

**Testimony of Secretary of State Condoleezza Rice**  
**Before the Senate Appropriations Subcommittee on State and Foreign**  
**Operations**  
**Committee on Appropriations**  
**Thursday, May 10, 2007**

Mr. Chairman, Ranking Member Gregg, Members of the Subcommittee:

Thank you for this chance once again to address the Committee about the many challenges and opportunities facing the United States today. I look forward to continue working with Congress, closely and across party lines, to ensure that America's diplomacy, and the courageous individuals who undertake it, have the necessary resources to protect our national security, advance our democratic ideals, and improve people's lives throughout the world. With these duties we also reaffirm our responsibility to the American people: to be the best possible stewards of their hard-earned dollars.

President Bush's FY 2008 International Affairs Budget request for the Department of State, USAID, and other foreign affairs agencies totals \$36.2 billion. In addition, the Administration is requesting \$3.3 billion in war supplemental funding in FY 2008 ó \$1.37 billion for foreign assistance and \$1.93 billion for State Department operations ó to support emergency requirements in Iraq and Afghanistan.

This request represents a fundamental investment in our national security. More than five years after the September 11 attacks, America remains engaged in a global war on terrorism, which is a war of a totally new and different kind. We face a long confrontation, in which military strength is important to our success, but is not sufficient. The defining feature of our world today is its interdependence. The security of the American people depends on the stability and the success of foreign societies. If governments cannot, or choose not, to meet their responsibilities as sovereign states, nations around the globe are threatened by the resulting chaos and disorder. The President believes that the defense of our country depends on the close integration of our multilateral diplomacy, our development efforts, and our support for human rights and democratic institutions. That is why President Bush's budget designates the State Department as a national security agency.

We must recognize that our Foreign Service, our Civil Service, and our Foreign Service Nationals are performing a vital national security role ó often in difficult and dangerous posts, far away from friends and families, and in many cases, shoulder to shoulder with our men and women in uniform. We are asking our civilians to do far more than just manage an existing international order; we are charging them with helping foreign citizens and their governments to transform their countries ó to move them toward peace, freedom, prosperity, and social justice.

This is the national security mission of our State Department today, which we have referred to as transformational diplomacy. To succeed in this critical work for the American people, we are making important changes to our department's organization ó both in terms of the roles our people are playing and how we are structuring our foreign assistance programs. This is the foundation of our budget, and I would like to briefly review these important changes.

### **Transforming the State Department**

With the support of Congress, we are moving our people off the front lines of the last century, in the capitals of Europe and here in Washington, and into the critical posts of this new century ó in Asia, in Africa, in the Middle East, and here in the Americas. Last year, we reprogrammed 200 positions for this purpose; we are set to reposition 80 more. At the same time, we are moving our people out of our embassies and into the field, so they can engage and work not only with governments but with the people of the nations in which they serve. We are making every necessary change ó giving our diplomatic corps better training, better tools and technology, and more language skills ó to empower them to meet this challenge.

We realize that resources are tight, so in all that we do, we seek to be good stewards of the taxpayers' money. Last year, I created the position of Director of United States Foreign Assistance. On Monday, the White House announced it has designated Henrietta Fore as Acting Administrator of USAID, with the intent to nominate. I also have named Undersecretary Fore as Acting Director of Foreign Assistance. Our goal is the strategic alignment of our foreign assistance and our foreign policy goals.

The main idea that I want to stress is this: Our new approach to foreign assistance ensures an efficient, effective, and strategic use of the American taxpayer's money. We adopted a country-based approach to achieve this. We asked our experts at State and USAID to allocate foreign assistance resources to activities that help countries most effectively develop their institutions in order to take care of their people and reduce widespread poverty. The adjustments you may see in one program are justified by what we have determined are greater needs elsewhere, and only after the trade offs have been thoroughly analyzed, in order to make the best use of our limited resources.

