

## Hearing Transcript

### **Senate Foreign Relations Subcommittee on State Department and USAID Management, International Operations and Bilateral International Development Hearing on President Obama's Fiscal 2017 Budget Request for the Department of State and USAID**

March 1, 2016

PERDUE:

We're just waiting for the Ranking Member. He's on his way, so. Thank you.

Good afternoon. The Committee will now come to order. This hearing of the Subcommittee of State Department and USAID Management, International Operations, and Bilateral International Development, only in Washington can you have a title that -- is that long, is entitled, A Review of the F.Y. 2017 State Department and USAID Budget Request.

I'd like to begin by welcoming our witnesses, Mr. Pitkin, Mr. Sastry, and Mr. Napoli, thank you guys for being here. We appreciate it. I talked to your boss yesterday. I'm anxious to get a lot of your testimony in the record before. I think Under Secretary Higginbottom was -- is to be before the Full Committee next week.

So, we will try not to be redundant. We've looked at some of the questions, the Ranking Member and I have looked at these to ensure that we are -- we'll try not to do that for the sake of your time and hers as well.

We're here to discuss the international affairs budget State Department in its request for Fiscal Year 2017, which includes our State Department, USAID and other funding for diplomatic engagement and foreign assistance.

Today is intended to be a deep dive into the budget request with those who come up with a budget at State and USAID.

I personally serve on both the Foreign Relations Committee and the Budget Committee, which I believe gives me a unique understanding and as does the Ranking Member, Senator Kaine.

I believe that gives us a unique understanding of how our global security crisis and the fiscal crisis are actually intertwined.

Given our current fiscal situation, every dollar we spend on State and USAID, if you look at it that way, is basically borrowed, which makes it even more important that we understand the request.

But that said, the United States is and should continue to be the most philanthropic nation in the history of the world. We have no shortage of promise in the world that require American

leadership. As this administration plans to draw down American forces in Afghanistan as we continue to have lower troop levels in Iraq, the cost of the State Department maintaining a presence in this difficult high-threat environments increase.

Today, I'd like to cover a number of issues including long-term budget trends, the issue of OCO funding, the State Department and USAID's plans to combat the Zika virus. How monitoring and evaluation results are integrated in the budget decisions and how this budget would address the growing migration crisis in Europe, to name just a few.

Also, as follow-up questions on how some of the USAID money has been used in the past in places like Haiti, for example, we certainly have a lot of ground to cover. So with that, let me turn it to our Ranking Member, Senator Tim Kaine.

KAINE:

Thank you, Mr. Chairman. Thanks for the witnesses. We're looking forward to this hearing today.

As Chairman Perdue mentioned, I am also -- serve with him on the Budget Committee and I'm on the Armed Services Committee as well. And I feel like a lot of this hearing is really about, you know, an important part of American power, very connected to armed military mission, but on the diplomacy side. And I'll make the point, this isn't to chide to anybody with the State Department, but as good as you guys often are, professional men and women, aren't advocating for your budget.

The DOD is often even better at advocating for your budget.

General Mattis testified in the SASC hearing in 2013. "If you don't fund the State Department fully, then I need to buy more ammunition", that's a direct quote.

Secretary Gates is known for saying the same thing. And one of the things that's interested me as an Armed Services Committee member is hearing how strongly they support full budget for the State Department.

Secretary Kerry reminded us last week during the Full Committee hearing that this total budget is less than 1 percent of the federal budget. And it is a statement of our priorities and the degree to which we prioritize diplomacy abroad.

I'm a big believer in this budget. You've got organizations, like the U.S. Global Leadership Coalition, make the case for the importance of it, because we do so much good in this area. But we have so many concerns as well.

So we're going to be digging a lot into it. The Chair mentioned Zika, for example. We want to understand the President's proposal to spend money to battle Zika. But we also want to understand how the State Department is prioritizing keeping our own personnel safe which is I know got to be something that is of significant concern to all of you.

