United States foreign policy goals of consolidating democratic gains throughout the Europe and Eurasia region; furthering integration into Euro-Atlantic institutions; promoting stability in the Balkans; achieving a peaceful settlement of Kosovo's future status without isolating Serbia; encouraging Russia to be a responsible member of the global community, supporting democratic institutions and the rule of law; and, in Central Asia, furthering regional integration through energy, infrastructure, and trade linkages, as well as economic diversity and exposure to democratic values.

As the Assistant Administrator (AA) for the E&E region, I would energetically support the efforts of Secretary Rice and Ambassador Tobias to achieve these goals. In particular, I will assist Ambassador Tobias in implementing his reform agenda

at USAID, ensuring that assistance is focused on the highest priority U.S. objectives and that it is implemented in a cost-effective and efficient manner, both in Washington and in our field missions.

I would also like to build on past efforts at USAID to define a vision and identify the steps and benchmarks that will lead to the eventual phasing out of U.S. assistance in the region, while leaving behind key institutions to ensure that U.S.-assisted reforms are sustained. I recognize that some countries are nearer to this goal than others, but I believe that planning for this eventuality will help us achieve it.

I am also keenly interested in deepening USAID's engagement with the Department of Defense. We need to coordinate our planning to enhance security, stabilization, transition, and reconstruction. Working together, we can ensure that USAID assistance in social, political, and economic sectors contributes as effectively as possible to security, stability, and counterterrorism success in the Balkans, Caucasus, and Central Asia.

If confirmed, I will bring to this position a strong background in the foreign and security policy arena that will provide an understanding of the strategic context in which USAID works. My almost 2½ years as USAID's Assistant Administrator for Policy and Programs Coordination gave me a unique strategic priority and budget setting position for transformational development, and an understanding of the need to reform our system. I will also bring the experience and knowledge gained from operating in complex and crisis settings. Building a cooperative working relationship in the interagency process is vital to the success of USAID's mission, and I believe my previous experience will serve me well in this effort.

Mr. Chairman, I have been a public servant my entire adult life. I believe public service is both a noble and high calling. My career has been both broad and deep in a variety of sectors—national security, foreign policy, military operations, international development, and executive leadership positions in both academia and business. In the White House, I served as then-Vice President Bush's military assistant in the 1980s, and was specifically involved in Middle Eastern, African, terrorism, and general Defense Department issues. While at the White House, and later as Assistant for Terrorism Policy in the Defense Department in the 1990s, I helped draft several white papers on terrorism when the public and the Government were less focused on this threat. I believe this background makes me keenly aware of the challenges USAID faces in keeping its employees and partners safe in areas of danger and instability.

In addition, during my 3 years as a professor at the George C. Marshall Center for Security Studies in Germany, I worked with the Partnership for Peace countries of the former Eastern Bloc and those of Central Asia. I taught senior officials from the former Soviet Union how to operate a military in a democratic society. Many of my graduates are now in senior positions in the Europe and Eurasia region. I met with some of them last month on my trip to the caucasus, and discussed international development issues with them.

I have seen the devastation and ruin left behind from failed economic systems and dictatorships. And I have seen firsthand the benefits of training others in democracy and free market systems.

Finally, my post-graduate education in both international relations and religion has prepared me well for work on the world stage. I believe that I have the skills necessary to oversee the allocation of foreign aid budget resources in an efficient and objective manner, while remaining sensitive to a region's religions and cultures. All of these experiences as a military commander, director of a civilian war college at the National Defense University, presidential library director, and senior executive within USAID, have enhanced my leadership skills.

I am well-traveled and have lived and worked in many different areas both in and outside the United States. I have seen the ravages of war in Vietnam as a pilot, and the devastation left behind from fallen political regimes. I know how to start up organizations, how to fix broken organizations, and how to make organizations run effectively, efficiently, and purposefully. I had been specifically hired in my last four jobs to perform these difficult tasks. Should I be confirmed, I believe that my diverse operational, foreign policy, international development, and academic and executive leadership positions would serve me well in this important USAID position.

In conclusion, I am proud to be nominated for this position with the U.S. Agency for International Development, and am eager to serve the President and work with the Congress in carrying out our joint State-USAID Strategy.

Mr. Chairman, thank you for providing me this opportunity to present my qualifications for this position and my views on the future of the Bureau for Europe and Eurasia. This concludes my testimony, and I would be pleased to answer any questions you may have.

Senator MENENDEZ. Thank you.
Dr. Bonicelli.

STATEMENT OF DR. PAUL J. BONICELLI, NOMINEE TO BE ASSISTANT ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOR LATIN AMERICA AND THE CARIBBEAN

Dr. BONICELLI. Thank you, Mr. Chairman. It's indeed an honor and privilege to appear before you and the committee today, with my colleagues, as President Bush's nominee. I thank you for considering my nomination to serve as Assistant Administrator for the Latin America and Caribbean Bureau at USAID.

In my current capacity as Deputy Assistant Administrator in the Bureau for Democracy, Conflict, and Humanitarian Assistance, I have become quite familiar with the challenges we, as a government, face in promoting development around the world. Should I be confirmed, I would look forward to returning my attention once again to this hemisphere, as I have in the past during my academic career and during my time here at the Congress working for the House International Relations Committee.

Throughout my career, I have considered this hemisphere to be of utmost importance to the United States. We are neighbors not only because of geography, but also because of the centuries of strong and, even now, strengthening ties of commerce, family, friendships, and, importantly, a shared commitment to the democratic way of life. While the region continues to battle poverty and other development challenges, we have, together, enjoyed many successes, not least of which is that there are elected leaders in all but one country in the hemisphere. Moreover, the region boasts several countries that have made great strides toward self-sufficiency. Nevertheless, I believe that our task is to redouble our efforts, to consolidate gains, and to achieve more in the hemisphere. This is especially true now that democracy is being questioned by those who have not yet seen the material gains that are the very real results of democracy. We should counter that trend toward instability, populism, and isolationism, which is evident in some quarters, with concrete actions that inspire hope for long-term development.

I believe we are better able to do this now, because we are embarking on an historic reform of our foreign assistance program. With the first-ever U.S. Director of Foreign Assistance, Ambassador Randall Tobias, we are crafting the tools to assure that State and AID resources are fully integrated both in Washington and in the field. This is a strategic change that is creating a more rational budgeting process. Having been involved with development and democratization throughout my career, I can say that this is what is needed to help us better fight the scourges of poverty, illiteracy, tyranny, instability, terrorism, and narcotics trafficking. If confirmed, I pledge to do everything in my power, and in consultation with the Congress, to ensure that U.S. assistance to our neighbors is carried out effectively, equitably, in coordination with our partners around the world, wherever possible, and with concern for fiscal responsibility that are the taxpayers due.

Over the years that I have been involved with this work, Mr. Chairman, I have come to believe that the goal of our development work must be to assist countries in their transition to stable, well-governed, and prospering democracies. I want to emphasize that I believe all those terms are important, but none more important than democracy. It is the democratic society that can best promote and sustain development. In short, there is no development without good governance, but there can be no good governance without democracy. A government that does not have to worry about losing power will not have to really care whether poverty, inequality, illiteracy, disease, and violence are remedied. To think otherwise, I submit, is to put too much trust in the goodness of a given set of leaders to do the right thing. By saying this, I do not mean that some of our programs are more important than others. For example, promoting democracy without concern for socioeconomic needs is a losing enterprise. I mean only to say that development should be seen as a holistic enterprise founded on the idea that dysfunction in any sector is often caused by, certainly compounds and is sustained by, dysfunction in the body politic.

We can no longer spend our foreign assistance dollars on various efforts without appreciating the need to encourage transformation in all sectors so that improvements in health or education or the rule of law can be sustained for the long term by the societies receiving our aid; indeed, so that citizens who have an interest in these things can demand that they be sustained or get themselves new leadership that is competent and cares about them.

Further, democracy encourages the outside world to have confidence in a particular society, which increases capital flows and mutually beneficial ties between citizens of different countries. Democratization is a catalyst for development, especially when accompanied by assistance in the socioeconomic arena.

I am heartened by the fact that this administration and this Congress appreciate the role that development has in furthering our national interests. We help people around the world, and in doing so, we are part of making the world better for all nations. USAID and its very talented staff of technical experts is the primary implementer of U.S. foreign assistance programs, and therefore has a special role to play, particularly in the Western Hemisphere, where we have been at work for many years and have learned many lessons.

It is a great honor for our country to be asked to aid our friends in the region as they build democracy and economic prosperity, not simply because it's in the strategic interest of the United States, but also because of the many ties between our peoples that I referred to at the outset. We have accomplished much, each nation on its own, and much by working together.

If confirmed, I look forward to working closely with you, Mr. Chairman and the committee, in order to help continue this work for the benefit of all Americans.

Please allow me to conclude my testimony by taking a moment to honor my parents and grandparents, who sacrificed so much that I might be able to serve our country, Louis and Ernestine Bonicelli, Robert and Dorothy Ramsey, and Elizabeth Patterson. Only my mother survives, and she is not able to be here. They sur-

vived the Great Depression, served in two world wars, and had a son who cost them seemingly endless education bills. They are prime examples of our country's good people who invest in others. They and my brother, Matt, and his family have always supported me.

I'd also like to thank my friends and former students, who have been a constant source of encouragement for me, and many of them are here at the hearing. I imagine the former students will especially like your questioning me. [Laughter.]

I'd be happy to answer any questions, Mr. Chairman.

Thank you.

[The prepared statement of Dr. Bonicelli follows.]

PREPARED STATEMENT OF DR. PAUL J. BONICELLI, NOMINEE TO BE ASSISTANT ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOR LATIN AMERICA AND THE CARIBBEAN

Mr. Chairman, it is indeed an honor and privilege to appear before you and the committee today with my colleagues as President Bush's nominee. I thank you for considering my nomination to serve as Assistant Administrator for the Latin America and Caribbean Bureau of the U.S. Agency for International Development (USAID).

In my current capacity as Deputy Assistant Administrator in the Bureau for Democracy, Conflict, and Humanitarian Assistance, I have become quite familiar with the challenges we as a government face in promoting development around the world. Should I be confirmed, I would look forward to returning my attention once again specifically to this hemisphere as I have in the past during my academic career and during my time here at the Congress as a professional staff member of the House. Throughout my career I have considered this hemisphere to be of utmost importance to the United States. We are neighbors not only because of geography, but also because of the centuries of strong and even now strengthening ties of commerce, family, and friendships, and importantly, a shared commitment to the democratic way of life. While the region continues to battle poverty and other development challenges, we have together enjoyed many successes, not least of which is that there are elected leaders in all but one country in the hemisphere. Moreover, the region boasts several countries that have made great strides toward self-sufficiency. Nevertheless, I believe our task is to redouble our efforts to consolidate gains and to achieve more in the hemisphere. This is especially true now that democracy is being questioned by those who have not yet seen the material gains that are the very real results of democracy. We should counter the trend toward instability, populism and isolationism—evident in some quarters—with concrete actions that inspire hope.

I believe we are better able to do this now because we are embarking on an historic reform of our foreign assistance program. With the first-ever U.S. Director of Foreign Assistance, Ambassador Randall Tobias, we are crafting the tools to assure that State and USAID resources are fully integrated both in Washington and the field. This is a strategic change that is creating a more rational budgeting process. Having been involved with development and democratization throughout my career, I can say that this is what is needed to help us better fight the scourges of poverty, illiteracy, tyranny, instability, terrorism, and illegal narcotics trafficking. If confirmed, I pledge to do everything in my power, and in consultation with the Congress, to ensure that U.S. assistance to our neighbors is carried out effectively, equitably, in coordination with our partners around the world whenever possible, and with concern for fiscal responsibility that the taxpayers are due.

Over the years that I have been involved with this work, I have come to believe that the goal of our development work must be to assist countries in their transition to stable, well-governed and prospering democracies. I want to emphasize that I believe all of those terms are important, and none more important than democracy, for it is the democratic society that can best promote and sustain development. In short, there is no development without good governance, but there can be no good governance without democracy.

A government that does not have to worry about losing power does not have to really care whether poverty, inequality, illiteracy, disease, and violence are remedied. To think otherwise, I submit, is to put too much trust in the goodness of a given set of leaders to do the right thing. By saying this I do not mean that some

of our programs are more important than others—for example, promoting democracy without concern for socioeconomic needs is a losing enterprise. I mean only to say that development should be seen as a holistic enterprise founded on the idea that dysfunction in any sector is often caused by—and is definitely compounded and sustained by—dysfunction in the body politic. We can no longer spend our foreign assistance dollars on various efforts without appreciating the need to encourage transformation in all sectors so that improvements in health or education or the rule of law can be sustained; indeed, so that the citizens who have an interest in these things can demand that they be sustained or get themselves new leadership that is competent and cares. Further, democracy encourages the outside world to have confidence in a particular society, increasing capital flows and mutually beneficial ties between citizens of different countries. Democratization is a catalyst of development, especially when accompanied by assistance in the socioeconomic arena.

I am heartened by the fact that this administration and this Congress appreciate the role that development has in furthering our national interests. We help people around the world, and in doing so, we are a part of making the world better. USAID and its very talented staff of technical experts is the primary implementer of U.S. foreign assistance programs and therefore has a special role to play, particularly in the Western Hemisphere where we have been at work for many years.

It is a great honor for our country to be asked to aid our friends in the region as they build democracy and economic prosperity, not simply because such is in the strategic interest of the United States, but also because of the many ties between our peoples I referred to at the outset. We know each other as buyers and sellers of goods and services; we know each other as allies in the defense of democracy. But millions of us in this hemisphere know each other on a personal, cultural, and sometimes familial basis, with some of those ties stretching back to our common and successful struggle to win our independence. We have accomplished much, each nation on its own, and much by working together. If confirmed, I look forward to working closely with you, Mr. Chairman, and the committee, in order to help continue this work for the benefit of all the Americas.

Please allow me to conclude my testimony by taking a moment to honor my parents and grandparents for all that they sacrificed so that I might be in a position to serve our country: Louis and Ernestine Bonicelli, Robert and Dorothy Ramsey, and Elizabeth Patterson; only my mother survives and she is not able to be here. Surviving the Great Depression, service in two wars, and a son who cost them seemingly endless education bills, they are prime examples of our country's good people who invest in others. They and my brother Matt and his family have always supported me. I'd also like to thank my friends who have constantly encouraged and uplifted me, some of whom attended the hearing today.

Mr. Chairman, I would be happy to answer any questions that you or the Senators might have for me.

Senator MENENDEZ. Those must have been the anonymous questions I got. [Laughter.]

Ms. Almqvist.

STATEMENT OF KATHERINE J. ALMQUIST, NOMINEE TO BE ASSISTANT ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOR AFRICA

Ms. ALMQUIST. Thank you, Mr. Chairman and distinguished members of the committee. I'm grateful for this opportunity to appear before you as the President's nominee for Assistant Administrator for Africa at the U.S. Agency for International Development.

I would like to thank President Bush and Ambassador Tobias for the honor of this nomination.

If confirmed, I will be fully committed to working with this committee and the Congress to ensure greater results and accountability for our programming of foreign assistance resources in Africa.

I'm thrilled to be able to share this occasion today with my parents, Ken and Janell Almqvist. I would like to acknowledge their role in raising me to care deeply about the world, to appreciate the

importance of public service, and to understand the responsibilities we shoulder as citizens of this great nation.