As a result of this process, resources for the three objectives supporting long-term development - Governing Justly and Democratically, Investing in People, and Economic Growth - have increased by approximately \$100 million in this year's request from FY 2006 levels. You will note some differences, however, in the structure of the request. For example, there is a shift in resources from the Development Assistance (DA) account to the Economic Support Fund (ESF) account. This shift represents our attempt to better justify our request by rationalizing the use of these two different accounts for different types of countries. The increase in ESF and decrease in DA should not be interpreted as a decrease for activities to support the poor and invest in development.

With the performance and accountability measures we are putting in place, we aim to ensure that we are providing the necessary tools and the right incentives for host governments to secure the conditions necessary for their citizens to reach their full potential. This furthers our goal of helping developing nations to "graduate" from our assistance, not to grow dependent on it.

### **Empowering Our People**

We are moving ahead on these initiatives with our existing authority. There are steps that need to be taken, and we are taking them. But we must do more, and to do it, we need additional resources. For this, we need the continued support of the Congress. That is why we are requesting \$7.2 billion for State Department operations.

As we transform our existing positions to serve new purposes, we must also create new positions that advance our strategic objective of getting more Americans onto the diplomatic frontlines of the 21<sup>st</sup> century. This year, we are requesting an increase of \$125 million to create 254 new positions in critical spots like India, China, Indonesia, Venezuela, Nigeria, South Africa, and Lebanon. This funding will also enable us to establish new American Presence Posts, reflecting our goal of moving more of our diplomats into the regions and provinces of our host countries. This increase includes 57 positions and \$15 million for the Office of the Coordinator for Reconstruction and Stabilization. I should add here that I am grateful for the authority provided in the supplemental appropriation to transfer up to \$50 million to create a Civilian Reserve Corps. These funds will allow us to develop a deployable cadre of civilians who will be able to respond quickly to a crises and stabilization missions overseas

Our Department's new and evolving mission, which is vital to our national security, requires an increased investment in our people. Our people need the latest technology and the best training, in leadership and language skills. This budget meets those demands, including \$905 million for information technology. We must also continue to improve our security in a dangerous world. This budget allocates \$965 million to strengthen security for our posts, our people, and our information systems worldwide, including the creation of 52 additional positions for security professionals.

At the same time, we must continue to modernize and improve our facilities around the world. We seek \$1.6 billion to address the major physical security and rehabilitation needs of our embassies and consulates worldwide so we can protect the men and women serving in our posts. In the fourth year of Capital Security Cost Sharing, other U.S. government agencies with personnel abroad will contribute \$362 million for the construction of new, secure diplomatic facilities.

To continue filling the ranks of the Foreign Service with our nation's best talent, we intend to revamp the pay scale for our diplomatic corps. State Department personnel are increasingly expected to serve in what we call "hardship posts," which now comprise nearly 20 percent of all department positions. We must fairly compensate our men and women serving abroad in difficult locations, often far away from their families, and we must rectify

a growing disparity between basic salary levels for employees in the United States and overseas. Our budget request includes \$35 million to begin a transition to a performance-based pay system and a global rate of pay.

The State Department mission also extends to defending our borders and protecting our homeland. We must remain a welcoming nation for tourists, students, and businesspeople, while at the same time increasing our security against terrorists and criminals who would exploit our open society to do us harm. For this purpose, our budget includes \$1.3 billion for the Border Security Program, and we seek to add 122 consular positions to address rising passport and visa demands. As good stewards of taxpayer dollars, we are using revenues from visa, passport surcharge, and visa fraud fees to fund improvements in our border security. In coordination with the Department of Homeland Security, we seek to fulfill the President's vision of secure borders and open doors.

Finally, we are requesting \$1.35 billion to meet our commitments to international organizations such as the United Nations. Over the past year we have seen how important it is for the United States to provide principled leadership in institutions of multilateral diplomacy. Through the United Nations, we helped to negotiate a key resolution that ended a month of war in Lebanon and Israel, which was launched by the leaders of Hezbollah. We rallied the international community to oppose Iran and North Korea's nuclear weapons ambitions with Chapter 7 Security Council resolutions. And we worked to ease the suffering of the people of Darfur and to provide for a peacekeeping force there. International organizations are essential to our nation's foreign policy goals, and deserve our continued support.