We've got military conflicts around the world that we know will not end without some political resolution, Yemen, Libya, Afghanistan, Syria. State and USAID play an important role as those conflicts are hopefully moving toward an end but then even after.

We have -- we're entering a new chapter in the relationship with Colombia after three presidents, three administrations have been consistent in Plan Colombia, we're moving the Paz Colombia and trying to play an important role in that strong allies continuing progress, which is good for the people of Colombia but also good for the people of the region and of the world.

And I also have a particular interest of having followed the Plan Colombia or the Paz Colombia, particular interest on how the State Department would intend to use the \$750 million appropriation that we just put in to the budget for the Central American prosperity process and the President has an additional billion dollar request and issue. So kind of how you intend to use those funds, what would be the metrics under which we would analyze whether we were being successful, we would have reason to believe because of Plan Colombia's success, but we could be successful but we'll only be successful if we spend the dollars the right way.

So there's many, many issues in this budget State and USAID, and we'll dig into them with other colleagues who are here, both now and when we have a full committee meeting next week. But we appreciate your service and look forward to your testimony. And, thank you, Mr. Chair.

PERDUE:

Thank you.

And now, we'll hear from our witnesses. I'll introduce you individually prior to your testimony. First, we have Mr. Douglas Pitkin, the Director of Bureau of Budget and Planning at the State Department. Mr. Pitkin is responsible for developing the diplomatic engagement budget, overseeing strategic planning and performance management of those resources as well as control of all departmental resources.

He served in this position since June 2015. Part of coming into the Office of Budget and Planning, Mr. Pitkin served in the Iraq Transition Assistance Office in Baghdad, and in the Office of Management Budget.

Mr. Pitkin, thank you for service. We're anxious to hear your testimony.

PITKIN:

Thank you, Senator. Thank you, Mr. Chairman and Ranking Member Kaine, and distinguished members of the Subcommittee for inviting my colleagues and I to discuss the F.Y. '17 Department of State and USAID budget request.

At a time when the demand for U.S. leadership and engagement has never been greater, this budget provides America's diplomats and development professionals with the tools they need to advance our national security interests and build a more safer and more safe and prosperous world.

The total request for the Department of State and USAID for F.Y. '17 is \$50.1 billion, of which \$35.2 billion is in our base enduring budget and \$14.9 billion is requested in Overseas Contingency Operations. This combined funding, as you said, still constitutes to just 1 percent of total federal spending.

As director of the State Department's Bureau of Budget and Planning, I will focus on our diplomatic engagement request, which comprises our people, our diplomatic and embassy security programs, public diplomacy initiatives, our treaty-based commitments to the United Nations and other international organizations, and our global management platform.

This portion of the budget, in terms of appropriations, totals over \$16.1 billion, which for F.Y. '17, constitutes \$560 million increase over the 2016 omnibus level.

This portion of the budget constitutes 32 percent of the total State and USAID request with the foreign assistance and USAID budget making up the remaining 68 percent.

We are submitting the details of our overall budget request and many of the numbers as part of the USAID, State fact sheet for the record. And I will highlight a few of the specifics that drive the majority of our request.

A large portion of our request is for our operating platform of security programs and diplomatic facility construction, which we're requesting a total of \$6.1 billion, \$3.7 billion of that supports are diplomatic security bureau operations and other worldwide security protection programs which actively secure our personnel, our facilities and our information.

\$2.4 billion of that request is for our diplomatic facility construction and maintenance which provides the Department's share of a capital security cost-sharing program which builds safe, secure and functional diplomatic facilities overseas.

Both components of that security request sustain our Department's commitment to implementing the Benghazi Accountability Review Board recommendation several years ago.

As these programs do help us manage a risk, and mitigate overseas threats, they are major recipients of OCO funding both in this budget and in the last -- over the last few years.