I have had the privilege of working at—with USAID for the past 6 years, first as senior policy advisor to former Administrator Natsios, then as Deputy Assistant Administrator for Africa, and, most recently, as Sudan Mission Director.

I am proud of the efforts and accomplishments of the hundreds of dedicated professionals serving in Africa and here in Washington that I have witnessed during this time; and, if confirmed, supporting their work will be my highest priority.

The perspectives and management experiences that I have gained at both the agency and bureau headquarters level, as well as from the on-the-ground reality of reopening and running the largest bilateral mission in Africa, I believe have prepared me for the challenge of stewarding the agency's bureau for Africa.

In addition, my 7 years of service with one of the world's largest nonprofit international relief and development organizations working extensively on African issues gives me an appreciation for the nongovernmental partners we rely on to implement so many of our programs in Africa.

If confirmed, I look forward to working not only with the non-governmental sector, but also with the private sector and other elements of civil society in the United States that care deeply about Africa.

Mr. Chairman, I have been a student of Africa for the better part of 17 years, and it has taught me many things. Africa has taught me to appreciate the great country that is ours and the freedom that most Americans take for granted. It has taught me the true value of the system of democratic governance that gives us not only the right, but also the ability to hold our Government accountable to the people who elect it. Africans, too, deserve to have leaders and systems of governance that are credible, capable, and responsive to the needs of the people, rather than regimes which prey upon their people and exploit their resources for the benefit of a few.

My experiences in Africa have also taught me to appreciate the depth and breadth of diversity that is Africa, to move beyond stereotypes and cliches, to see wisdom and value in cultures that are foreign to our way of living. The lesson that has perhaps been the most difficult of all, particularly as one coming from a nation used to solving problems, is to accept humility in not always being able to do so. Our responsibility, my responsibility, if confirmed, will be to contribute to marshalling the resources at our disposal, and to use them in partnership with Africans, who must bear ultimate responsibility for solving the problems of Africa.

That said, I firmly believe that we have never known a more favorable time than the present to build upon and consolidate the progress being made on the continent. Africa offers rich development potential, along with huge challenges, including widespread poverty, illiteracy, hunger, disease, environmental degradation, conflict, and poor governance. Addressing the challenges facing Africa is critical to U.S. security and regional stability. It is a region of great strategic importance to the United States, both in terms

of emerging markets and as a front in our efforts to stem and reverse the threat of terrorism.

Mr. Chairman, as you know, under the leadership of Secretary Rice and Ambassador Tobias the State Department and USAID have undertaken a series of reforms designed to improve the effectiveness of our foreign assistance programs and make it easier for us to coordinate our assistance and track results. Of course, the nations of sub-Saharan Africa vary widely in terms of their relative state of development. If confirmed, I will ensure that assistance strategies support United States Government foreign policy objectives, are grounded in the context of the specific country in question, are developed collaboratively with those who have the most at stake in their success or failure, our African counterparts, and, most importantly, I will ensure that our programs achieve results and reach the poorest and the most vulnerable.

In the words of President Bush, "We share with Africans themselves a vision of what the continent can become, a model of reform, a home to prosperous democracies, and a tribute to the strong spirit of the African peoples." This vision is necessary, realistic, and already on its way to achievement.

If confirmed, Mr. Chairman, I would like the committee to know that I will work tirelessly to make this vision a reality. I would look forward to working with the Congress and my colleagues at USAID and other agencies in carrying out our foreign assistance strategy in Africa.

Mr. Chairman, I would like to thank you and the committee for considering my nomination, and I would be happy to answer any questions you may have.

[The prepared statement of Ms. Almquist follows:]

PREPARED STATEMENT OF KATHERINE J. ALMQUIST, NOMINEE TO BE ASSISTANT ADMINISTRATOR OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT OF AFRICA

Mr. Chairman and distinguished members of the committee, I am grateful for this opportunity to appear before you as the President's nominee for Assistant Administrator for Africa at the U.S. Agency for International Development (USAID), and I would like to thank President Bush and Ambassador Tobias for the honor of this nomination. If confirmed, I will be fully committed to working with this committee and the Congress to ensure greater results and accountability from our programming of foreign assistance resources in Africa. I am thrilled to be able to share this occasion with my parents, Ken and Janell Almquist. I would like to acknowledge their role in raising me to care deeply about the world, to appreciate the importance of public service, and to understand the responsibilities we shoulder as citizens of this great Nation.

I have had the great privilege of working with USAID for the past 6 years, first as senior policy advisor to former Administrator Natsios, then as Deputy Assistant Administrator for Africa, and most recently as Sudan Mission Director. I am proud of the efforts and accomplishments of the hundreds of dedicated professionals serving in Africa and here in Washington that I have witnessed during this time and, if confirmed, supporting their work will be my highest priority. The perspectives and management experiences that I have gained at both the Agency and bureau headquarters' level, as well as from the on-the-ground reality of reopening and running the largest bilateral mission in Africa, I believe, have prepared me for the challenge of stewarding the Agency's Bureau for Africa.

In addition, my 7 years of service with one of the world's largest nonprofit international relief and development organizations, working extensively on African issues, gives me an appreciation for the nongovernmental partners we rely on to implement so many of our programs in Africa. If confirmed, I look forward to working not only with the nongovernmental sector, but also with the private sector and other elements of civil society in the United States that care deeply about Africa.

Americans are perhaps more aware than ever of events taking place in Africa, whether as a result of the intense spotlight currently focused on Darfur, or due to the interest of celebrities in improving the lives of African children. The challenges and opportunities present in Africa today are far greater than we can respond to, even with the generous level of official United States assistance to Africa provided by American taxpayers. As a result, working with all sectors of American society with an interest in improving the lives of Africans is a must. Mr. Chairman, if confirmed, I will see my role as Assistant Administrator as one of building bridges between the United States and Africa, working closely with Assistant Secretary Frazer, not only to represent the interests of the United States to the people and Governments of Africa, but also to represent the issues and concerns of Africa to the American people.

Mr. Chairman, I have been a student of Africa for the better part of 17 years, and it has taught me many things. Africa has taught me to appreciate the great country that is ours and the freedom that most Americans take for granted. It has taught me the true value of the system of democratic governance that gives us not only the right but also the ability to hold our Government accountable to the people who elect it. Africans, too, deserve to have leaders and systems of governance that are credible, capable, and responsive to the needs of the people, rather than regimes which prey upon their people and exploit their resources for the benefit of the few. Democratic elections were held recently in the Democratic Republic of the Congo, Liberia, Benin, Mali, and Senegal, bringing the total number of countries in sub-Saharan Africa witnessing a peaceful, democratic transition to 33, or about two-thirds of the total. Over the past 10 years, civil liberties have improved markedly in 21 sub-Saharan African countries; and political rights have shown substantial gains in 15 countries. Yet more work remains to be done.

My experiences in Africa have also taught me to appreciate the depth and breadth of diversity that is Africa, to move beyond stereotypes and clichés, to see wisdom and value in cultures that are foreign to our way of living. The lesson that has perhaps been most difficult of all, particularly as one coming from a nation used to solving problems, is to accept humility in not always being able to do so. Our responsibility—my responsibility, if confirmed—will be to contribute to marshalling the resources at our disposal and use them in partnership with Africans who must bear ultimate responsibility for “solving” the problems of Africa. Africa must chart its own course; we must determine how best to partner with the people of Africa to end the unspeakable tragedies and advance the limitless possibilities inherent on the continent.

In this regard, the emergence of the African Union (AU), a considerably more dynamic and forward-looking institution than its predecessor, the Organization of African Unity, is one of the most important developments in Africa in recent decades. Along with the Regional Economic Commissions, the Africa Union is providing a forum for the development of African policies, programs, and strategies to address African problems. Africans are also increasingly willing and able to hold themselves accountable, as evidenced by the slow but steady progress of the African Peer Review Mechanism (APRM). These and other institutions are gradually making a major contribution toward assisting African countries to develop the good governance and stability needed to ensure that their people can enjoy the fruits of democracy, peace, and prosperity.

Mr. Chairman, as you are well aware, Africa is a region of extreme need and great promise. I firmly believe that we have never known a more favorable time than the present to build upon and consolidate the progress being made on the continent. Africa offers rich development potential, along with huge challenges, including widespread poverty, illiteracy, hunger, disease, environmental degradation, conflict, and poor governance. Addressing the challenges facing Africa is critical to United States security and regional stability. Africa is the world's second largest and most populous continent, after Asia, and is a region of great strategic importance to the United States, both in terms of emerging markets and as a front in our efforts to stem and reverse the threat of terrorism.

In addition, the United States shares a unique heritage and cultural bond with the people of sub-Saharan Africa. For these reasons, the United States has assumed a leading role in meeting the commitments to Africa the G-8 nations made in 2005 at Gleneagles, Scotland. The United States is making meaningful progress in several areas critical to the continent's development such as education, food security, trade promotion, environment, and protection of women. In particular, the United States Government has committed significant resources and support to fight two of the greatest challenges in Africa, HIV/AIDS and malaria.

Mr. Chairman, as you know, under the leadership of Secretary Rice and Ambassador Tobias, the State Department and USAID have undertaken a series of reforms

designed to improve the effectiveness of our foreign assistance programs and make it easier for us to coordinate our assistance and track results. Our shared transformational development goal is to "help 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." Of course, the nations of sub-Saharan Africa vary widely in terms of their relative state of development. Consequently, USAID's strategies begin by taking country context into consideration in each of our strategic objectives, with the goal of helping countries advance along the road of development in each crucial sector. If confirmed, I will ensure that assistance strategies support United States Government foreign policy objectives, are grounded in the context of the specific country in question, and are developed collaboratively with those who have the most at stake in their success or failure, our African counterparts. Most importantly, I will ensure that our programs achieve results.

While we are making progress, there is still so much to be done in sub-Saharan Africa to build upon our accomplishments; we can do even more to address the startling needs of the continent, while, at the same time, take bold steps to increase the security and well-being of our citizens here at home. In the words of President Bush: "We share with Africans, themselves, a vision of what the continent can become—a model of reform, a home to prosperous democracies, and a tribute to the strong spirit of the African peoples." This vision is necessary, realistic, and already on its way to achievement.

If confirmed, Mr. Chairman, I would like the committee to know that I will work tirelessly to make this vision a reality. I would look forward to working with the Congress, and my colleagues at USAID and other agencies to carrying out our foreign assistance strategy in Africa.

Mr. Chairman, this concludes my testimony. I would like to thank you and the committee for considering my nomination, and I would be pleased to answer any questions you may have.

Senator MENENDEZ. Thank you very much.

Thank you all for your statements. Since we have a large panel here today, I'm going to start, at least in the first round—I don't see other members, but we don't know if they'll arrive, and the time will expand to 7 minutes, and then if, in fact, there are other questions, I'm sure Senator Lugar will be able to pursue that, based upon how many people show up and—with votes on the floor. So, I'll start with myself.

Mr. Kunder, I had the opportunity to talk to you about some of the issues I am concerned about, and you have addressed some of them. I want to build upon our discussion and ask you, In the process—you had a unique opportunity in Iraq reconstruction, looking at Afghanistan, as well—in that process, when the reconstruction phase started in Iraq, what role did USAID play in overseeing programs? Was there collaboration between the Department of Defense and USAID? And were USAID officials who had experience in development consulted on these major reconstruction initiatives?

Mr. KUNDER. Well, first of all, as you well know, General Garner went out to Iraq during the early stages, and it was assumed that we were going to have a more or less classic relief and recovery operation, and, during that phase of the operation, the coordination with USAID, I would say, was excellent. Once the Coalition Provisional Authority system was established, the USAID team which was on the ground in Baghdad continued to play some part in that operation, but clearly the central planning was done by the Coalition Provisional Authority, with strong backstopping here from the Department of Defense.

I think our opinions were solicited in many cases, and listened to in some cases, but the model that was established at the time seemed to make sense in the context of the time. This was before

the insurgency really started getting some traction, and the model was that we were going to take a whole-of-government approach. It was not going to be a classic State Department lead, USAID do most of the reconstruction; rather, we were going to get a lot of departments and agencies involved, and it was going to look more like General McArthur's reconstruction of Japan at the end of World War II.

So, I would say we played a role, but it was a relatively small role during the—

Senator MENENDEZ. And the reason I asked you that is because, after having sat down with the special inspector general for Iraq reconstruction, I'm not sure that that was the appropriate role. What lessons do you think we learned from it?

Mr. KUNDER. We learned the lesson—primary lesson, I believe, sir, is that the civilian side of the U.S. Government needs to have a standing capacity with the kind of technical experts we need to respond quickly if our forces are deployed overseas. We have learned an important lesson, I believe, at USAID, in establishing the Office of Foreign Disaster Assistance. There was a time when we did not have such a natural-disaster response capability, and the U.S. Government tended to operate on a pick-up basis when there was a natural disaster. Now we have a group of people that are on standby. If there is flooding in Africa tomorrow morning, our teams will deploy quickly and we will draw resources from the warehouses we have around the world. In my view—and this is something that Senator Biden and Senator Lugar have been pushing—we need to have a similar standby capacity to respond in conflict situations. We don't need to be drawing people from the civilian sector right in the middle of the crisis. We need these folks on standby.

Senator MENENDEZ. Let me build upon that with a question to you, Mr. Menarchik. In your testimony, you mentioned that you're keenly interested in deepening USAID's engagement with the Department of Defense. And, while I certainly encourage collaboration, I'm concerned, in light of the Department of Defense's reconstruction efforts in Iraq, whether that is always in the best interest. And so, how do you, if you are confirmed, how do you envision that cooperation? How do you envision expanding, specifically, USAID's engagement with the Department of Defense?

Dr. MENARCHIK. Thank you for that question, sir. In fact, USAID and the Defense Department have been working for decades together very closely, especially in humanitarian assistance/disaster assistance activities. Oftentimes, however, these were pick-up games. USAID would arrive, DoD would arrive, bring in the assets and attempt to work together. I argue that we need to be able to set up plans, practice together, work together, train together in the humanitarian assistance and disaster assistance arenas. We have been developing that capability over some time now. I argue it needs to be institutionalized.

Within the conflict and post-conflict situations, as Mr. Kunder has explained, I argue that we need a standing capacity on the civilian side to be able to engage in reconstruction efforts in a conflict and post-conflict area. Again, we have a pick-up game in the midst of a crisis, bringing elements from the civilian community to-

gether, inserting them into a situation in which I believe they are not adequately prepared.

In order to develop this, we should identify folks, train people who are specialized in conflict and post-conflict situations; work with, train with, all elements of the government who would be deployed in these circumstances so that we have a crisis response development capacity.

My own experience was looking back in the days of Vietnam, when we had USAID and the CORDS program, when, in fact, we had 3,000 to 4,000 USAID development folks stationed in Vietnam. They were linguists. They were able to deliver development on the ground in the midst of a conflict. They were able to work with our military counterparts. I would argue that that kind of a model is something we should be looking at.

Senator MENENDEZ. I think our challenge is improving coordination, but, at the same time, not sacrificing independence or integrity in the process. And how one achieves that is incredibly important.

Dr. Bonicelli, I enjoyed when I was in the House International Relations Committee, working with you. The President is in Latin America right now, as we speak, so I won't get into a full discussion of my views about that, in terms of Latin America. But you're going to head a very important part of the world. Our problem is, is that it seems to me the Millennium Challenge Account, while very worthy, moves us in a direction in which it only takes—at least as it relates to Latin America—4 percent of Latin America's poor, which means that nearly 213 million go untouched by the Millennium Challenge Account. And yet, some of our core development funding in this respect continues to get cut. How does one meet that challenge in the process of heading the Latin American and Caribbean division?