### **Securing Peace, Supporting Democracy**

I have discussed the steps we are taking to support our people. Let me turn now to the purposes of our foreign assistance.

Our highest priority is to defend the American people and homeland by doing our part in the global war on terrorism. To succeed, we need the continued support of key partners — our historic allies in Europe, Asia, and the Americas, but also in key developing countries, which have the will, but not the means, to fight terrorism. The FY 2008 request includes

\$186 million for Indonesia, \$2.4 billion for Israel, \$544 million for Kenya, and \$515 million for Jordan. Our assistance helps those countries, and many others, to enforce their laws, secure their borders, gather and share intelligence, and take action against terrorists on their own or with us. This request also devotes \$785 million to Pakistan to lead that country in a moderate and modern direction, to gain control of the border areas, and to advance prosperity there. Specifically, this request includes \$90 million to support President Musharraf's five-year development plan for the federally administered tribal areas.

Across the Broader Middle East, we also look to new partners in embattled young democracies, who are working courageously to turn the tide against violent extremism in their countries. In the past several years, the efforts of reformers and responsible leaders have changed the strategic context of the region. We have offered critical support for civil society groups seeking political openness, economic opportunity, education reform, and the empowerment of women. We will continue to support these important reform initiatives.

Democratic institutions in places like Iraq, Afghanistan, Lebanon, and the Palestinian territories are facing serious threats. They are under siege from violent extremists and their state supporters in the region. The Taliban in Afghanistan, Hamas in the Palestinian territories, Hezbollah in Lebanon, violent extremists in Iraq - all of these groups struck damaging blows last year to the cause of peace and freedom in the Broader Middle East. This year we must turn the tide, and we aim to do just that with a comprehensive strategy to help reformers and responsible leaders show their people that democracy can deliver the security, prosperity, opportunity, and dignity that they seek.

In Afghanistan, we support the efforts of the new democratic government in Kabul to lead the nation toward freedom and prosperity. To achieve that goal, we have taken a hard look at our overall policy and adopted an effective counterinsurgency strategy - a complete approach that integrates military efforts with political support, counter-narcotics programs, development priorities, and regional diplomacy. There is a comprehensive, ongoing "offensive," which is being run by the Afghanistan government.

Our goal is to help the Afghan government improve the quality of life for its people by extending security, providing good governance, and opening up new economic opportunities. Along with these goals, President Karzai has demonstrated his determination to lead a serious counter-narcotics effort, but he needs our assistance. We are increasing our funding in this key area, along with additional funding for reconstruction, local economic development, and law and order. The base budget request of \$1.4 billion for FY 2008 aims to stimulate economic growth, establish peace and security, create jobs, provide essential education and health care, promote human rights, especially women's rights, strengthen accountability and transparency, and extend the reach of the democratic state.

To achieve these broad objectives, we will continue to build roads and electricity grids, and support agricultural development. Working through Provincial Reconstruction Teams, or PRTs, and in concert with the Afghan government, we will build government and justice centers at the provincial level. We will train government personnel, and we will help meet local needs for markets, schools, clinics, and other vital services. Most importantly, we will integrate all of these efforts to advance our overall strategic objective of empowering Afghanistan's democratic government.

In Iraq, President Bush has adopted a strategy in recognition that the current level of sectarian violence is unacceptable. There is a strong military component to this strategy, but success in Iraq depends on more than military efforts alone. It requires robust political, economic, and diplomatic measures. Our military operations must be fully integrated with our civilian and diplomatic efforts to advance the strategy of "clear, hold, and build." The State Department is playing its role in this mission. We are strengthening, indeed surging, our civilian efforts. To do so, we are requesting \$1.4 billion in FY 2008 in the base budget and the FY 2008 supplemental request to fund our assistance efforts in Iraq.