As you know, the 2015 Bipartisan Budget Agreement yielded a significant increase for OCO resources for the Department and USAID for F.Y. '16 and 2017.

Since 2012, OCO has been instrumental to achieving many of our national security objectives, especially on the diplomatic engagement side for managing the transitions to a largely civilian presence in Iraq and Afghanistan, which previously had been funded by periodic and sometimes unpredictable supplementals.

For Iraq, the diplomatic engagement request includes \$1.3 billion for our embassy and consulate operations, as well as diplomatic security's funding for guard facilities and embassy Baghdad,

increase contract costs, and security equipment. In collaboration with the Department of Defense, the U.S. Embassy in Iraq continues to support the diplomatic engagement critical to strengthening the Iraqi government and supporting our Operation Inherent Resolve, counter ISIL efforts.

In Afghanistan, our mission focuses on our engagement and outreach to the -- and part of the military transition. And our total request for Afghanistan is \$1.2 billion, which also includes significant increases for the Bureau of Diplomatic Security.

They're also leveraging OCO to expand the global engagement center, which is a high priority for the Department, and another example of our close collaboration with the Department of Defense. The Global Engagement Center will continue countering violent extremist messaging and communications, by empowering our partners' efforts to undermine disinformation espoused by extremist and terrorist groups, including ISIL and al-Qaeda.

The Department has brought in a senior counterterrorism leader, Michael Lumpkin, over from DOD to synchronize efforts across the national security spectrum and with our international partners in both the governmental and non-governmental community.

To sustain these efforts over the long term, the 2017 President's Budget, once again, proposes to end sequestration for function 150 and other discretionary spending for F.Y. '18.

We anticipate that the future of OCO will play heavily to that for F.Y. '18 as well.

Other priorities in our budget continue to strengthen U.S. relations with international community. We have \$1.2 billion for our public diplomacy and global engagement goals to expand our outreach and engagement programs. We also have request our funding to support our contributions international organizations, \$1.4 billion for the U.N. and other international bodies, \$2.4 billion for U.N. peacekeeping to address conflict-related crisis's (ph).

In addition to our appropriate funding, we do retain significant fee revenues for our consular and border security programs. That portion of our budget provides services to Americans who travel as well as foreign visitors. This program would facilitate legitimate travelers which is vital to our economy while denying entry to individuals who threaten our nation's people.

Last summer, the QDDR that did come out was the Department's second Quadrennial Diplomacy and Development Review. While not specifically a budget document, the QDDR does guide our management efforts and our request does include funds particularly for Bureau of Human Resources to increase our workforce diversity, but almost a two-thirds increase of our prior funding for outreach to new foreign service leaders.

This is just a brief summary of our request. And I want to assure you that we are committed to being good stewards of taxpayer dollars. With continued congressional support, I'm sure we can have a positive impact in promoting our foreign policy priorities at home and abroad.

And I look forward to answering your questions.

PERDUE:

Thank you, Mr. Pitkin.

We'll now turn to Mr. Hari Sastry, the Director of U.S. Foreign Assistance Resources. Mr. Sastry is a career member of the Senior Executive Service. And in his current role manages the Department of State in USAID Foreign Assisted Budget.

He's previously served in the Department of Commerce as well as to the White House Office of Management Budget.

Mr. Sastry.

SASTRY:

Thank you, Mr. Chairman, Ranking Member Kaine, and distinguished members of the Subcommittee.

Thank you for inviting us to speak with you today about the Fiscal Year, F.Y. '17 State Department and USAID foreign assistance budget request.

As Secretary Kerry noted and as you noted in recent hearing before the Committee, while the foreign affairs request makes up just 1 percent of the total federal budget, it may very well impact much of the history that will be written about this era.

I'm here to discuss our F.Y. 2017 foreign assistance priorities, out-year challenges and long-term spending trends, our efforts to enhance foreign assistance management and aid transparency, and interagency coordination.