Dr. BONICELLI. Yes, Senator. I think the challenge is to respect that the Millennium Challenge Account, that the compacts, make all the difference in the world for sustainability—that is the goal—but to make sure that the core AID budget is focused on those countries that are making gains, making progress, can be ready for threshold programs, can then be ready for compacts. That has been the purpose over this last year for the fiscal year 2008 budget process, is to find where gains have been made, where countries are close to being able to move into another category so that a different kind of targeting of aid can be done, resources can be focused on consolidating gains, and keeping them. In large measure, many of these countries, it is—it's consolidating the gains in democracy more than anything. The OECD indicators have been encouraging in several of these countries, in many areas, except for governance. And so, that's why there is an increase in governance in 2008, a 5 percent increase, to get them ready to go further.

The process has been to look for gaps where they need core development funds to keep moving them.

Senator MENENDEZ. It is clearly an enormous part of the world in which domestic interests on undocumented immigration, on the questions of narcotics trafficking, on the questions of creating greater markets for U.S. services and products, on the question of making sure that we don't continue to see the devastation of the

Amazon and its rainforest, in terms of global warming. Incredibly important part of the world, and we look forward to working with you.

Ms. Almquist, my time is up for the moment, so my lack of a question to you is not out of disinterest. We had a very good conversation and I am very impressed with your background. But I'll yield to Senator Lugar, and then, if we have time, I have a question for you.

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

Mr. Kunder, please describe the role of USAID in reconstruction in southern Sudan, and humanitarian efforts in Darfur. I ask this, because I want some idea of how coordination works with the State Department Office of Reconstruction and Stabilization, or, for that matter, with other agencies. We have an outpouring of American citizens who are very hopeful that our Government can be successful in bringing relief to the people there. You are in a good position to describe where the procedure is currently, organizationally, because it is multifaceted.

Mr. KUNDER. Specifically as to CRS, sir?

Senator LUGAR. Yes, but—in any other agency that—

Mr. KUNDER. Yes.

Senator LUGAR [continuing]. You see intersecting with your mission.

Mr. KUNDER. Well, sir, I feel a little hesitant, because I know you know a great deal about this topic, but—what the U.S. Government recognized when it created the Office of the Coordinator for Reconstruction and Stabilization at the State Department several years ago was that many aspects of the U.S. Government have contributions to make in a humanitarian crisis or in a post-conflict situation. I mean, clearly we deliver food assistance, but the United States Department of Agriculture has something to contribute. We work on democracy and governance issues, but the Justice Department and its ICITAP police training program has much to contribute, as well—our Commerce Department, our Department of Health and Human Services, as well as, of course, many bureaus within the State Department. And I think the widely held perception was that these organizations came together in a somewhat ad hoc fashion, that there were neither established coordination structures nor standard operating procedures to guide how they came together.

And I should say, in tribute to many dedicated civilian employees of the U.S. Government, in all these institutions it was not always a catastrophe; people found each other in the middle of a crisis, they developed ad hoc, but sometimes effective, ways of working together. But the underlying principle in the Office of the Coordinator for Reconstruction and Stabilization was that one entity would be established within the State Department to provide ongoing coordination. The State Department was seen to be the logical place, because that's also where we have the institutional ties to the U.N. and to the international organizations for the diplomatic aspects of crisis management.

I think, at this point, there has been a very great deal of progress made in the last 10 years, in terms of better interagency training, certainly between the civilian and the military side of the

U.S. Government. But I do not yet believe, sir, that we have achieved the objectives and the vision that we had when we created the CRS office several years ago.

Senator LUGAR. Now, how does this pertain to Darfur?

Mr. KUNDER. Specifically in Darfur, now on the ground, we've got excellent—and, of course, I'm sitting next to the expert on Darfur here, Kate Almquist—but we have excellent coordination between the Africa Bureau of the State Department and our own USAID Africa Bureau, with Kate on the ground in Khartoum. CRS has begun to do some work there, but CRS is not, at this point, providing the overall coordination in Darfur and Sudan that I think was envisioned when it was created several years ago.

Senator LUGAR. Let me ask for the aid of Ms. Almquist on Darfur. What is happening in Darfur, and what should we do about it?

Ms. ALMQUIST. Well, Darfur continues to be a very grave situation, as the many daily press reports, I think, back here in the United States, tell the story. We are providing massive humanitarian assistance right now in Darfur. We're the largest bilateral donor, by a longshot, and our food assistance and our nonfood assistance are critical to ensuring that the 3 million, or more, conflict-affected people in Darfur continue to survive. We're actually—somewhat contrary to the news reports, frequently we're surprised by the humanitarian indicators in Darfur, which show a better situation for more people in Darfur than in some other parts of the country which don't have the same dynamic going on, in terms of the conflict, but also receives less attention in terms of assistance. Eastern Sudan, for instance, has worse statistics of malnutrition than Darfur does, and that's thanks, in large part, due to this massive international humanitarian response, largely funded by the United States. So, that, of course, is critical to continue for as long as this crisis exists.

But we haven't yet begun the reconstruction phase in Darfur. We are still not post-conflict. And, in fact, we'll have a donor meeting next week, called the Sudan Consortium, where Darfur's reconstruction will be on the agenda, the possibility of it. But the planning has, in essence, been stopped, because of the worsening security situation last summer and through the fall.

As soon as the security situation can be improved—and there is much work being done by the Special Envoy and the State Department on that front—and as well as on the political process in Darfur, then the reconstruction planning can go forward.

CRS has been critical in filling gaps for the Embassy, in particular, in Darfur. They have provided surge capacity in the form of their Active—I think it's their Active Response Corps—ARC, I believe, is the acronym they have. And they have had officers on the ground in Darfur supporting the Embassy's efforts, in terms of covering the political process and the reality, working alongside of our Darfur field officers from USAID. So, we're working very hand-in-hand out in El Fashir and Nyala, on a regular basis in these regions of Darfur, and that will be important as we proceed into reconstruction planning.

But critical right now: humanitarian response, stepping up the political process to bring more people onboard with the Darfur

Peace Agreement, and, of course, solving the security situation through the efforts to improve the peacekeeping on the ground, and to bring all the rebels and parties into the cease-fire. Those are the three main things.

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

Senator MENENDEZ. Thank you, Senator.

I have one or two more questions. Then, if Senator Lugar has any more after that—Ms. Almqvist, I want to pursue Senator Lugar's line of questioning. In a published report last week, "A high-level mission from the Human Rights Council to address the human rights situation in Darfur and the needs of the Sudan described a grave and deteriorating situation." And a conclusion—part of the conclusion of their study states, "Even after the signing of the Darfur Peace Accords, war continues, the human rights situation has further deteriorated, millions are displaced, at least 200,000 are dead, and conflict and abuse are spilling over into the border into Chad. Making matters worse, humanitarian space continues to shrink, humanitarian and human rights actors are increasingly targeted, killings of civilians remains widespread, including in large-scale attacks."

Now, you've been the Mission Director in the Sudan, and you've had the unique experience of working with the region firsthand. Do you have the same view as their conclusion?

Ms. ALMQUIST. Senator, I think that's a very accurate depiction of the situation on the ground. I do think that it's very much a roller coaster, and security goes up and down, and we go through phases where it's much, much worse, and then we go through phases where it calms down, for a variety of different factors, whether on the rebel side or the Government of Sudan side. We've just had another visit of the Special Envoy in the past week or so, and we traveled extensively through Darfur. I accompanied him while he was there. And we heard that the situation at that point was calm, but tense. We did intersect with this panel of experts in El Fashir, and had an opportunity to exchange notes with them. I think, overall, they've characterized it very well. But it does fluctuate and move up and down.

The question of humanitarian space for our partners on the ground that we rely on to deliver assistance is vital, at the moment. And so, while we've got a very successful humanitarian operation, if the—this humanitarian space—meaning, the bureaucratic impediments to their working and operating in Darfur—continues to close, that situation will reverse quite quickly, and then we will have a much more significant humanitarian disaster on our hands.

Senator MENENDEZ. Let me talk one more dimension of this, with reference to neighboring eastern Chad.

Ms. ALMQUIST. Yes.

Senator MENENDEZ. There's over 100,000 displaced Chadians, food assistance is being imperiled by a surge in violence and banditry. Most people in the volatile border area with the Sudan have been completely cut off from aid. And a U.N. statement released said, "If the situation continues, the humanitarian operation and welfare of the population it aims to support will be irreversibly jeopardized." Is that situation truly irreversible?

Ms. ALMQUIST. I'm sorry—

Senator MENENDEZ. Is that situation truly—

Ms. ALMQUIST. In eastern Chad?

Senator MENENDEZ [continuing]. Yes—irrevocable?

Ms. ALMQUIST. It's not truly irreversible, in my opinion. I think, again, things ebb and flow, and if we're not steadfast in pushing back on the different factors that are limiting our ability to get humanitarian assistance out, some things we can affect, like the bureaucratic impediments that the governments impose on humanitarian actors; some things are much more difficult to get at: the behavior of the so-called bandits, the Arab militias, the Chadian rebels, the Darfurian rebels. There's a multiplicity of actors—more and more, it feels like, every day, in terms of who's causing the insecurity in which region, whether it's in eastern Chad, just across the border in western Darfur; the situation in north Darfur and south Darfur each have their own dynamics. I think it is very serious, but I don't think it's hopeless, so we can certainly still get significant amounts of aid to most of the people who need it.

Senator MENENDEZ. Senator Lugar.

Senator LUGAR. I have no more questions, Mr. Chairman.

Senator MENENDEZ. With that, we thank you all for your appearance before the Committee, and I'm sure that the Chairman will be holding a business meeting of the committee for the purposes of reporting your nominations out.

We thank you all, and we wish you good luck in the process. Thank you. With that, you're dismissed.

The second panel—let's turn to our second panel, with nominees to serve as U.S. directors at various development banks and multilateral financial institutions.

As we talk about America's role in reducing poverty, we should recognize that our foreign assistance also extends to supporting multinational institutions that will improve the economies of other countries and directly aid in development. And that's why I believe that America has to continue to play a strong part in the major development banks and multilateral financial institutions that work towards this goal.

In this hearing, we look forward to specifically discussing the work of the International Monetary Fund, the Asian Development Bank, and the World Bank, as well as what our nominees intend to contribute to these institutions.

Let me—as our other nominees leave the room with their guests, let me welcome these nominees: Eli Whitney Debevoise, currently as senior partner at Arnold & Porter, who has been nominated to be the U.S. executive director to the International Bank for Reconstruction and Development; Meg Lundsager, currently the alternative executive director of the International Monetary Fund, who has been nominated to be the U.S. executive director of the International Monetary Fund; and Mr. Curtis Chin, currently working as a managing director for the international communications firm, Burson Marsteller, who has been nominated to be the U.S. director of the Asian Development Bank.

And I would recognize Senator Lugar, if he has any comments he'd like to make at this time.

Senator LUGAR. No, Mr. Chairman, I think we should proceed.

Senator MENENDEZ. Absolutely.

With that, we'll change the process here, and we'll start with Ms. Lundsager. And if you would—you have up to 5 minutes to make a statement. Your full statement will be included in the record. If you have anyone you want to introduce who's with you, we're happy to welcome them. And we will go straight down the line with the panel, in that direction.

Ms. Lundsager.

STATEMENT OF HON. MARGRETHE LUNDSAGER, NOMINEE TO BE U.S. EXECUTIVE DIRECTOR OF THE INTERNATIONAL MONETARY FUND

Ms. LUNDSAGER. Thank you very much, Chairman Menendez and Ranking Member Lugar.

First of all, I'd like to introduce my family, who's here with me today. My husband, John Baker, and my two children, Andrew and Eva Baker, who are out of school early today to join us here, so they're very pleased with that. My son is home from college. And my sister, as well, is here, Hanne Denney. I very much appreciate that she's taken off from her job to come join me here. And I would also very much like to thank my parents, who brought me to this great country many years ago, as you, Senator, and very pleased that I have now been nominated by President Bush to represent the United States at the International Monetary Fund.

If confirmed, I promise to work with this committee, the full Congress, the Secretary of the Treasury, Secretary Paulson, and the rest of the administration, in furthering U.S. foreign economic policy goals.

After many years at the Treasury Department, I am now serving as the alternate executive director at the IMF. In this capacity, I've sought to achieve U.S. foreign economic policy goals, and, if confirmed, will continue to pursue those reforms at the IMF that are a priority for the United States.

As you know, the mission of the IMF is to promote international monetary cooperation and to facilitate the growth of trade in order to generate high levels of employment and income in its member nations. Toward this end, the IMF has an important role in encouraging increased transparency and public policy, supporting market-based reforms to generate sustained growth and development, and advancing sound fiscal and monetary policies to strengthen government accounts and reduce the risk of crisis. With its near-global membership, the IMF is in a position to promote best practices in these areas. A good deal has been accomplished in the past few years. A strong IMF with a firm U.S. voice is important to continuing this work.

At the present time, the IMF is also undergoing fundamental change as it looks to revise its own tools for assessing a country's economic and monetary policies, including a country's exchange-rate policy. The United States strongly supports this effort; and, if confirmed, I look forward to working with my colleagues to realize these important reforms.

Mr. Chairman, throughout my Treasury career I've had the opportunity to see, firsthand, the dedication of administration officials and congressional leaders to strengthening the U.S. economy through our own domestic policies and our global efforts to foster

growth and financial stability in other countries. There is much we can still do to strengthen the global economy, and, if confirmed, I will seek to do my part at the International Monetary Fund to achieve further reforms in IMF policies and practices.

I would be very pleased to answer your questions.

Thank you.

[The prepared statement of Ms. Lundsager follows:]

PREPARED STATEMENT OF IION, MARGRETHE LUNDSAGER, NOMINEE TO BE U.S. EXECUTIVE DIRECTOR OF THE INTERNATIONAL MONETARY FUND

Chairman Menendez, Ranking Member Hagel, and members of the committee, thank you for the opportunity to appear before you today. I am honored that President Bush has nominated me to serve as the United States Executive Director at the International Monetary Fund, and if confirmed, I pledge to work with this committee, the full Congress, Secretary Paulson, and the rest of the administration in furthering U.S. foreign economic policy goals.

After many years at the Treasury Department, I am now serving as the Alternate U.S. Executive Director at the IMF. In this capacity, I have sought to achieve U.S. objectives and if confirmed, will continue to pursue the reforms that are a priority to the United States.

As you know, the mission of the IMF is to promote international monetary cooperation and to facilitate the growth of trade in order to generate high levels of employment and income in its member nations. Toward this end, the IMF has an important role in encouraging increased transparency in public policy, supporting market-based reforms to generate sustained growth and development, and advancing sound fiscal and monetary policies to strengthen government accounts and reduce the risk of crisis. With its near global membership, the IMF is in a position to promote best practices in these areas. A good deal has been accomplished. A strong IMF with a firm U.S. voice is important to continuing this work.

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Mr. Chairman, throughout my Treasury career I have had the opportunity to see firsthand the dedication of administration officials and Congressional leaders to strengthening the U.S. economy, through our own domestic policies and our global efforts to foster growth and financial stability in other countries. There is much we can still do to strengthen the global economy, and if confirmed, I will seek to do my part at the IMF to achieve further reforms in IMF policies and practices. I would be pleased to answer your questions. Thank you.