The main focus of our support will continue to shift toward helping the Iraqi government expand its reach, its relevance, and its resources beyond Baghdad. We will help local leaders improve their capacity to govern and deliver public services. Our economic efforts will be targeted to local needs, with proven strategies of success, like micro-credit programs.

Expanding our PRT presence will also enable us to diversify our assistance across Iraq. Iraq has a federal government. Much of the street-level authority, and much of the opportunity for positive change in Iraq, lies outside Baghdad, in local and provincial governments, with party leaders and tribal chiefs. By actively supporting these provincial groups and structures, we expand our chances of success in Iraq. Our PRTs have had success working at the local level in towns like Mosul, Tikrit, and Tal Afar. Now we will invest in other parts of Iraq, like Anbar province, where local leaders are showing their desire and building their capacity to confront violent extremists.

In Lebanon, we are requesting approximately \$60 million in FY 2008 to complement what we requested in the FY 2007 Supplemental to support the Lebanese people's aspirations for peace, stability, and economic development. In November 2006, we signed a Trade and Investment Framework Agreement to help support Lebanon's development through enhanced bilateral economic ties. I made a significant pledge of \$770 million in January at the Lebanon Donors' Conference, which raised \$7.6 billion to support the Lebanese people and their democratically-elected government. Our assistance will support the Lebanese government's own ambitious reform program, which demonstrates its commitment to reducing its debt and achieving economic and financial stability. I continue to keep your concerns in mind regarding direct budget support and let me reassure you, the money supports the economic reform plan endorsed by the international financial institutions and benchmark goals supported by us.

As we take steps in the reconstruction and development effort, we must not lose sight of the need to implement fully UN Security Council resolutions related to Lebanon, in particular Resolution 1701. We commend the Lebanese government for deploying the Lebanese armed forces to the south of its country for the first time in almost 40 years, and we applaud the international community for its successful deployment of the enhanced UNIFIL forces to help Lebanon secure its sovereignty. Much more work remains to be done, however, to ensure Lebanon's sovereignty is not undermined by regional actors like Syria and Iran and to address the threat of terrorist groups like Hezbollah. I look forward to continuing to work with the UN and our other international partners on further steps to implement Resolution 1701.

In the Palestinian territories, President Abbas's desire to support a better life for his people and to make peace with Israel is being blocked by the radical leaders of Hamas. One year after this group's legitimate election, the international community continues to stand together in its insistence that Hamas meet the conditions set out by the Quartet: recognize Israel, renounce violence, and accept all previous agreements and obligations, including the Roadmap. Peace between Israel and the Palestinians will be possible only with a Palestinian government that recognizes Israel's right to exist and renounces terrorism. We will judge the Palestinian government by its words and by its actions.

For FY 2008, we are requesting \$77 million to help meet Palestinian humanitarian needs, including emergency food, health and educational assistance, programs to strengthen democracy and good governance, and support private sector development in the West Bank and Gaza. These bilateral funds are in addition to the funds requested for the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). There is a battle in this region between moderates and extremists. These funds will not go to Hamas or any other terrorist organization, but will bolster moderate forces in the Palestinian territories.

For Iran, the President has requested \$109 million in funding, including \$20 million for VOA's Persian service, \$8.1 million for Radio Farda, \$5.5 million for consular affairs, and \$75 million in Economic Support Funds for civil society and human rights projects in Iran. These funds will allow us to continue with a wide range of democracy, educational, and cultural programs, as well as to improve the free-flow of information to the Iranian people. We must continue to make clear that while we differ fundamentally with the current government of Iran, and we seek friendship with the Iranian people.

The hard work of democracy does not end with one free election; that is only the beginning. Lasting democratic reform must also encompass an independent media, free political parties, limits on state authority, and protections for human rights. We are funding programs in all of these fields of democratic reform. To support democratic transitions, the budget provides \$1.4 billion for programs that foster rule of law and human rights,

good governance, political competition and consensus-building and civil society.