The F.Y. 2017 State Department and USAID request of \$50.1 billion includes \$34 billion for foreign assistance programs and activities. The budget request directly supports our national security strategy and our foreign policy priorities. Our foreign assistance continues to provide strong and sustainable leadership in the face of unprecedented challenges.

The Secretary spoke to the Committee at length about the Department's F.Y. 2017 request and our priorities. And I'm not going to go through all of them today.

Some of the critical priorities that he highlighted include our efforts to counter violent extremism, Daesh and Russian aggression to support climate change, democracy and governance and global health programs, and to address other critical regional challenges and opportunities.

We provided a fact sheet summarizing the main points of our request for the record.

A core component of the F.Y. 2017 foreign assistance request includes \$9.6 billion in Overseas Contingency Operations funding, a level which is aligned with the caps set in the 2015 Bipartisan Budget Act and equal to the amount provided to us by Congress in F.Y. 2016.

The OCO request will enable us to prevent, address, and help countries to recover from human-caused crises and natural disasters.

While the Bipartisan Budget Act effectively increased the amount of OCO appropriated for foreign assistance by 59 percent above the F.Y. '15 level, the -- our F.Y. '16 base appropriation was reduced by 8 percent below the F.Y. '15 level.

The future of base versus OCO is not clearly defined, and as we look toward planning for the F.Y. 2018 budget, we look forward to working with you to effectively tackle this issue.

In addition to the OCO base issues, a broader out-year challenge for foreign assistance is that we recognize that the various crises around the world are producing more refugees and more disasters, and we are asked to take the lead in responding to more global health pandemics.

We are constantly asked to address new challenges that land on the front page of the Washington Post today, while simultaneously providing continued support to countries that focus on longer term needs as we -- and aim to ensure those countries do not end up on the front page tomorrow.

The demands on our limited foreign assistance resources show no signs of abating. So we ask ourselves, "How do we do more with less?"

First, we look to strengthening our internal systems and processes. Informed, data-driven decisions drive our strategy to address these increasing global challenges, and are a critical component of the Department's commitment to achieving the most effective U.S. foreign policy outcomes and greater accountability.

Last year, the Department updated and expanded its evaluation policy. We've also expanded the quantity and quality of data available on ForeignAssistance.gov, a website we managed on behalf of the U.S. government, to publish the aid data of the 22 agencies that implement foreign assistance activities for the American public.

These critical monitoring, evaluation, and transparency efforts make us a government better able to serve the American people, and more effective in our use of U.S. dollars abroad.

Second, we look at how we can best leverage these resources. We are able to tackle many global issues through close coordination with our agency partners. We work directly with the Departments of Defense, Treasury, Agriculture, Homeland Security, the Centers for Disease Control, and many others to address these complex challenges.

We are doing everything we can to ensure U.S. taxpayer dollars are used as efficiently and effectively as possible within the top line provided by Congress.

Today's global challenges make clear that what may appear to be a distant concern has a power to impact Americans right here on our home soil.

Our leadership role in addressing these issues is important now more than ever, it is essential to promoting our goals and objectives abroad, stimulating the economy and creating jobs, and protecting the American people and our values here at home.

To adapt to this ever-evolving global landscape, foreign assistance must be, as the President said in his recent State of the Union address, "a part of our national security, not something separate, not charity."

Foreign assistance is and must be seen as a powerful tool that enables our nation to continue to lead the world in effective solutions to global challenges.

Thank you for your continued support and I look forward to answering any questions you might have.

PERDUE:

Thank you.

Finally, we'll hear from Mr. Roman Napoli, the Acting Director of the Office of Budget and Resource Management at USAID.

In this role, he provides advice to agency leadership on a range of budget issues including performance, management, budget planning and financial management.

He has previously served as a head of budget formulation and execution for USAID's program budget as well as a head of the Strategic Planning and Resources for the Middle East Partnership Initiative.

Mr. Napoli.