Senator MENENDEZ. Thank you.

Mr. Chin.

STATEMENT OF CURTIS S. CHIN, NOMINEE TO BE U.S. DIRECTOR OF THE ASIAN DEVELOPMENT BANK, WITH THE RANK OF AMBASSADOR

Mr. CHIN. Thank you, Mr. Chairman, Senator Lugar.

It's really an honor to be here today to be considered for confirmation as the U.S. executive director of the Asian Development Bank. I am, of course, also extremely honored to have been nominated by President Bush to serve our Nation at the ADB.

And I would actually like to take you up on the offer to introduce a couple of members of my family and friends who are here. Specifically, I'd like to recognize my father, Moy. He's a retired career U.S. Army officer, originally from the State of Washington, now working in healthcare. And my mom, Ethel, originally from Maryland, a retired nurse and, of course, long-time military wife and mom, who, with my dad, helped manage our ever-moving house-

hold from California to Arizona to Virginia and overseas U.S. postings in Taiwan, Thailand, and Korea.

Also here are my sister, Lisa, and her husband, my brother-in-law, Sam. Of particular note, Sam is a U.S. Army soldier. He arrived last Wednesday from his deployment with the 19th Engineer Battalion Headquarters Support Company in Iraq. I thank him for taking up one of his afternoons on, no doubt, a well-deserved 2-weeks leave before returning to Iraq next week.

Not here in person is my brother, Mark. He's also career U.S. military, who recently retired as deputy commander for administration at Evans U.S. Army Community Hospital in Fort Carson, Colorado.

Each of them have, in their own way, set an example of service to all of—for our communities and our country.

If confirmed to the post of U.S. executive director of the ADB, I look forward to continuing that tradition of service.

Over the many years that I have lived and worked in Asia, I saw, firsthand, the challenges posed by the tremendous poverty that continues to persist in the region. I also saw, as today's headlines from Afghanistan, India, Indonesia, Pakistan, and elsewhere, continue to show, how what happens in Asia can have tremendous consequences across the Pacific here in the United States. Strong continued engagement and involvement in Asia by the United States is vital and underscores the importance of a region that, while growing and dynamic, is still home to the vast majority of the world's poor, and still continues to face daunting challenges ahead.

The ADB's core mission is straightforward: promote sustainable, economic growth and eradicate poverty in the region. It must do this through economic programs that advance human development, private-sector growth, good governance, transparency, and the environment. The impact of the ADB, however, extends far beyond its basic mission of alleviating poverty and promoting economic development. The bank has played a significant role in promoting and financing economic revitalization and institutional development in Afghanistan. With U.S. support, it has also been instrumental in responding to natural disasters, serving not only as a financier, but as regional coordinator of recovery efforts from such devastating events these last 2-plus years as the tsunami in Asia and a major earthquake in Pakistan. In both cases, ADB efforts to rebuild and restore local economic activity have been vital to reconstruction efforts. Additionally, the ADB has provided assistance on anti-money-laundering practices in ways that counter the financing of terrorism. The ADB also has been working to combat human trafficking, especially of women and children.

If confirmed, I will bring the breadth and depth of my regional knowledge and management skills to support and advance the goals of the United States at this important regional financial institution. These goals include ensuring that the ADB is results-oriented, achieving measurable responsible development outcomes, as well as increasing transparency and accountability in the ADB's operations.

Mr. Chairman, Senator Lugar, thank you for the privilege of appearing before the Committee today. I would be pleased to answer any questions you or other members of the Committee have.

Thanks.

[The prepared statement of Mr. Chin follows:]

PREPARED STATEMENT OF CURTIS S. CHIN, NOMINEE TO BE U.S. DIRECTOR OF THE ASIAN DEVELOPMENT BANK, WITH THE RANK OF AMBASSADOR

Thank you, Mr. Chairman, Ranking Member Hagel, and members of the committee. I am honored to be able to come before this esteemed committee to be considered for confirmation as the U.S. Executive Director of the Asian Development Bank (ADB). I am, of course, also extremely honored to have been nominated by President Bush to serve our Nation at the ADB, and I welcome this chance to answer any questions you have.

Before proceeding, and with the Chairman's permission, I wanted to take a brief moment to thank the many family members and friends who have provided me support and guidance through my years in both the public and private sectors. Some of them are here today. In particular, Mr. Chairman, with your indulgence, I wanted to recognize some of my family present. First, my parents: my father, Moy—a retired career U.S. Army officer originally from the State of Washington, now working in health care—and my mother, Ethel, originally from Maryland, a retired nurse and of course longtime military wife and Mom who, with my Dad, helped manage our ever-moving household from California to Arizona to Virginia and overseas U.S. postings in Taiwan, Thailand, and Korea. Also here are my sister Lisa and her husband, my brother-in-law, Sam. Of particular note, Sam, a U.S. Army soldier, arrived last Wednesday from Iraq where he is deployed with the 19th Engineer Battalion, Headquarters Support Company. I would particularly like to thank Sam for joining us this afternoon and giving up a day of his no doubt well-earned leave before returning next week to Iraq. Not here in person but offering support from afar is my brother Mark, also career U.S. Army, who recently retired as Deputy Commander for Administration of Evans U.S. Army Community Hospital in Fort Carson, Colorado. All of them in their own way have set an example of service to our communities and our country.

If confirmed for the position of U.S. Executive Director to the ADB, I look forward to continuing that tradition of service. Over the many years that I have lived and worked in Asia, I saw firsthand the challenges posed by the tremendous poverty that continues to persist in the region. I also saw—as today's headlines from Afghanistan, India, Indonesia, Pakistan, and elsewhere continue to show—how what happens in Asia can have tremendous consequences across the Pacific here in the United States. Strong, continued engagement and involvement in Asia by the United States is vital and underscores the importance of a region that while growing and dynamic is still home to the vast majority of the world's poor and still continues to face daunting challenges ahead.

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Mr. Chairman, thank you for the privilege of appearing before this committee today. I would be pleased to answer any questions you or the members of the committee have.

Senator MENENDEZ. Thank you.
Mr. Debevoise

**STATEMENT OF ELI WHITNEY DEBEVOISE II, NOMINEE TO BE
U.S. EXECUTIVE DIRECTOR OF THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Mr. DEBEVOISE. Thank you, Mr. Chairman and Senator Lugar. I am grateful for the opportunity to appear before you today.

I do not have a long list of family members to present. Unfortunately, my wife and children couldn't be here, but my wife's family is represented through Spencer Dickerson, who's an in-law of my wife's.

If confirmed to this job, I hope to continue a tradition of public service in my family. My grandfather worked for John McCloy as his chief legal counsel in the American sector of Germany after the war. And my father served as attorney general of the State of Vermont.

I'm honored to have been nominated to serve as U.S. executive director at the International Bank for Reconstruction and Development. If confirmed, I will have the great privilege and responsibility to represent the United States at the World Bank Group institutions. I look forward to the opportunity to work with Secretary Paulson, the Treasury Department, and other executive branch agencies represented in and working through the Office of the U.S. Executive Director.

The World Bank Group is a global leader in economic development and poverty reduction both through its loans, credits, grants, guarantees, and investment insurance, and through its development knowhow and policy advice. If confirmed, I intend to strive to hold the bank to high standards, and to help the bank develop a strong institutional framework and ethos to make those high standards sustainable.

In my professional life, I have grappled with the challenges of economic development, whether through the lens of sovereign finance, international trade, cross-border lending and investment, debt-reduction operations, infrastructure finance, housing finance, development of domestic capital markets, or investor/state disputes. I've also worked to combat corruption. For my successful global efforts to recover the ill-gotten gains of corruption, I was awarded a Brazilian medal, the Order of Rio Branco.

Finally, I have experience with the International Center for the Settlement of Investment Disputes, an important forum for the resolution of investor/state disputes.

If confirmed, I will apply the lessons learned from these experiences at the World Bank institutions.

At a time when United States leadership in multilateral institutions is as important as ever, I look forward to the opportunity to represent the bank's largest shareholder. I also look forward to building a strong working relationship with this committee as I commit my energy and experience to the mission of economic development and poverty reduction in all corners of the globe.

Thank you, Mr. Chairman and Senator Lugar. I would be pleased to answer any questions you may have.

[The prepared statement of Mr. Debevoise follows:]

PREPARED STATEMENT OF ELI WHITNEY DEBEVOISE, II, NOMINEE TO BE U.S. EXECUTIVE DIRECTOR OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Mr. Chairman and members of the committee, I am grateful for the opportunity to appear before you today.

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Thank you, Mr. Chairman. I would be pleased to answer the committee's questions.

Senator MENENDEZ. Thank you, all.

Let me start with Ms. Lundsager. The—there have been questions by some countries, suggesting that the IMF have a few richer countries not being responsive to the concerns or needs of other countries. And there's been some initial changes that the managing director has promoted, and others that have been talked about. The administration has said it would support, on an ad hoc—increases, if there's real reform over the overall governance system.

I would love to hear your sense of where future options for change goes, what steps that you think you would support. And do you think the concerns of the developing countries are being addressed at the IMF?

Ms. LUNDSAGER. Thank you, Mr. Chairman.

As you know, we have been seeking to achieve fundamental reform in the IMF. The first step was taken last fall, in late summer—excuse me—in Singapore, where we agreed to an ad hoc quota increase for four of the most underrepresented countries in the IMF. But part of our commitment in doing that was to achieve further fundamental reform in the governance structure of the IMF. And what we are seeking to do is to change the ownership shares, the structure of the board, and the membership to give the fast-growing emerging markets a larger voice, a larger share of the IMF. Doing this, of course, is not an easy process, because when you negotiate with a group of a hundred-and—over 180 members, and you're seeking to increase the shares of some, naturally there will be some whose shares then, out a hundred, will be going down. This is the difficulties—some of the issues we're facing now, as to

how to structure a system for determining membership shares that would fairly represent countries, represent their role in the global economy—we think it's best represented by a nation's gross domestic product—and to have enough countries agree, because we do need 85 percent of the membership to agree to any change in quotas so that we could have a more reflective board of directors, a more reflective set of membership shares. I think that the United States has received a lot of welcome recognition from the developing world for taking this position. Certainly in Singapore, there was much appreciation from many of the other countries, that we were willing to take the step, because, of course, we had to approve this, given our veto power over quota increases. And so, being an early advocate of this, and being a very constructive participant in these discussions last summer—and they will continue this year, as well, as we try and reach agreement among the membership; I hope, sometime this year or by early next year.

Thank you.

Senator MENENDEZ. Let me ask you about debt relief. Since 1996, the IMF has been participating in the Heavily Indebted Poor Countries. There are some—that were heralded as a positive thing. There are critics now raising concern about the success of debt-relief programs. What do you believe are the successes and failures of the program?

Ms. LUNDSAGER. Mr. Chairman, I think the program has been a very big success in a number of the countries that have benefited from it, because it has freed up domestic resources that, instead of paying back the international institutions, or paying back bilateral governments, they have used to devote increasing their domestic spending on a lot of basic human needs: health, education, other very important services for their own citizens.

At the same time, as part of the HIPC initiative, we look to countries to undertake a number of reforms. And I think what has benefited a number of them is the measures they have taken along the way as they've been trying to achieve—get to the completion point and achieve the full measure of the debt relief. They've undertaken a number of domestic reforms, in terms of how they prepare their domestic budget. Countries have to prepare a Poverty Reduction and Strategy Program, where they reach out to the various segments of their population to develop a national strategy that various members of the population agree on, in terms of how they will prioritize domestic spending, how they will allocate domestic resources, as well as the resources provided by the major donors. It's also been a vehicle for helping donors to coordinate better. This has been a difficulty in a number of countries, having donors coordinate. And so, it's—I think it's been an anchor for many of us, and I think we have achieved quite a bit.

At the same time, we're facing the challenge now as countries—we have—as we have greatly reduced the debt in a number of countries—is to try and make sure that they don't build up the debt again. Once the debt has been reduced, they certainly appear to be a good credit risk. And so, in many countries, we've tried, through persuasion and, of course, those countries that are still on IMF programs, to greatly limit, if not totally forego, any kind of commercial debt—debt on commercial terms—and also to be very

careful about even concessional debt they undertake so that we don't end up back in another highly indebted situation where we're then asked to reduce the debt again.

So, this is a very complex effort that we have to work with a lot of the other creditors on, so—and the IMF and the World Bank have worked closely together in coming up with an agreed debt sustainability analysis strategy so that countries can more effectively say to other creditors, “No, we can't undertake that project with that kind of financing. Can you please reconsider and make it concessional financing or grant financing?”

So, this is the challenge, going ahead, is making sure that the benefits we've reaped in the HIPC initiative are not lost and countries build up debt again.

Thank you.

Senator MENENDEZ. Mr. Debevoise, if you are confirmed, the sole voting position, as I understand it, for the United States at the World Bank, so it's obviously rather important. And this always happens when people who come from the private sector, you know, are asked to perform public service. There are some challenges in that process. I understand that you have performed legal services for many foreign countries and entities. And I also understand you pledge to try to take actions to make sure that all of the ethical and legal processes are cleared in that process. Have you considered how—certainly, as being the only voting member, how you're going to avoid the perceptions of personal biases towards countries which you have a longstanding relationship with? Let's say, Brazil, as an example. Have you given that thought, as you move forward?

Mr. DEBEVOISE. Thank you, Mr. Chairman.

Yes, I have certainly given that considerable thought. And I think it's important that the nature of the financing work I've been doing for some countries is understood. It basically consists of writing rather detailed descriptions of their economies in disclosure documents that are publicly filed with the Securities and Exchange Commission. But, yes, I'm going to abide by all of the requirements. And there is a procedure in place for an alternate to vote the shares of the United States in those few cases where I may still be subject to a restriction.

Senator MENENDEZ. A lot of people may not know that the bank has actually worked somewhat in Iraq. I don't know if you've been briefed on it, but I was wondering about some of the reconstruction projects that the bank has undertaken in Iraq. There's been some criticism about it as being too slow, the bank should be doing more. I was wondering if you had a view of that, if you've had an opportunity to formulate a view on that.

Mr. DEBEVOISE. Thank you, Mr. Chairman.

Obviously, that is a critical country, which has many economic development needs. And, if confirmed, I look forward to looking further into what the bank is doing there. My current understanding is that the bank manages a trust fund, which was established to receive funds from donors, and that it is involved in managing those resources, as, in fact, the bank does in many other post-conflict situations.

Senator MENENDEZ. Mr. Chin, I have questions for you, but I'm going to yield to Senator Lugar first, and I'll come back afterwards.

Senator Lugar.

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

Mr. Lundsager, my understanding is that the IMF currently is running at a loss. What should the IMF do to improve its revenues or reduce its costs? Why does it matter? What is the nature of the IMF with regard to profit or loss or cash flow? Can you describe the current predicament?

Ms. LUNDSAGER. Thank you. Yes, I can, Senator.

The IMF is in a situation where you might say it's a victim of its own success, where, because so many countries that were borrowing from the fund previously, and, therefore, paying us interest, that enabled us to earn the income we needed to pay our administrative expenses to cover our budget. Well, since many countries have greatly improved their debt situations, have been able to re-access capital markets for years now, and turn to more domestic forms of debt, they have paid back the fund. And some of them have paid back early. So, we have very low levels of credit outstanding right now; and, therefore, the income we're taking in from loans is less than our administrative expenses, this current fiscal year. So, we are running at a loss, this fiscal year, a small loss. And, as a result, we are going to be drawing on our reserves.