As we work to expand freedom and prosperity, we must champion these ideals through our public diplomacy and vital educational and cultural exchanges, for which we are requesting funding of \$855 million. Public diplomacy is a vital component of our national security strategy. We seek to reach out to the peoples of the world in respect and partnership, to explain our policies and to express the power of our ideals of freedom and equality, prosperity and justice. Public diplomacy is no longer the job of our experts alone; it is the responsibility of every member of the State Department family, and we are mobilizing the private sector and the American people to help.

People-to-people exchanges are also a vital component of our national security strategy. Many exchange participants report that they are "forever changed" by their direct involvement with the American people. Last year, the total number of student and exchange visas reached an all-time high of 591,000. We want to expand on this success, working in partnership with the private sector wherever we can.

We seek \$668 million for the Broadcasting Board of Governors, to support radio, television, and internet broadcasting worldwide, including in North Korea, Iran, and Cuba.

### **Meeting Global Challenges**

We face a major challenge in the proliferation of weapons of mass destruction and the materials to produce them. The FY 2008 budget supports our key multilateral counter-proliferation activities of including the Proliferation Security Initiative, the G-8 Global Partnership, the Global Initiative to Combat Nuclear Terror, and UN Security Council Resolution 1540. The budget also supports our efforts to strengthen the global non-proliferation regime, by rallying the international community to hold governments accountable for these actions which violate their responsibilities.

As the President said in his State of the Union address, we are committed to addressing "the serious challenge of global climate change." Our approach

is rooted in pragmatism and partnership. One of our principal initiatives is the Asia-Pacific Partnership on Clean Development and Climate, which we launched in concert with Australia, South Korea, Japan, India, and China. Together, these countries represent more than half of the world's economy, a large share of the world's emissions, and a growing demand for energy that is vital to economic development. The Partnership, for which we request \$30 million for FY 2008, is accelerating investment and opening markets for cleaner, more efficient technologies, goods, and services, while fostering sustainable economic growth and poverty reduction.

In Colombia, we are requesting \$506.468 million in the FY 2008 budget to sustain our commitment to counter narcotics and demand reduction. During his visit to Bogotá on March 11, President Bush reaffirmed to President Uribe the importance of helping Colombia finish the job. With Congress's bipartisan support, the United States has helped the Colombian people to protect their democracy from drug traffickers, restore security to large parts of the country, protect human rights, and begin a far reaching reform of its judicial system. The gains have been impressive. Colombia has come back from the brink to become a partner. We are confident that, with Congressional support for our FY 2008 budget request and approval of the Colombia free trade agreement, these hard won gains will be just the beginning of Colombia's dramatic transformation.

Critical challenges remain. President Uribe is addressing these issues aggressively and decisively, continuing the fight against drug traffickers, but also focusing on winning the peace through economic and social development, consolidation of democratic institutions, and respect for human rights. In response, we have designed an assistance strategy that will help President Uribe and the Colombian people achieve the security and prosperity they have worked so hard to make possible. We want to improve the lives of Colombians while reducing the impact of narco-terrorism on the United States and the region.

I know that there are questions about the relative mix of "hard" and "soft" spending in our FY 2008 budget request. We know that without security it is impossible to promote socioeconomic development. Our plan is to invest now in the Colombians' capabilities, as we gradually turn over responsibility for the counter-narcotics programs to them. I also know that recent concerns

of paramilitary ties to Colombian government and military figures are a serious matter. The Colombian government's commitment to seeking the truth and insisting on justice deserves our support. I believe strongly that we need to recognize President Uribe's leadership and the extraordinary commitment of the Colombian people.

We face another potentially deadly challenge in the threat of pandemic disease. The FY 2008 budget request of \$100 million supports our global strategy and partnership to address avian influenza outbreaks and to support prevention strategies worldwide.