NAPOLI:

Thank you, Chairman Perdue, Ranking Member Kaine, and members of the Subcommittee. I'm very pleased to join you to discuss the U.S. Agency for International Development's F.Y. 2017 budget request.

Our request total is \$22.7 billion and reflects the critical role that development plays in advancing U.S. interest and values abroad. As the lead on development in the U.S. government, USAID is now better positioned and more capable of making a sizable impact around the world, leading not just with our dollars but with leadership at the international community and the American people expect.

We do this in four ways. First, this request helps USAID foster and sustain development progress all over the world. The USAID will institutionalize proven investments by fostering inclusive economic growth and strengthening democratic governance through tested and proven interventions.



This work is lifting millions out of extreme poverty and helping countries become open, peaceful and flourishing partners for the United States. The request will enable USAID to double down on efforts that are delivering results and continue to build the conditions and make progress possible.

With this budget, we will continue to save lives and improve health worldwide by contributing to global efforts to ending preventable child and maternal death creating an AIDS free generation and protecting communities from infectious diseases.

PEPFAR is well on track to reach bold HIV and AIDS prevention and treatment targets and we see the same opportunity with malaria. 90 percent of all malaria deaths occur in sub-Saharan Africa, most of which are among children under five. And we've already seen significant declines in child mortality due to our work with reductions up to 55 percent. This budget includes a total increase of \$200 million to expand and broaden our malaria work.

Second, the request enables USAID to prevent, mitigate and respond to man-made and natural humanitarian crisis's that are occurring at unprecedented scale and frequency. USAID's response to crisis around the globe is intricately linked to our development mission.

This request will enable USAID to provide life saving responses to areas with the most vulnerable populations. We will provide emergency food supplies, address the underlying causes of food security and assist victims of conflict and natural disaster.

Third, this budget supports our critical work to confront threats to national security and global stability. USAID is providing critical supports to Central America where we are building on our current investments by providing expertise to host governments, they make necessary reforms, scaling up proven community-based interventions, and training youth for our 21st century workforce while helping businesses have the financial and market access to invest and generate jobs.

Finally, this budget will position USAID to continue to lead and meet the needs of a changing world by investing on approaches that work. We will emphasize knowledge and evidence-based learning and we will support the men and women of USAID as they proudly serve the American people in increasingly challenging environments.

With this request, we want to have science evaluation and learning with \$196 million and funding for the global development lab and the policy planning and learning bureau. Investments in the lab will enable USAID to develop in scale, break the solutions, leverage more out of our funding, and approve the sustainability of our development investments by attracting private sector resources.

The request also includes necessary support for USAID staffing capacity with the requested \$1.7 billion across USAID administrative expense accounts to sustain ongoing operations and building in institutional reforms we have undertaken with USAID forward.

While there's tremendous envision in this request, we acknowledge that the expectations for USAID are as diverse and as multifaceted as the problems we addressed. While these issues are

complex, the USAID is evolving and fundamentally changing the way we do business, integrating innovation into all of our work, leveraging our resources for greater impact, and focusing like never before on measuring and delivering results.

We envision a world where the most vulnerable are emerging from extreme poverty and contributing to stable Democratic societies, building a safer world that promotes the dignity and freedom of people everywhere, and advances our security and prosperity.

And with that, we look forward to your questions.

PERDUE:

Well, thank you all. I look forward to your answers here. And again, let me just for the record, remind us all that we will have the Under Secretary Higginbottom here next week to answer questions about the budget as well and other issues.

So today, we're going to -- I'm going to dial in to some of these detail questions that we hopefully won't get into next week. I want to put this in perspective if I could. First of all, in the spirit of really nonpartisanship, which is what I think Senator Kaine and I on the subcommittee, and then Senator Corker and Cardin have done in the full committee. This is one of those committees that really does have a record of bipartisanship and really nonpartisanship, and we look at State Department that way.