Now, during the past several years, while the IMF was lending, it built up reserves, retained earnings of \$10 billion. So, we're in a very comfortable position to cover any losses, for the time being, the next or two, while we sort out what the situation is. Will these countries maintain the good policies that have enabled them to avoid borrowing from the fund, or will they come back to the fund in the future? We don't know yet, so we'll have to see how that turns out.

And then, at the same time, we're undertaking a very important effort, a number of the members of the fund, to try and contain the expenditure side. And the managing director has been running a very tight budget. I expect, in the next few years, it'll have to be even tighter so that administrative expenses, the increase, is kept at a very low level. As a matter of fact, they're going to—there's going to be a bit of a real contraction at the fund over the next couple of years. But, for the time being, due to a very high reserves, it won't be a problem, and then we'll have the time to sort out, over the longer term, what the right solution is.

Thank you.

Senator LUGAR. Well, it's an extraordinary situation that most observers had not predicted. For example, the Russians have made extraordinary payments to the IMF, and are very proud of that fact, that revenues from energy resources have changed the whole complexion of that. It is fascinating that because all of this money was paid back unexpectedly, suddenly the revenues you had anticipated from the interest are gone, and your—

Ms. LUNDSAGER. Exactly.

Senator LUGAR [continuing]. Portfolio has been reshuffled drastically. I appreciate your response regarding the availability of reserves.

Ms. LUNDSAGER. Right.

Senator LUGAR. Let me ask you, Mr. Chin. This committee, as perhaps you know, in discussing the Asian Development Bank, has

cited specific cases in which we believe there had been substantial corruption. Witnesses have traced the situation in which monies would have gone to projects, but, in fact, the road didn't get built or the river was not dredged or whatever. How do you plan to keep a sharp eye out on this? Has the situation materially changed, in your judgment? And, if not, how can leadership from the United States, through your person, make a difference?

Mr. CHIN. Thank you, Senator Lugar, for that question.

Indeed, corruption and fighting corruption are critical issues that we're going to have to continue the push forward. You know, if confirmed, that's clearly an issue that I'm going to keep focused on. You know, today I've been briefed by some of the people at Treasury, as well as the previous positions in the role that, if confirmed, I would take up, including Ambassador Speltz, who clearly spoke about some of the issues that he testified before you and the committee on previously. That's clearly a critical issue. It will remain a priority for me, should I be confirmed for this job.

Senator LUGAR. Well, thank you very, very much.

I'm going to yield to you, Mr. Chairman. I know the vote has commenced on the floor, and perhaps you have additional questions.

Senator MENENDEZ. Thank you, Senator.

Mr. Chin, I want to pursue the questions that I pursued with Mr. Debevoise, because I just, for the record's purposes, want to make sure we have it clear. You, in your role—as a managing director in your present role, I understand that you have worked in, and are working, on a team that serves Hong Kong among other items promoting Hong Kong's commercial reputation and encouraging foreign investment. I also understand you are currently registered as a foreign agent for Hong Kong as part of that work. And I also understand that contract's going to close at the end of March and that you're taking steps to deal with both the legal and ethical issues that may be involved with that. And I presume you will do all the correct things in that respect.

Now, having said that, how will your past work, promoting the economy and tourism of Hong Kong, be perceived, in your mind, by others in the bank? And how will you manage the relationship with Hong Kong in order to avoid being perceived as having a bias in that context?

Mr. CHIN. Thank you, Mr. Chairman, for that question.

Yes, indeed, I am part of a team now, at Burson Marsteller, serving the Hong Kong Economic and Trade Office, a contract that does end this March—the end of March. I have been in conversations with both the committee members, staff, as well as the ethics officer, and the steps I'll be taking will include recusing myself for a year on all matters related to the Hong Kong Government. Also, as a further step, my alternate, if confirmed, Paul Curry—we've also spoke—and he will be addressing any issues that would come up related to Hong Kong, should they be—come before the board.

Senator MENENDEZ. Let me ask you—I'm glad to hear that—let me ask you, with reference to your very significant resume. I'm trying to see the connection between the development field and your resume. And so, why don't you share with the committee some of your insights as to how you believe you'll be able to meet the chal-

lenges of the U.S. director at the Asian Development Bank, because obviously its mission is to use the bank's wherewithal to create development opportunities inside of Asia.

Mr. CHIN. Absolutely. Thank you, Mr. Chairman.

If you look at my resume—and I would—just to share a couple of highlights of what I—the skills I think I will bring, if confirmed to the post, will include a very good understanding of the Asia-Pacific region, as well as the management skills that are very important, particularly in pushing our U.S. policy objectives with regards to good governance, anticorruption efforts. Some of the specific efforts I've been involved with in my present job include work, in terms of rollout of codes of conduct, corporate governance issues, and particularly leading our efforts in the area of corporate responsibility, exploring that nexus of public-sector and private-sector goals and needs, and where do they come together. This work has ranged from development issues in Asia to development issues based here in the United States, dealing with Asian issues.

Senator MENENDEZ. And I have one last question for you. In your written statement, you mention the firsthand challenges posed by the tremendous poverty that continues to persist in the region. In your mind, as you move to this position, what's the greatest challenge to addressing the poverty plaguing many of the people living—living in Asia and the Pacific? And how do you see the role of the bank coming into play in meeting that challenge?

Mr. CHIN. Clearly, Mr. Chairman, any dollar that, because of corruption, does not go to help address some of these development issues, is a dollar wasted, a dollar lost. And I think the—a key role of the exec director, if I were confirmed for that post, is really to drive that issue. Where is the money going? And is the ADB being accountable to where that money goes? Really, I think that will be my—one of my key focuses, if I were confirmed as this position.

Senator MENENDEZ. So you see that as one of the major challenges for development taking place in the region?

Mr. CHIN. Absolutely. Absolutely. A dollar wasted, you know, does not get to where we want it to be, in terms of either spurring private-sector investment or ensuring a system in place that will allow for development dollars to go—

Senator MENENDEZ. And after that—

Mr. CHIN [continuing]. Where they need to be.

Senator MENENDEZ [continuing]. What would you say is the next biggest challenge?

Mr. CHIN. One of the challenges also is the issue of cooperation across borders. And one of the things that the United States has been pushing for is greater regional integration initiatives in the region so that, again, that money isn't spent to duplicate issues, whether one institution is funding something and another one could also be funding.

Senator MENENDEZ. Senator Lugar, do you have anything else?

Senator LUGAR. No, thank you.

Senator MENENDEZ. All right.

Let me thank you, all, for testifying before the committee and, of course, your willingness to serve the country. These are important positions.

The record will remain open for 2 days so that committee members may submit additional questions to this panel of nominees, as well as to the previous panel of nominees. And we would certainly ask, if any member chooses to submit such questions, that the nominees would respond expeditiously to those questions.

Senator MENENDEZ. With that, with no additional comments, the hearing is adjourned. Thank you very much.

[Whereupon, at 4:30 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF KATHERINE J. ALMQUIST TO QUESTIONS SUBMITTED
BY SENATOR JOSEPH R. BIDEN, JR.

RULE OF LAW

Over the past decade, we've seen massive human rights violations across sub-Saharan Africa. With some notable recent exceptions, these crimes have gone uninvestigated—much less prosecuted—leading to a climate of impunity that encourages future abusers.

Question. What can USAID do to strengthen the rule of law in Africa? What type of support are we providing in the justice and rule of law sectors in countries to enhance their capacity to investigate and prosecute crime?

Answer. Rule of law is essential to democracy and representative government. Laws provide the infrastructure that limits the absolute power of the state, ensure equal treatment of all citizens, and guarantee rights, such as freedom of speech, that are essential to the democratic process. For these reasons, USAID focuses on strengthening the rule of law in several key African countries. In Liberia, Nigeria, and Ethiopia, for example, USAID works with local universities and bar associations to expand legal education for judges, prosecutors, and lawyers, as well as supporting mobile courts and legal resource centers to provide citizens with greater access to justice. In South Africa, USAID has facilitated public-private partnerships between key companies and the court system to crack down on white-collar crime. USAID also supports the Zimbabwe Lawyers for Human Rights in providing legal protection and counseling for hundreds of victims of torture, violence, and other forms of state-sponsored intimidation by the Mugabe regime.

In addition, USAID collaborates closely with other United States Government agencies to deliver rule of law programs in Africa. Most notably, USAID is implementing components of the Women's Justice and Empowerment Initiative (WJEDI), under the leadership of the Department of State and in collaboration with the Department of Justice. The WJEDI seeks to raise awareness about gender-based violence, strengthen legal frameworks and judicial systems to enforce women's rights, and provide care and treatment for victims of violence and abuse in four African countries: Benin, Kenya, South Africa, and Zambia. USAID expects to issue competitive solicitations for the awareness raising and victim support components in April. USAID also collaborates with the State Department to combat trafficking in persons in Africa, as well as administer the Democracy and Human Rights Fund, a small grants program that provided financial support to approximately 200 African human rights organizations in fiscal year 2006.

RESPONSES OF JAMES R. KUNDER TO QUESTIONS SUBMITTED
BY SENATOR JOSEPH R. BIDEN, JR.

Question. In your current role as Acting Deputy Administrator, what are your major responsibilities?

Answer. The Office of the Administrator sets the policy and management agenda for the U.S. Agency for International Development's economic and humanitarian assistance programs, and ensures successful implementation of the agency's goals. The office is responsible for providing leadership, strategic direction, and management for the agency, which is managing more than \$14 billion in United States foreign assistance programs in Latin America, Europe, Asia, Africa, and the Pacific region. My specific responsibilities as Acting Deputy Administrator are to assist the administrator in day-to-day management of USAID. In my Acting capacity, I represent the agency at interagency meetings, such as National Security Council meetings on

issues ranging from Sudan, Kosovo, and Afghanistan to avian influenza and PEPFAR. Representing the administrator, I chair the Senior Management Group, which oversees the selection and placement process for Senior Foreign Service officers at USAID. At the direction of the administrator, I convene senior managers to discuss agency priorities and mechanisms to implement these priorities.

Question. What are the most important management concerns facing the agency, and how are you trying to address them?

Answer. The U.S. Agency for International Development must both respond to major reconstruction and humanitarian challenges, like Afghanistan and the Sudan, while maintaining a high priority on sustaining long-term development programs in more stable environments. At the direction of the administrator, I have been engaged in ensuring that program and personnel resources are correctly balanced between these two priorities. USAID is also reorganizing many internal procedures to ensure the agency is structurally aligned to meet the new foreign aid priorities established by the administrator in his role as Director of Foreign Assistance. In this regard, I have been working closely with Ambassador Tobias to examine, in consultation with the Congress, the optimal structures for human resources, budgeting, and office structure overseas. Finally, it is likely that USAID will continue to be called upon to manage humanitarian, reconstruction, and stabilization activities in conflict countries, and ensure the agency has the staff capacity and skill sets to meet these challenges. I have been working closely with colleagues at the Department of State (including the Office of the Coordinator for Reconstruction and Stabilization), the Department of Defense, other U.S. Government agencies, nongovernmental organizations, and international organizations, on how best to meet the challenges USAID faces in conflict and post-conflict environments.

Question. How would you rate morale at the agency? If you consider that it is not good, what measures are being taken to improve morale?

Answer. After 20 years of working in the development and reconstruction field, I remain an optimist about America's role in the world, and about the importance of the role assigned to the U.S. Agency for International Development. Most of my USAID colleagues feel the same way. According to the 2006 Federal Human Capital Survey, 88.8 percent of USAID respondents believe the work they do is important, and 83.3 percent like their work. There is, however, a certain level of anxiety among agency employees at this time, related to the many changes the agency is experiencing in the context of ongoing foreign assistance reforms. One of my first areas of emphasis since being appointed Acting Deputy Administrator has been, at the administrator's direction, to focus on human resources (HR) reform. Upgrading USAID's major HR systems is a priority, both to improve morale and to build the agency to better meet the challenges of the 21st century. In addition to institutional reforms, I have been focused on better communicating to USAID personnel, both in Washington and overseas, information on the current reform process, and its impact on planning, designing, budgeting, and monitoring foreign assistance programs.

Question. What are your strengths and weaknesses as a manager? What steps are you taking to improve areas where you consider that you have weaknesses?

Answer. In terms of strengths, I would bring, if confirmed, nearly 20 years of development and international crisis management to this position. Eleven of these years are with USAID, 3 years with an international nongovernmental organization, and 3 years as a consultant to international organizations. This diverse experience provides useful perspectives on the problems I am likely to encounter. In addition, my service as an officer in the U.S. Marine Corps provides useful background for the frequent contact USAID encounters with U.S. military forces. Among my management strengths, I care deeply about USAID's mission as part of the U.S. foreign policy process, and about USAID's staff, many of whom work in most trying circumstances. In terms of weaknesses, I need to understand more thoroughly the financial accountability systems in place at USAID, to ensure the taxpayers' dollars are being carefully programmed and accounted for. I have been working diligently to understand these systems in more detail and, if confirmed, plan to devote additional effort to mastering these systems. In addition, although I believe I appropriately delegate responsibilities, I need to ensure I provide clearly documented work objectives to subordinate managers. If confirmed, I plan to invest additional time in utilizing USAID's annual evaluation form system to ensure work objectives for those I manage are clear, achievable, and measurable.

Question. In the past decade, the agency has become more reliant on contractors and had fewer direct hires. Is this a positive development, in your judgment? What

measures is the agency taking to ensure that contractors are fulfilling administration and congressional policy objectives?

Answer. As noted in the question, USAID has limited direct hire resources. In the early 1960s and 1970s USAID's budget and staffing were aligned to allow the direct hire workforce to actually implement programs in developing countries. More recently, realignment of U.S. Government budget and program priorities has led to a reduction in our direct hire workforce implementing programs, and the increased use of contracts, grants, and American Personal Services Contractors. USAID aims to strike a balance between limited resources and required expertise with our mix of direct hires and contract staff. Our contractors provide cutting edge technical knowledge and surge capacity to address increasingly complex and urgent problems in increasingly dangerous areas. Our direct hire workforce continues to be responsible for inherently governmental duties, such as policy making and spending decisions.

USAID follows broader Federal procedures on rule-making and policy development that assure transparency and consultation with the public. Policy is promulgated to our workforce through general notices and training, reinforced with vigilance from general counsel, contracting officers, controllers, and our technical and program staff. Contractor compliance is assured by the monitoring of contractor performance and compliance. We also follow up and assess through an Evaluations Division in our Office of Acquisition and Assistance. Our ombudsman is available to contractors and grantees to respond to their concerns. As a final check, auditors review costs incurred and compliance as part of an annual review and through the close-out process.

In implementing OMB Circular A-76, USAID is examining whether specific outsourcing arrangements continue to effectively and efficiently serve our implementation needs. The administrator has recently required a review of Washington-based institutional contracts and is requiring implementation of efficiency measures as these contracts come up for renewal.

Question. What do you believe is the role of labor programming in advancing the promotion of democracy?