The FY 2008 budget also advances the goals of the President's historic Emergency Plan for AIDS Relief. Thanks to the strong bipartisan support that this program has received from Congress, the Emergency Plan now supports treatment for more than 822,000 people in the 15 countries that are home to over half of the world's infected population. This year we are requesting a total of \$5.4 billion for the Emergency Plan, including funds requested by the Department of Health and Human Services. This includes \$4.1 billion for prevention, treatment, and care in the 15 focus countries. We are also seeking an additional \$1.2 billion for bilateral programs in other countries, for HIV/AIDS research, for multilateral programs worldwide, and for tuberculosis programs.

No less significant is President's Malaria Initiative, which has supported prevention and treatment for millions of people in fifteen African countries - Angola, Tanzania, Uganda, Malawi, Mozambique, Senegal, Rwanda, Benin, Ghana, Madagascar, Kenya, Zambia, Liberia, Mali, and Ethiopia. The FY 2008 budget dedicates \$300 million to fund our commitments under this Initiative, as well as \$88 million for other ongoing global efforts to fight malaria.

### **Helping Developing Countries and the Most Vulnerable Populations**

Global partnerships are essential to meeting the global challenges that I have just described. But many weak and poorly governed states do not have the capacity to fulfill their responsibilities as sovereign states. Our experience on September 11 showed us that weak and poorly governed states can pose not just humanitarian challenges, but national security threats. Hopelessness and oppression contribute to extremism and instability. Helping developing

states to transform themselves ó to govern justly, to advance economic freedom, to combat poverty, and to invest in their people ó is a strategic imperative.

The United States is a compassionate nation, and we are moved to action when tragedy strikes, and when innocent people are in desperate need. The FY 2008 budget provides more than \$2 billion for the protection of refugees and for basic needs like food, water, and medicine for vulnerable populations. One of the major recipients is Sudan, for which we are requesting a total of \$359 million for humanitarian assistance, as well as additional funding for Sudanese refugees in neighboring countries. We are continuing our support for victims of war and genocide, especially the internally displaced people in Darfur and the refugees in eastern Chad.

We will continue to invest in the people of the world's poorest countries. Basic education is a critical part of this investment. The FY 2008 request for resources to support basic education programs is \$535 million.

In addition to direct support for the world's most vulnerable populations, we seek to support the development of sound economies and political structures to raise people out of poverty. On this front, our flagship initiative is the Millennium Challenge Corporation (MCC). Since 2004, the MCC has signed development compacts with eleven countries, worth a total of \$3 billion. MCC works with transforming countries that meet standards of progress for governing justly, advancing economic liberty, and investing in their people. The compacts are designed and managed by recipient countries themselves, reinforcing their ownership in the fight against poverty. These resources complement and amplify the impact of our investments in other foreign assistance accounts.

For a country to unlock the potential of its people to increase productivity, create jobs, and combat poverty, it must integrate its economy into regional and global trade networks. The President remains committed to achieving a successful outcome to the World Trade Organization's Doha Development Agenda ó one that opens markets, expand trade, and strengthens a rules-based system. As a part of the President's robust trade agenda, we have negotiated ten free trade agreements (FTAs) with 16 countries worldwide, and Congress has already approved agreements with 12 of these countries.

We have signed FTAs with Colombia, Peru, Panama and South Korea. We look to Congress to support these important agreements.

Mr. Chairman, Members of the Subcommittee:

The State Department has assumed substantial new national security responsibilities in the war on terrorism. We are the lead agency on a majority of the tasks in the Administration's National Counterterrorism Strategy. Using our existing authorities, we are taking steps to reshape the State Department to play a forward-leaning role in advancing freedom and prosperity around the world.

In this challenging time, the men and women of American diplomacy are doing all that we are asking of them ó and more. They are nobly answering the call to service and shouldering their responsibilities. I ask you to provide the resources we need to play our part.