Senator Kaine's comments are exactly correct. You know, as we pull out of these areas, we know the pressure is increasing on State. And honestly, I want to give some perspective to this with that coming in mind and that is, you know, if you look at since 2009, the costs of State Department have been fairly flat. As a matter of fact, this is a budget request that actually is lower than last year's budget request. And now, I don't want to blast over that. He's a business guy and I appreciate that.

So having said that, I want to talk to you a little bit about some history just so we have perspective when we talk about this particular budget. If we go back a few years, let's go back and look at it two different ways. The State Department was spending, on average, somewhere between \$25 and \$30 billion a year for quite a long period of time. Now, as a percentage of GDP, it actually -- since '09, it's actually declined from about 0.4 percent of GDP to about 0.3 percent of GDP. So, let's put that in perspective. And I think you need to be congratulated on that from that perspective.

I kind of look at it the other way and looking at hard dollars, though and say, OK, here's the mission. I know it's changing. It's dynamic. And here's how we spend money against that. So that percentage of GDP is one benchmark that I think we use. It's not the end-all. Having said that, can you help me with the perspective of what we're doing and say, I know we had the surge in Iraq and so forth.

Mr. Pitkin, can you address that to start with, and anybody else has a comment on that, I'll appreciate it. But can you speak to sort of what we've seen, and is this a new norm, or is there some

anticipation that somehow the world's going to get safer and we can go back to where it was maybe in 2001 or 2008 for example?

The question is, with all the dynamic stretch (ph) on the world, impressions going to say, and I'm trying to lead you to an answer, but I really am trying to figure out what that \$20 billion is going forward in this new world?

PITKIN:

Thank you, Mr. Chairman. Well, I certainly have, of course, if the world does get safe or not, in our budget in health and move us in that direction. But certainly, as part of the Department's Management team, I frequently hear the reports from our Assistant Secretary of State for Diplomatic Security, Greg Star who is very candid about the threats that we face overseas. And at their evolving nature, that they're unpredictable, and that they can emerge even in countries like France, as we saw earlier or last year that are unexpected.

And so, we have to be able to be mindful of those threats, not just in what we currently call the frontline states for the high threat post, but other post where our adversaries have the capacity to strike unexpectedly.

So going back to the original question, I have been with the Bureau of Budget and Planning since that 2007. And certainly, the main driver that I have seen for our operating cause has been our presence in Iraq and Afghanistan. And as you know that I actually came from the Iraq office. I've been working in the Embassy of Baghdad, primarily actually in the Foreign Assistance side. And one of the challenge that certainly the Department face was as Milter (ph) was drawing down, there was a transition plan in which the Department of State has or wasn't, has taken over the line share of the responsibility for the operating platform from DOD and that comes with a cost. It comes with the cost for operating an environment with where we can't rely on the local economy, where we have to bring in employees from outside. We have a very unique and challenging security conditions.

And so since that time, and particularly since the creation of OCO, we have made significant investments both one-time investments in facilities and recurring investments in people and programs to help protect our staff and our other interagency partners in Embassy of Baghdad. The same trend we're seeing in Embassy in Afghanistan.

Now, in Afghanistan, we've drawn down more. We now -- we just are focused on Embassy of Kabul, but the same thing, we are seeing as the threat evolves, as the DOD forces and international partners draw down, more of that security platform falls upon the Department of State. And we take -- we try to be appropriate and take appropriate measures.

And I think last year in the F.Y. '16 omnibus and '16 budget, we tried to contain some of those costs. But now for '17, just the way that the contract cycles move, we are seeing increasing costs that we are trying to address in this budget request.

PERDUE:

Is it safe to say that during -- look at this simplistic and I know it's not, but if you look at the war period, say between '02 and 2009, while we have fighting forces in the country, the need for state expense is not as great as it is as we see after the departure of those Defense Forces. Is that a correct simplistic way to look at it? Because I'm looking at, is that part of the run up in the 30 being -- it's a 76 percent increase. It's not on this watch, I understand that, but I'm trying to look historically to, say, is this a new norm or do we have potential to put -- eventually bring that back down?