Answer. Labor programming can promote democracy in the following ways:

- By building the capacity of civil society organizations such as labor rights groups, legal advocacy networks, trade unions, and labor nongovernmental organizations (NGOs) to promote and monitor core labor standards, which strengthen the rule of law and access to justice.
- By strengthening the capacity of government institutions such as labor ministries and inspectorates, and labor courts to promote and monitor core labor standards and adjudicate labor grievances, which contributes to good governance and the rule of law.
- By strengthening the capacity of democratic, independent labor unions and organizations for policy analysis, advocacy, organizing, coalition-building, internal democratic governance, and membership representation and services; and improving organizational and financial capacity to ensure sustainability of these capacities.
- By supporting the mobilization and organizational activities of trade unions to empower people to take their own decisions, ensuring that the voice of the working poor is heard when decisions which affect their lives are made, and empowering workers to be active citizens with rights, expectations, and responsibilities.
- By strengthening the democratic culture of labor unions to act as incubators of democratic values, practices, and behaviors, including tolerance, inclusion, electing and holding accountable union leaders, demanding and exercising voice in policy, and other decisions which affect the membership.
- By supporting free and fair elections and political processes through workers' awareness and voter turnout campaigns, disseminating information, education, and promoting public debate, especially among women and other disenfranchised groups; participating in observation, monitoring, and external oversight of elections and other political processes; communicating with, contacting, and interacting with political parties toward gaining their endorsement of workers' interests.
- By supporting the interaction of democratically elected trade union leaders with national and local government officials in representative and participative processes (especially tripartite processes) designed to effectively identify and respond to workers' preferences for government services and policy positions.

Question. The President's budget request for fiscal year 2008 shifts funds from the DA account to the ESF account, and also shifts alternative development funding in the Andean region from the ACI account to the ESF account. What is the rationale for this shift? What will be the effect of the Nethercutt amendment related to the International Criminal Court, if it is enacted as part of the fiscal year 2008 appropriations act?

Answer. In the fiscal year 2008 budget request, we sought to maximize the use of account authorities and establish clear priorities in support of effective implementation of foreign assistance programs. We, therefore, matched accounts with country circumstances and the priorities the country categories are designed to address.

This means that, overall, funding for Development Assistance (DA), which has traditionally supported poor countries that demonstrate performance or a commitment to development, has been prioritized to Developing and Transforming countries. Economic Support Funds (ESF), which focus primarily on providing economic support under special economic, political, or security conditions, has been prioritized to support activities in the Rebuilding and Restrictive Country Categories.

The intent in shifting funds from DA to ESF is to draw cleaner lines around their use, as identified by country characteristics. These cleaner lines allow us to justify to Congress why we have requested amounts for each account. The shift is in no way reflective of a reduced prioritization of development activities. To the contrary, total funding in the three objectives supporting long-term development increased by approximately \$100 million from fiscal year 2006 levels in the fiscal year 2008 budget request.

In the fiscal year 2008 budget request, we have allocated \$192.5 million in ESF for Alternative Development, which was previously funded with the Andean Counterdrug Initiative (ACI) account. This shift provides a clearer distinction between the uses of funds for "hard side" (ACI-funded) and "soft side" (ESF-funded) activities in support of our counternarcotics objectives in the Andes.

If the Nethercutt amendment appears in the fiscal year 2008 appropriations act, we will carefully examine programs that might be affected and we will make recommendations to the President to waive this prohibition where necessary. In accordance with this provision, we will notify Congress of the exercise of any waiver authority.

Question. What is your view on the importance of competition in contracting? Please provide information on the percentage of contracts that were subject to full and open competition in fiscal years 2004, 2005, and 2006.

Answer. Full and open competition is the standard for USAID contracting. Competition ensures that USAID programs benefit from the best products and services offered at competitive market prices. On occasion, the standard of full and open competition cannot be met due to the urgent nature of the technical program requirement. However, in all such cases, USAID requires justification for the level of competition used, most frequently accompanied by review and approval by higher management in accordance with law and regulation.

The percentage of contracts, expressed in percent of total dollars, subject to full and open competition in fiscal year 2004 was 93 percent, and in fiscal year 2005, 94 percent. We are still gathering data on figures for fiscal year 2006.

RESPONSES OF KATHERINE J. ALMQUIST TO QUESTIONS SUBMITTED
BY SENATOR RICHARD G. LUGAR

FOREIGN ASSISTANCE REFORM

There has been considerable effort to positively transform the foreign assistance budget process in the last year. This effort, spearheaded by Ambassador Randall Tobias—the administrator for the Agency for International Development as well as the Director of Foreign Assistance—is intended to ensure the experience and assessments of our embassy staff in the field is effectively incorporated in the budget development cycle. Given that this is a new and ongoing reform process:

Question. What has been your experience with the transformation and reform effort from the field? How might it be improved?

Answer. Senator Lugar, as Sudan Mission Director during these early stages of the reform process, I have already witnessed better policy coherence and budget integration as a result of the foreign assistance reform effort.

United States Charge d'Affaires in Sudan, Cameron Hume, appointed me as the overall coordinator of the fiscal year 2007 Sudan Operational Plan. In that capacity, I managed the integration of most State and USAID resources into one plan—in-

formed by one set of priorities—that the Embassy Khartoum country team shaped in detail and ultimately the Charge and I both approved. The process helped to identify what United States Government assistance is doing in Sudan (the vast majority of which is programmed by USAID or State). We have already seen further efficiencies in program management and more strategic targeting of assistance around the overall objectives of consolidating the Comprehensive Peace Agreement and stabilizing Darfur.

This is the first time both Washington and the field have gone through this operational planning exercise, and there is still room for improvement. In my experience, the foreign assistance reforms provide Washington an opportunity to shape country strategies and put in place country programs that better promote our foreign policy and foreign assistance goals and objectives. At the same time the country teams at Post have a greater voice in determining what assistance is given, whether Washington- or field-managed, and to what end. In the case of Sudan, and I believe many other countries in Africa, this first round of fiscal year 2007 planning brought the country teams in Washington and the field closer together in understanding the issues and priorities for United States Government assistance. I believe the process can be refined and expanded to ensure that our assistance is targeted, but still responsive to locally identified priorities and realities.

Question. How do you expect this reform to affect United States development initiatives in Africa over time?

Answer. I fully expect that the reforms we are undertaking will increase the effectiveness of our investments. We are already seeing a greater focus on strategic priorities, a more rational way of allocating resources toward those priorities, and a more comprehensive and comprehensible system for tracking and reporting results.

Because the new integrated budget planning model is based on the totality of USAID and State Department resources, it allows us to be more strategic and targeted in our assistance decisions. For example, I believe that the reform further enhances our ability to focus our resources on key rebuilding countries, like Sudan, Liberia, and the Democratic Republic of Congo, which are emerging from long periods of conflict, and key regional anchor states like Ethiopia, Kenya, South Africa, and Nigeria.

We must tailor development programs to the unique needs of each recipient country in reaching the transformational diplomacy goal. This focus on country circumstances is important as we implement programs around the continent. As I discussed in my testimony, I believe that Africans must bear the ultimate responsibility for “solving” the problems of Africa. I am, therefore, encouraged by the focus on individual country progress. The ultimate goal of transformational diplomacy 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. To achieve that goal under the new Strategic Framework for Foreign Assistance, resources were allocated to the areas that would best support individual country progress. The result was a country-driven allocation for the fiscal year 2008 budget. Africa is not homogenous, and I greatly look forward to working in partnership with other donors and African nations as we move forward with our development programs.

Question. How has USAID mobilized to ensure this reform effectively addresses recognized weaknesses in the coordination and cooperation of U.S. Government agencies in the implementation of our foreign assistance?

Answer. Under the leadership of the Director of Foreign Assistance, we have developed an integrated budget and operational planning system that brings all USAID and State Department players together to program resources and plan and coordinate our implementation efforts.

In most cases, I believe that ambassadors turned to USAID mission directors for guidance and advice in planning and implementing assistance. In the field, mission directors were recognized as the experts and were given an opportunity to shape our strategic plans in each country.

To improve coherence across all U.S. Government foreign assistance, the fiscal year 2008 budget submission was formulated in consultation with the Millennium Challenge Corporation and the Office of Global Aids Coordinator. We took their estimated fiscal year 2008 disbursements into account in our country levels to ensure that our activities complement theirs.

With respect to the rest of the U.S. Government, Ambassador Tobias has been working with the Department of Defense (DoD) to improve communications and coordination. In addition, our field missions have just finished writing their fiscal year 2007 operational plans, which describe how they will spend their fiscal year 2007

funding and the results they expect to receive. Posts have been requested to account for all U.S. Government resources in-country in these plans, which gives us the first-ever comprehensive look at U.S. Government programs in a given country. In Washington, as the operational plans are undergoing reviews, DoD is participating on a case-by-case basis.

As the reform solidifies, it is my hope that the interagency coordination will increasingly focus on our common goal, using a common framework and common definitions.

AFRICOM

Question. The Department of Defense has directed that their agency begin to develop a new regional command called AFRICOM. Although its ultimate home is yet to be determined, the makeup of this command is mooted to be more innovative—to include expertise from other non-DoD agencies.

What coordination has occurred between USAID and DoD/LTSAID and State on the development of AFRICOM? What is planned?

Answer. The Department of Defense invited USAID to participate in the planning for U.S. Africa Command (AFRICOM) in November 2006. I understand that within several days, the agency dedicated several staff to work with the AFRICOM Implementation Planning Team in Washington, DC. At present, we have several staff working on the AFRICOM Transition Team in Stuttgart, Germany, and we have additional staff providing “reach back” support from Washington. The Department of Defense has been very supportive of USAID participation. I believe that our staff has been able to effectively represent development issues and objectives in Africa.

This process builds on ongoing cooperation with DoD in the areas of humanitarian assistance, disaster response, and security sector reform.

Question. How might the establishment of an AFRICOM facilitate or hamper your assistance efforts in African countries?

Answer. As the principal United States agency extending assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms, USAID recognizes that AFRICOM can play a supporting role for foreign assistance objectives in Africa. We also recognize that the establishment of such a command and USAID engagement is consistent with the U.S. National Security Strategy (March 2006), which clearly reiterates that, “Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies.”

In particular, it is our understanding that an established AFRICOM will include interagency civilian positions of substance and responsibility to ensure future coordination and collaboration. Although the planning is still in the early stages, our staff is working closely with our colleagues in the Department of Defense and Department of State to ensure that the eventual command has an efficient integrating mechanism for interagency staff. An effective organizational structure and full-time opportunities for USAID staff can provide an opportunity to enhance coordination in Africa; increase overall coherence; leverage resources for greater impact; improve communication; and share best practices. For example, when fully capable, AFRICOM will provide an ideal platform, when needed, for USAID regional disaster officers to coordinate military support to humanitarian crises on the continent resulting in a more rapid and focused U.S. Government response.

If confirmed, I will work closely with AFRICOM to ensure that our activities are coordinated as we all work together toward the goal of transformational diplomacy in Africa.

RESPONSES OF JAMES KUNDER TO QUESTIONS SUBMITTED
BY SENATOR RICHARD G. LUGAR

AFGHANISTAN AND PAKISTAN REGIONS

Question. Given the limited development on both sides of the Afghan-Pakistan border, what United States development and humanitarian assistance is targeted at the border regions including the Federally Administered Tribal Areas (FATA) in Pakistan?

Answer. The United States has developed an integrated strategy for the development of Pakistan’s Federally Administered Tribal Areas (FATA).

The U.S. mission in Islamabad believes very strongly that all new development assistance focused on FATA should be consolidated as part of the “peace and security” objective within the current operational plan. However, despite the close co-

ordinating with the GOP on the current program, USAID has been careful not to lay down an overly prescriptive set of requirements, as these would adversely affect our broader strategic aims. The GOP is central to the success of these initiatives. The attached fact sheet gives an overview of current activities in the FATA.

[NOTE. The information referred to appears at the end of this set of questions and answers.]

In addition to these activities, USAID believes an additional amount of \$150 million a year will be available for the next 5 years—pending Congressional approval. If so, the following interventions in the FATA, with the exception of item four, will represent major expansions of our current development activities in that region. The capacity building of the FATA Development Authority and FATA Secretariat would be new activities to facilitate more efficient and transparent provision of services to the FATA by the GOP.

- Education.—Increasing scholarships and expanding the school construction program.
- Health.—Expansion of current maternal and child health interventions and HIV/AIDS as appropriate.
- Economic Growth.—Expansion of the current micro-credit programs and small-scale economic activities such as horticulture or jewelry manufacture.
- Capacity Building of the FATA Development Authority and FATA Secretariat.

Question. Does it make sense to consolidate United States assistance in the Afghanistan-Pakistan border areas to more realistically address cross-border infrastructure requirements such as roads, and greater area development in what is a very ethnically homogenous zone?

Answer. Although the border region is ethnically Pashtun, there are a number of fissures within this group—based along tribal and clan loyalties, as well as regional perspectives. Even the language spoken on both sides of the border is different—Pakistani Pashto shows a strong Urdu influence, while Afghan Pashto incorporates that country's lingua franca, Dari. The language also has two major dialects—eastern and southern variants. Thus, what may appear to be a homogenous group of people is often subtly or very obviously fractured. Although there are people who have relations or connections on both sides of the border, one cannot assume that this is true for the majority of the population.

Political considerations—especially the strained relationships between the countries—are also a factor in mounting effective cross-border programs. Differing customs and regulatory laws as well as competing national agendas may preclude undertaking certain economic activities.

Despite these social and cultural challenges, USAID, in both Pakistan and Afghanistan, is maximizing the effect of its development programs by implementing, on each side of the border, activities in education, health, economic growth, and capacity building. The practical effect is that these programs complement each other.

Based on lessons learned over the last several years about implementing development programs in the region, USAID is working to maximize the effect of the U.S. Government effort in the current circumstances, and we are anticipating that this approach will help to pave the way for consolidation of the region's development effort. This is our goal.

FOREIGN ASSISTANCE REFORM

Question. What has been your experience with the transformation and reform effort from Washington? How might it be improved?

Answer. In my time as assistant administrator (AA) for the Asia and Near East Bureau (ANE), and then as acting deputy administrator, I have observed increased policy coherence, budget integration, and an elevated seat for development at the policy table. For the first time under the reforms initiated by Ambassador Tobias, State, and USAID officials sat at the same table to plan each stage of the fiscal year 2008 budget. Input was sought at both the staff and senior management levels. Secretary Rice herself ran the final reviews of the budget by region. In my previous experience in leadership roles at USAID, the level of involvement of USAID staff and leadership has never been as integrated as it was in setting the fiscal year 2008 budget request.

As one would expect, the first time around in any process has kinks and areas that can be improved. A thorough "after-action review" is currently underway to assess areas where the process may be improved for fiscal year 2009. If confirmed, I look forward to working closely with Ambassador Tobias and members of the committee to improve the process.

Question. How do you expect this reform to affect U.S. development initiatives in general around the world and over the long-term?

Answer. One of the primary goals of the reform is to focus on country progress. It is my hope that, in the future, U.S. development initiatives will be more grounded in country need, expected results, and sustainability. One of the ways we are working to achieve this is through the development of the Foreign Assistance Framework, the standard program structure and definitions, and the common indicators. These tools will allow us to track consistently across USAID and State the outputs of our foreign assistance efforts. Our ability to provide details about who is spending U.S. Government funds, what they are spending it on, and what results we expect to achieve will allow me, if confirmed, to have greater oversight of our programs around the world and to measure what is working, what isn't, and the opportunity costs of shifting funds among programs.

Our end goal is to work ourselves out of a job. As Ambassador Tobias often says, "It is about them, not about us."

Question. How has USAID mobilized to ensure this reform effectively addresses recognized weaknesses in the coordination and cooperation of U.S. Government agencies in the implementation of our foreign assistance?

Answer. Interagency cooperation is essential to the success of implementing foreign assistance. Certainly, we have come a long way in the past couple of years. Under Ambassador Tobias' leadership, the fiscal year 2008 budget request was developed as an integrated process (both USAID and the Department of State) and in consultation with the Millennium Challenge Corporation.

One of the primary tools we are using to improve coordination and ensure accountability under the reform is the operational plan. Our field missions have just finished writing their fiscal year 2007 operational plans, which describe how they will spend their fiscal year 2007 funding and the results they expect to receive. Missions have been requested to account for all U.S. Government resources programmed by all U.S. Government agencies in-country in these plans, which gives us the first-ever comprehensive look at U.S. Government programs in a given country. MCC is also participating in the reviews where they have key programs, with the intent of assuring linkages.

USAID has an Office of Military Affairs, created to liaise with the Department of Defense (DoD). As an agency, we are trying to ensure that, despite many organizational and cultural differences, we are able to communicate effectively and coordinate with our colleagues at DoD. Additionally, Ambassador Tobias has been working with DoD very closely on a number of issues at a high level.

One recent development that I believe will greatly enhance the coordination among U.S. Government agencies is the strategic alignment of S/CRS and the Office of the Director of Foreign Assistance (DFA). The alignment of S/CRS and DFA is an opportunity to streamline roles, reduce duplication, and strengthen the mandate of S/CRS. By combining the S/CRS coordinator's reconstruction and stabilization planning and operational mandate with the funding authorities of the DFA, he will better ensure that activities and programs are appropriate and coherent.

Question. How will this process affect the ability of Congress to conduct its oversight of foreign assistance, particularly that assistance administered by USAID?

Answer. Under the leadership of Ambassador Tobias, we have developed one standard "development dictionary" that links activities to Secretary Rice's goal of transformational diplomacy. Common indicators have been developed for each of the programs defined and these indicators track, for the first time, consistently across USAID and State the outputs of our foreign assistance funds.

The definitions and indicators are captured in one system that tracks funding, programs, and indicators that will be able to tell us who the implementing partner(s) are, what program is being implemented, and what result USAID expects.

It is my hope, and that of Ambassador Tobias, that these new systems and new transparency of information will allow the Congress to more easily perform its oversight role.

Question. How is the fiscal year 2008 budget different from previous foreign assistance budgets because of the new strategic framework utilized by the Office of the Director of Foreign assistance? How do you think these changes will improve our ability to meet our foreign assistance goals?

Answer. The fiscal year 2008 request reflects a different approach to building the budget from previous years' methods. Most notably, for the first time ever, the \$20.3 billion of U.S. foreign assistance under the authority of State and USAID were integrated into one joint budget submission. This year, USAID delivered its complete

justification to the Hill just one week after the President released the budget. There are six principles that governed the prioritization of the fiscal year 2008 budget request.

We integrated planning based on the totality of U.S. Government resources

Over 100 interagency teams, organized by country, were tasked with ensuring that all State and USAID resources were coordinated, mutually supportive, and targeted to the achievement of shared objectives. Every member of each team had a clearly laid out goal: To allocate funds to programs that would best advance the transformational diplomacy goal—to help build and sustain well-governed states that meet the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.

The teams looked at the totality of resources available to a country's budget and made determinations about appropriate and fiscally responsible use of funds to support priorities. Investments from the President's Emergency Plan for AIDS Relief and the Millennium Challenge Account were taken into account when allocating resources.

We focused on country progress

The ultimate goal of transformational diplomacy 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 past budget years, much of the budget was built not by country, but by sector. Therefore, what drove many country programs wasn't the specific country need as much as a set global amount for a sector that needed to be met. This year, the country teams were given an overall target number for each country, rather than by account or sector.

These teams had at their disposal data on the status of country progress against independent indicators assessing poverty, human capacity, life expectancy, governance, and barriers to economic growth. They had the new strategic framework for U.S. foreign assistance, which outlines interventions according to countries' common development situations. They were asked to allocate funds for objectives and programs that would best advance individual country progress. The result was a country-driven allocation for the fiscal year 2008 budget.

We invested in states critical to long-term regional stability and prosperity

In the fiscal year 2008 budget 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. These states can be either critical barriers to regional stability and success in the global war on terror or states that, with continuing progress, can serve as anchors for regional stability and prosperity. We need to work with these governments to help them strengthen their institutions to make their progress permanent.

We focused on demand-driven interventions that are critical levers for sustainable progress and transformation

Funding is increased to programs targeted to improving governance and democratic participation, programs mitigating diseases that threaten the human and economic capacity of countries to progress on their own, programs that expand access to and improve the quality of education, and programs that enhance economic opportunity and the skills needed to participate in the global economy. The request is the result of a demand-driven process that asked experts to prioritize limited resources on the basis of the most significant levers that will help countries progress—and to focus our resources so we can achieve real impact. When we can focus our resources, we enhance the ability of a country to gain enough strength and stability in one area to sustain further progress on its own.

We allocated funds intended for country programs to country-level budgets

To empower our mission directors and ambassadors to design and implement programs that would have an effective and sustainable impact, the reform process maximized resources implemented at the country level into country-level budgets. Resources within global or regional budgets that had been planned for specific countries were accordingly shifted to those countries' budgets and planned together with other country-based support.

Recognizing that not all foreign assistance is most effectively implemented on a country basis, and that issues that transcend a single country's borders are best addressed as part of a global or regional strategy, significant funds remain in regional

and global accounts, but, across State and USAID, these accounts see an average 35 percent decrease from this process.

We matched accounts with country circumstances and the priorities the country categories are designed to address

In the fiscal year 2008 budget request, we sought to maximize the use of account authorities and establish clear priorities in support of effective implementation of foreign assistance programs.

This means that, overall, funding for development assistance, which has traditionally supported poor countries that demonstrate performance or a commitment to development, has been prioritized to developing and transforming countries. Economic Support Funds (ESF), which focus primarily on providing economic support under special economic, political, or security conditions, have been prioritized to support activities in the rebuilding and restrictive country categories.

The intent in shifting funds from DA to ESF is to draw cleaner lines around their use, as identified by country characteristics. These cleaner lines allow us to justify to you why we have requested amounts for each account. The shift is in no way reflective of a reduced prioritization of development activities. To the contrary, total funding in the three objectives supporting long-term development increased by approximately \$100 million from fiscal year 2006 levels in the fiscal year 2008 budget.

In summary, the fiscal year 2008 budget request reflects a more integrated, systematized approach to the budget than that developed in previous years. I believe that the result will significantly enhance our ability to both identify and meet foreign assistance goals.

Question. Although the Director of Foreign Assistance has authority over all State Department and USAID aid programs, some programs, such as the Millennium Challenge Corporation (MCC), remain outside the scope of the Director's responsibility. How does USAID coordinate its efforts with those of the MCC? To what extent will USAID country objectives and projects change in MCC compact countries? How have they changed in the past?

Answer. In the fiscal year 2008 budgeting process, State and USAID country teams took into account projected fiscal year 2008 MCC Compact disbursements when considering the totality of individual country budgets and to make determinations about appropriate and fiscally responsible use of funds to advance the transformational diplomacy goal.

In countries with MCC Compacts, USAID resources have been reprioritized to ensure complementary programs with the MCC Compact and amplify results. The process is specific to each country. For example, in Honduras, funds for economic growth activities have increased, particularly in trade, investment, and private sector competitiveness in order to complement the MCC program. In Ghana, funds have been shifted to enhance the capacity of local government responsible for implementing MCC compact programs.

In countries that qualify for the MCC Threshold Program, USAID plays the leading role in the design and implementation of programs approved by the MCC Board of Directors, in close coordination with MCC. USAID and MCC work very closely and collegially throughout this process and are currently implementing 11 Threshold Country Programs together.

Question. I am concerned about the decline in funding for development-oriented food aid under Public Law 480 title II, and about our priorities for food assistance overall. How will the new strategic framework implemented by the Office of the Director of Foreign Assistance affect our food assistance programs?

Answer. Due to the unpredictable, but large number of major emergencies, we have not always been able to fund fully ongoing Public Law 480 title II non-emergency programs. However, in fiscal year 2006 we increased funding for Public Law 480 title II non-emergency programs. The new foreign assistance framework will help achieve these goals by bringing U.S. foreign assistance resources together in a strategic and integrated fashion at the country level, thereby helping to better integrate Public Law 480 title II with other U.S. foreign aid funding sources, allowing for more effective and multisectoral interventions that address the overlapping themes of poverty and hunger and the underlying factors that cause them. The broader set of development programs can thus be more comprehensive in scope and complementary in nature, with food aid serving as only one tool of many working together to address the chronic causes of poverty and hunger in the most food-insecure countries.

WOMEN'S JUSTICE AND EMPOWERMENT INITIATIVE

Question. In 2005, President Bush announced the launch of the Women's Justice and Empowerment Initiative, which would set aside \$55 million over 3 years to fight violence against women in four African countries. What is the status of this initiative? How much money has either been obligated or expended for this program?

Answer. The Women's Justice and Empowerment Initiative (WJEI) is overseen by the Department of State's Bureau of African Affairs (AF) with support from the Bureau for International Narcotics and Law Enforcement Affairs (INL), and implemented by the Department of Justice (DOJ) and USAID. For the first year's implementation, \$21.9 million has been identified from prior year reprogrammed funds. USAID and the DOJ are making progress on solidifying their program designs and strategic priorities in the four WJEI countries of Benin, Kenya, South Africa, and Zambia.

INL and DOJ have begun expending WJEI program funds in support of joint assessments to all four WJEI countries. INL is finalizing bilateral letters of agreement with host countries on criminal justice and prosecutorial assistance and training programs developed as a result of these assessments.

USAID expects to issue competitive solicitations for increasing awareness and victim support in April. The \$5.4 million currently available to USAID will be obligated once the competitive solicitation is complete in early summer.

We are confident that all of the program components will soon be in place to meet WJEI program expectations for fiscal year 2007 and fiscal year 2008.

OVERVIEW OF CURRENT ACTIVITIES IN THE FATA

EDUCATION

School construction and furnishing

USAID is helping increase school enrollment by constructing and furnishing 65 primary, middle, and high schools in five agencies within the FATA. With 21 schools completed, 31 schools are currently under construction in the agencies of Khyber, Bajaur, Kurram, Mohmand, and Orakzai. Construction of 13 remaining schools is scheduled to begin in April 2007. Sanitary and drinking water facilities are added by a grant from the U.S. Department of Defense for \$800,000. The Embassy of Japan has partnered with USAID and is responsible for constructing an additional 65 schools using USAID's design. USAID has provided \$6.5 million to the Pakistani firm, Associates in Development, to construct and furnish these boys and girls schools. (Beginning Date: May 18, 2004—End Date: May 31, 2007)

Scholarships for pre-service teacher education

Forty scholarships are being awarded to females from the FATA to attend a 1-year pre-service teacher education program in Khyber agency. This program is expected to help provide trained teachers for girls' schools located in the FATA. The Research Triangle Institute (RTI) was awarded \$60,000 to administer the 2006/2007 scholarship program. Last academic year, 17 USAID-financed female teachers graduated the 1-year program. (Beginning Date: September 1, 2005—End Date: September 30, 2007)

ECONOMIC GROWTH

Micro-credit

Through Khushalibank (KB), USAID is establishing stand-alone bank branches in all seven agencies within the FATA. To date, two bank branches are operational, one in Khyber agency and one in Kurram agency. KB's expansion into the FATA is a 5-year, \$4 million program that also includes the provision of approximately 80 small infrastructure schemes as community development projects valued at approximately \$2,500 each; higher education opportunities through the provision of 30 scholarships for master's degrees in business and/or management; and, the provision of 50,000 loans valued at approximately \$250 each. (Beginning Date: September 30, 2005—End Date: September 30, 2010)

Competitiveness support

USAID is providing technical support to private sector-led working groups in the marble and granite sector to improve production and increase profits. The program also helps the industry identify and implement workforce development initiatives through Common Training Facility Centers. Khyber and Mohmand agencies are

benefiting from the project which is implemented by the U.S. firm Nathan/J.E. Austin. (Beginning Date: February 8, 2006–End Date: February 6, 2008)

Reconstruction Opportunity Zones (ROZs)

An assessment to help inform decision makers on the possible scope and feasibility for future ROZ opportunities in the FATA has been completed. ROZs are proposed to bring investment, employment, and economically viable livelihoods to Pakistan/Afghanistan border areas (FATA, Azad Jammu Kashmir, Balochistan, and North West Frontier Province). ROZs may also provide an incentive for Pakistan to contribute to regional stability while providing a unique opportunity for the two governments to work collaboratively on economic investment.

HEALTH

Child health

USAID is improving the quality and availability of child health services throughout all seven agencies within the FATA by enhancing the knowledge and skills of health care providers as well as strengthening existing facility-based and community-based child health facilities. Additionally, USAID is increasing community knowledge and acceptance of key child health services and behaviors through introducing behavior change and communication strategies. Resource centers at agency headquarter hospitals will be established in the agencies of Mohmand and Khyber beginning in March 2007, with roll out to remaining agencies over the coming months. In September 2006, Save the Children, U.S. was awarded \$11.5 million to implement this 3-year program. (Beginning Date: October 1, 2006–End Date: September 30, 2009)

Water/sanitation

USAID is improving water and sanitation facilities in 190 girls' schools in Khyber and Mohmand agencies. In addition, activities are underway to provide hygiene and sanitation education to community members and parent teacher associations to increase knowledge, attitudes, and practices at the school and household levels. In October 2005, UNICEF was awarded \$400,000 to implement this 2-year program. (Beginning Date: October 1, 2005–End Date: December 31, 2007)

USAID is also partnering with the Government of Pakistan to implement President Musharraf's Clean Drinking Water Initiative in the agencies of Bajaur, Mohmand, and Kurram. With the government responsible for construction of water treatment plants, USAID will support these efforts through capacity building and training in operations and management of the plants, water resources management, cost-recovery schemes, water quality testing technologies, and the promotion of good hygiene behavior and safe sanitation practices. In October 2006, Abt Associates was awarded \$16.5 million for this nationwide, 3-year program. Implementation within the FATA is anticipated for mid-2007. (Beginning Date: October 1, 2006–End Date: September 30, 2009)

Infectious disease control and prevention

As part of a national polio eradication program, USAID supports both UNICEF and WHO to implement their polio immunization campaigns and surveillance in all seven agencies of the FATA.

RESPONSES OF JAMES R. KUNDER TO QUESTIONS SUBMITTED
BY SENATOR RUSSELL D. FEINGOLD

FISCAL YEAR 2008 BUDGET REQUEST

Question. In your last hearing, you said that you believed Ambassador Tobias had “a clear cut understanding of both the need to meet immediate U.S. foreign policy challenges, but also long-term development challenges” in the USAID and State restructuring process. Since your hearing, the President has released his budget request for USAID and State and we have seen what the new budget structure actually looks like. Do you believe that the budget adequately addresses the immediate and long-term investments that need to be made to enhance our national security?

Answer. I believe the fiscal year 2008 budget attempts to strike an appropriate balance among development objectives to address immediate and long-term investments to enhance our national security.

As you are aware, the new Strategic Framework for Foreign Assistance categorizes each country receiving U.S. foreign assistance based on common traits and places them on a trajectory to measure their development progress against stand-

ardized indicators. The country categories are largely explained by their category name: rebuilding, developing, transforming, sustaining partnership, and restrictive.