PITKIN:

I certainly hope we can bring it down overtime, but that would definitely depend on security conditions on the ground. And we did make decisions several years ago under our previous leadership to try to constrain some of our Iraqi presence to just the two consulates in Embassy of Baghdad. One, partly for security reasons, because the more sites, the more anchorage we had to protect. The more movements we had, the more we expose our people to risk. But also did have expensive costs, but primarily security and getting the job done and achieving our mission and working with the Iraqi government was the key priority.

It has declined somewhat but we, actually, we're getting a lot of support. And from DOD previously, DOD helped fight our security. It wasn't free. But as DOD is drawing down, that that entire cost falls upon the Department of State. So, I would say, it's a shift. It's, one, a very stable presence. But as DOD withdraw its forces, we have to pick up the slack to help protect the personnel who remain.

PERDUE:

And my time's going to run out, but Mr. Napoli, I would -- I'd like to address the follow up you mentioned in your testimony that one of the issues is trying to make sure that the money that is invested has a good result.

And so, I'd like to talk about Haiti for a minute. I was elected in November 14th, and between then and the time I was sworn in as a private citizen, I went on a mission trip to Haiti to try to rebuild the school and hopefully some housing and so forth for an orphanage, 275 kids down there. And it really touched us that, you know, in five years after the earthquake, not a lot had changed, right? So I mean, I understand that the Navy was down there early, USAID was there early and so forth and we did a lot of good.

However, I was really troubled by the state of the situation, particularly if I'm correct, that we've spent some \$4 billion in Haiti.

And I have a particular question, you know, as to the effectiveness of money spent there.

We know that historically, Haiti has always been the poorest country in the Western Hemisphere. We know there were allegations of corruption there for decades. None of this is new. But in February, in March of 2015, USAID itself suspended two contractors. They have been working on a flagship, \$30 million housing project. I think it was called Caracol-EKAM, if I'm correct.

Due to faulty home construction, poor drainage, yeah, and the list goes on. It was also a question about where it was put. There's a lot of housing that was built in and around Port-au-Prince. It wasn't where that people were living. They were in other areas where they could get clear ground. And so, I'm not sure how affected that was.

Can you speak to the followup that USAID has in a country like Haiti to make sure that the money goes to the people that needs the help. They were not just using U.S. resources, that we're using local resources when we can, and that the results are after a five-year period of time, effectively what we wanted out of \$4 billion investment.

NAPOLI:

Senator, thank you for that, and thank you for sharing your personal experience.

You know, Haiti is one of the poorest countries in our hemisphere. And so, it has a particular amount of attention especially after the earthquake there.

I think when we talk about thinking about Haiti and how we followup and how we make good, there's a number of things that we think about. But really it's, you know, our work in the political space, really kind of riding the governance of the country, helping them to govern themselves, put things in place that are going to leave that government down the road to full rehabilitation.

But for USAID's investments, you know, there are a couple of things that I think we really want to talk about in terms of just really quickly saying things, like really bringing in capital and other things through our development credit authority, where we have the diaspora, Haitian diaspora and Haitian business leaders, coming, finding ways to work with USAID and leveraging that money in the country. That's the kinds of things that I think really help, one, lower the U.S. government's risks, but also allow us to do things that are sustainable and locally owned.

So, I think there's a lot of challenges in Haiti and that's something we can talk more about. You know, I think following the hearing. But for now, my perspective is we've done a lot, we've got 98 plus percent people out of temporary housing. There has been a lot of progress, but there is going to be, continue to be a lot of things we need to do in Haiti forward. And this budget does include healthy request for continuing some of that work.

PERDUE:

Well, I'm out of time. I will come back. I have one followup question on that a minute. But for the sake of time, we'll go to ranking member, Senator Kaine?