In the fiscal year 2008 budget 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 global war on terror.

We have seen the risks that “ungoverned spaces” can pose to our national security and to their regional neighbors; we are also very aware of the costs of these “ungoverned spaces” to their own citizens. States like Somalia, Afghanistan, Sudan, and the Democratic Republic of the Congo are among the poorest in the world. Their citizens are among the least able to access basic needs—including security.

At the same time, to transform the development landscape, we need to focus on developing states such as Nigeria, Ukraine, Georgia, Pakistan, Jordan, and Indonesia—states that are on the cusp of transitioning to economic, political, and social self-sustenance, and that, with continuing progress, can serve as anchors for regional stability and prosperity. We need to work with them to help them strengthen their institutions to make their progress permanent.

Question. How is USAID preserving the humanitarian and poverty alleviation focus of its work while under the new budget and structure?

Answer. The focus of the Secretary’s transformational diplomacy agenda is to concentrate our diplomatic and foreign assistance resources on 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. Explicit in the goal is the United States’ commitment to reducing widespread poverty and addressing other barriers to fulfilling human potential, while recognizing the central role that good and responsive governance plays in addressing these concerns sustainably. In the fiscal year 2008 budget request, funding for the three objectives that support long-term development—governing justly and democratically, investing in people, and economic growth—increases by 20 percent over fiscal year 2006 levels, the last year for which we have completed allocations. When humanitarian assistance is added, the collective goals represent 65 percent of the fiscal year 2008 budget, whereas in fiscal year 2006, they represented only 61 percent of the fiscal year 2006 foreign assistance budget. We are doing more than preserving the humanitarian and poverty alleviation focus of our work under the new budget and structure; we are enhancing it.

TOP-DOWN VS. BOTTOM-UP DESIGN

Question. The fiscal year 2008 Congressional Budget Justification states that USAID intends to focus on demand-driven interventions, but also lists five strategic priorities to guide U.S. assistance. How will you reconcile the desire to pursue U.S. objectives with a respect for each individual country’s own main concerns?

Answer. Outsiders cannot, with sustainability, secure citizens’ health and safety, educate a critical mass, or create the conditions needed for economic growth—all of which are necessary for development, and all of which are primarily the responsibilities of a nation’s own government. The transformational diplomacy goal’s emphasis on sustainability heightens the necessity of the on-the-ground coordination that is done every day by our embassies and missions with the host government, other donors and local groups. Based on the new country-driven process, we have prioritized resources to the areas that we believe will promote and sustain long-term country progress. In the fiscal year 2008 budget request, funding is increased to programs targeted to improving governance and democratic participation, programs mitigating diseases that threaten the human and economic capacity of countries to progress on their own, programs that expand access to and improve the quality of education, and programs that enhance economic opportunity and the skills needed to participate in the global economy. These resource allocations reflect the wisdom of our interagency teams of country experts.

In areas where there is not agreement between the U.S. foreign assistance goals and the host government priorities, most notably in restrictive countries in democracy programs and media freedom programs, an effort is made to work with local community groups to build host country capacity.

POST-CONFLICT ASSISTANCE

Question. During your nomination hearing in the 109th Congress, you said that we need to strike a balance between State, USAID, and the Department of Defense

in the area of post-conflict work. I would be interested to hear more about what you think that balance looks like. Specifically, what does USAID need to do to remain an equal partner in post-conflict assistance efforts?

Answer. USAID is pleased that development is receiving the emphasis it deserves in the post-conflict arena. This is in recognition of the fundamental role of economic, social, and institutional development in promoting stability and combating conflict, including insurgency. To remain an equal partner, it is critical that USAID participate at all levels of the U.S. Government civilian-military assistance effort from budget formulation and strategy development through operational planning in the field. USAID has a particular perspective on economic and social reconstruction as well as institutional strengthening that we can only leverage if we are at the table where these decisions are made.

AGENCY OVERLAP

Question. The House report of the fiscal year 2007 Foreign Operations Appropriations bill (H.R. 5522) expressed concern that the Office of Military Assistance's (OMA) responsibilities would "overlap . . . with other components of the United States Government, including the Office of the Coordinator for Reconstruction and Stabilization at the Department of State." Please comment about this concern and what you'll do to ensure OMA efforts don't overlap with other offices.

Answer. USAID is part of the overall U.S. Government response that may be coordinated by S/CRS. Per the guidance of the Secretary of State, S/CRS has primary responsibility among the civilian agencies for coordination with the Department of Defense, particularly with regard to larger-scale crisis response. However, USAID has a particular requirement for day-to-day coordination with the DoD in program implementation.

The Office of Military Affairs (OMA) was created to focus on specific tasks: training of USAID personnel in preparation for assignment to conflict areas where there is a significant military presence; adapting USAID policy and guidance to serve the requirements of National Security Presidential Directive-44 spell out; coordinating USAID participation in military exercises and joint training; and facilitating DoD linkages with field missions in program implementation. Each of these tasks is carried out in close coordination with our S/CRS colleagues and the functions of the two offices do not overlap.

OTI

Question. As I've mentioned before in this committee, I am a strong supporter of the Office of Transition Initiatives (OTI). It provides fast, flexible, short-term assistance targeted at key political transition and stabilization needs and in my mind delivers a significant value for the small level of resources we give it. I'm concerned that we don't use OTI enough, though, particularly given the nature and number of countries facing transition. What will you do to make sure OTI—and other parts of USAID—can respond to opportunities to facilitate successful transitions to stability around the world?

Answer. The Office of Transition Initiatives (OTI) has played a crucial role in the United States Government response to urgent political transitions in countries all over the world, including Iraq, Afghanistan, Sudan, and Haiti.

When it was created in 1994, it was meant to be a small and agile mechanism through which the United States could positively influence transitions in key countries. It has lived up to its mandate, and we are seeing growing utilization of OTI and the creative programming it has developed. In addition to managing the Transition Initiatives account, OTI itself has been asked to manage three times more program dollars, on average, over the past 5 years—from accounts including the Economic Support Fund, Development Assistance, and International Disaster and Famine Assistance, among others. This should be seen as a reflection of substantial reliance on this critical office.

With regard to the larger USAID response to democratic transitions around the world, there has been a united approach to bolster the agency's overall capacity to respond to these new challenges. As part of this effort, OTI created effective programming (we need an example—see below) that the USAID missions have highly valued and adopted into their own portfolios upon OTI's departure. In fiscal year 2006, for example, OTI handed over six programs or mechanisms it had created to USAID missions, allowing the work to continue in post-conflict environments. In Iraq, the OTI program included targeting community improvement work projects in poor neighborhoods that had been fertile grounds for recruitment by insurgents. The program design, which engaged susceptible youth in productive activity and thus re-

duced the likelihood of them participating in violence, was adopted as a general strategy by the mission when OTI left in 2006. In Haiti, OTI programming focused on Port-au-Prince neighborhoods that had experienced high rates of gang-related violence. The OTI activities fostered better community ties among local citizens and with the government, and had a direct impact on reducing local violence and buying time for democracy to take root. The USAID mission adopted the OTI program upon its completion in 2006, and continues community-building activities in order to reduce gang-related violence in vulnerable neighborhoods in and around Port-au-Prince.

RESPONSES OF KATHERINE ALMQUIST TO QUESTIONS SUBMITTED
BY SENATOR RUSSELL D. FEINGOLD

U.S. ASSISTANCE FOR AFRICA

Question. While I am pleased that this administration is following through on its promise to substantially increase United States assistance to Africa, I am concerned that nearly all of the almost \$2 billion increase between fiscal year 2006 and fiscal year 2008 is going toward health initiatives, specifically PEPFAR and the President's Malaria Initiative. These additional funds come at the expense of other "investments in people" as you call them—such as education, social and economic services, and protection for vulnerable populations. How will you ensure that United States assistance remains balanced to meet the needs of specific African countries and populations?

Answer. One of the primary goals of the foreign assistance reform is to focus on country progress. We must tailor development programs to the unique needs of each recipient country in reaching the transformational diplomacy goal. The aim of transformational diplomacy 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. To achieve that goal under the new Strategic Framework for Foreign Assistance, resources were allocated to the areas that would best support individual country progress. The result was a country-driven allocation for the fiscal year 2008 budget.

In past budget years, much of the budget was built not by country, but by sector. Therefore, what drove many country programs wasn't the specific country need as much as an overall funding level for a sector that had to be met. This year, the country teams were given an overall target number for each country, rather than by account or sector. As you have noted, some programs like the President's Emergency Plan for AIDS Relief (PEPFAR) and the President's Malaria Initiative (PMI) have established funding levels designed to achieve specific important public health targets. Most funding, however, was subjected to the new, country-driven allocation process so that the mix of sectors deemed most suitable by those in the field could be identified for programming.

Question. Similarly, health investment in Africa will be unsustainable if it does not include local capacity-building. How will you support the development of national health programs and infrastructure?

Answer. USAID views local capacity building as a critical part of all USAID programs. In the new Foreign Assistance Framework, all health program elements contain sub-elements that focus on the development of national health programs and infrastructure. All USAID missions support capacity building by promoting workforce training, strengthening procurement distribution and management information systems, promoting quality assurance, improving financing and financial management, and strengthening surveillance systems. The PMI, for example, works to strengthen national malaria control programs, within the context of Ministries of Health National Health Plans, and builds capacity for country ownership of malaria control efforts. The PMI will soon launch the Malaria Communities Program to build independent, sustainable malaria-control projects in Africa by providing grants to African Non-Governmental Organizations (NGOs) and faith-based groups to support their malaria-control work. PEPFAR supports similar programs.

INTERAGENCY ROLE

Question. You have expressed a commitment to interagency cooperation to ensure that U.S. assistance is consistent and productive. What do you see as USAID's comparative advantage within this structure and what potential threats do you foresee to USAID's effectiveness in these areas?

Answer. Under the leadership of the Director of Foreign Assistance, we have developed an integrated budget and operational planning system that brings all USAID and State Department players together to program resources and plan and coordinate our implementation efforts.

In most cases in the field, ambassadors turned to USAID mission directors for guidance and advice in planning and implementing assistance. Mission directors were recognized as the development experts and were given an opportunity to shape our assistance plans in each country.

With respect to the rest of the U.S. Government, Ambassador Tobias has been working with the Department of Defense (DoD) to improve communications and coordination. In addition, our field missions have just finished writing their fiscal year 2007 Operational Plans, which describe how they will spend their fiscal year 2007 funding and the results they expect to receive. Posts have been requested to take into consideration all U.S. Government resources in-country in these plans, giving us the first-ever comprehensive look at U.S. Government programs in a given country. In Washington, as the Operational Plans are undergoing reviews, DoD is participating in many Africa reviews, and the Millennium Challenge Corporation is also participating in the reviews where they have key programs, with the intent of assuring linkages.

As mentioned above, I believe USAID's comparative advantage is our experience on the ground as the premier development agency of the U.S. Government. It is imperative that USAID stays on the cutting edge, remains committed to results, and continues to change and develop with world events. If confirmed, I intend to commit the Africa bureau to these goals.

BENEFICIARY CONCENTRATION

Question. Fifty-six percent of the fiscal year 2008 budget request will go to just eight African countries; please explain the reasoning behind this rising concentration of U.S. assistance to a few countries singled out as being "critical to long-term regional stability and prosperity?"

Answer. Senator, as I understand it, the fiscal year 2008 budget request was indeed prioritized to states critical to long-term regional stability and prosperity. In Africa, the budget request reflects a strategic focus on rebuilding states that are emerging from crisis, that present critical barriers to regional stability, and that have strategic importance to the region and to the U.S. Government. After Sudan and Liberia, other key rebuilding states such as the Democratic Republic of Congo and Somalia were given priority. Additional focus was given to regional anchor states: Ethiopia, Kenya, South Africa, and Nigeria. These eight countries, as you note, make up 56 percent of the budget request.

I believe that foreign assistance in the past has been too diffuse. With a thousand agendas embedded in our foreign assistance programs, our development impact was often diluted and unfocused. It is important to note that we do a great deal of good with our development portfolio. Someone, some community, always benefits from the services we provide. But that is not the point. The real question is, whether we are achieving sustainable impact. We are attempting to give people what they need to sustain further progress on their own.

Question. Do you expect this trend to continue?

Answer. In consultation with Congress, we've made a strategic decision to focus our resources for maximum impact. I believe it is appropriate for us to channel the greatest proportion of our assistance toward countries that are key U.S. Government priorities, ensuring that we achieve significant results in those key countries.

GOOD GOVERNANCE

Question. In countries where the ruling government is corrupt and/or undemocratic, how do you intend to balance the competing priorities of fulfilling humanitarian needs while encouraging good governance?

Answer. USAID distributes humanitarian assistance to save lives in emergency situations without regard to the political performance of the government of the affected country. Through USAID and its partners, the U.S. Government remains the largest donor of humanitarian assistance to Africa. For example, in fiscal year 2006, USAID distributed over \$1.043 billion in emergency food aid to Africa, including more than \$370 million to Sudan. USAID channels most of its humanitarian assistance through reputable international NGOs or through U.N. disaster relief agencies, such as UNICEF and the World Food Program.

Over the longer term, USAID also works to improve governance and promote democratic reforms in many of the same countries that receive humanitarian assist-

ance. Often operating against a backdrop of civil strife, USAID programs have provided support for the development and restoration of civil liberties and human rights by strengthening the role of civil society, political parties, independent media, and other nongovernmental actors to advocate for reform and hold their governments accountable. These goals are compatible with the delivery of humanitarian assistance through NGO or multilateral partners. Humanitarian assistance sometimes creates opportunities for dialog with the host country, and allows the U.S. Government to operate in countries where our good governance activities would not otherwise be welcomed.

SUDAN

Question. After being involved in the negotiation of the Comprehensive Peace Agreement, you were tasked with supporting the monitoring and implementation of this accord on behalf of the USAID. While there has been notable progress, many of the most central premises of the agreement remain unfulfilled due to the obstinacy of the National Congress Party. How have you sought to press officials in Khartoum to abide by their commitments under the CPA?

Answer. Although the Department of State has the lead in handling diplomatic initiatives with the Government of Sudan and the National Congress Party (NCP), as the United States Government representative to the Assessment and Evaluation Committee (AEC), I, along with other donor representatives on the committee, have sought to hold the NCP to its commitments under the CPA by engaging in frank discussions with representatives of the government on the committee, and by using the AEC as a means to openly and regularly discuss delays in implementation and other challenges to continued progress in CPA implementation. In addition, the international community has used the annual convening of the Sudan Consortium to take stock of progress on the CPA.

The consortium met last week for the second time, bringing together 38 delegations from the international community and civil society. At the meeting, participants raised concerns over the slow pace of CPA implementation, specifically pointing toward the lack of clarity with respect to the border separating North and Southern Sudan, and the national elections in 2009. Through USAID's assistance program to Southern Sudan, we have sought to strengthen the ability of the Sudan People's Liberation Movement (SPLM) to be a viable partner in the CPA and to be an effective advocate for the agreement in its role both as the party of the Government of Southern Sudan and in its power-sharing role with the NCP in the Government of National Unity. While the international community, including the United States, can and will continue to highlight violations, obstructions, and other challenges to the implementation of the CPA, in the long run the most effective force for change will be the Sudanese people themselves. We believe that it is critical to strengthen countervailing forces such as the SPLM, helping them to fulfill their role and bring peace to Sudan.