KAINE:

Thank you, Mr. Chairman. I appreciate the testimony and I'll probably have multiple chunks of questions too.

But Mr. Pitkin, I'm going to start with you. It's just sort of a budget philosophy question, because you've been doing this at states since, did you say '06? 07?

PITKIN:

2007, yeah.

KAINE:

And then you were at OMB prior?

PITKIN:

That is correct.

KAINE:

We have now done two two-year budgets in a row. And what it means in getting there, we got to the first one after shutdown and we got to the second one in the middle of the speaker retiring. So, I'm not sure we can always count on something like that.

But I really like two-year budgets. I'm a former governor. We always did two-year budgets. Senator Isakson has had a two-year budget bill for years. I'm a co-sponsor of it.

We kind of got in this that we will do a two-year budget deal in single year appropriations. But once we do the first appropriations build, it gives people at least kind of a range of reason if they know the top line for year two, sort of what to expect.

I really feel like the economy outside, but also our inside operation does a lot better with more certainty we can provide it. And congressional activity around the budget has been a big uncertainty generator rather than a certainly generator.

We're having a little bit of a debate potentially right now in the budget of committee and member officer on that committee about whether we stick with the two-year budget deal and then just work on appropriations this year in response to the President submitted budget. Or, whether we actually go back in and alter year two of the two-year budget deal that we struck on October.

Do you agree with me that certainty is generally a good thing and that, you know, the two-year budget concept, if we can normalize it and try to honor it going forward would provide some benefits in terms of the fiscal planning for agency like state?

PITKIN:

Thank you senator. Well, it's difficult for me to speak to the broader budget process, because certain there are number of equities. And as evidence, the F.Y. '17 request, even our request for

state had to take in consideration that range of challenge with the administration, trying to cope with them both the discretionary and mandatory side of the budget.

So, I recognize that even in negotiating a single year budget within two-year budget deal, there are going to be different puts and takes in order to achieve the right balance for the American people that's basically responsible.

But in terms of planning, yes, for certainly if you are working within a planning ceiling, helps us set expectations. It helps us try to know what the external stakeholders we consider basically responsible. That's why the request that we sent forward stuck to the OCO ceiling that was negotiated last fall, even as we made different trade offs within the OCO level, and part of the dynamic forum request is some programs that we try to shift into the base to get out of OCO because we thought it was more of a base program, to make room for other OCO related priorities such as the security efforts I referenced earlier.

So, I certainly think we have the certainty or planning agreement helps us, but we recognize it's part of our broader political dynamic, and that we have to be able to explain the trade offs, what happens if we have to work with less resources or address new challenges?

PERDUE:

Thank you for that. Now, a question about OCO for all of you, again, kind of a broader question, you know, there is a legitimate use of an OCO account because there are true contingencies. There is also a degree to which OCO can be used just to kind of skate around budget caps.

I think what we've done in the two two-year deals that we've done, the Marie Ryan deal in December 2013 and the deal that we got in October 2015 is basically not only we've done two-year budgets, but we've kind of decided we will treat the budget caps as a discipline but not a straight jacket, as a starting point and a default, but not just an iron clad, an impermeable straight jacket. And so, we have adjusted off the budget caps in both the first two year deal and the second one.

Share a little about from each of your perspective, as we are thinking about an approps, you know, our budget and approps work. The way we ought to look at OCO, obviously, it's more predictable if it's in the base. You know, what is the base expenditure? What is an OCO expenditure?

I mean, you've kind of hint to that of the ideas was, do we think it's going to be regular in continuing versus truly episodic? But if you -- for this year, agencies would offer us advices, we're grabbling with this OCO question. That could be helpful.

PITKIN:

Thank you Mr. Senator. I think what the chairman said earlier when he asked the question are too simplistic, I think that is a part of the answer really is as we look into the out-years and as DOD, for example, clears space in certain areas, it is State Department and that certainly on the assistance

side that we're going in. And we often have programs that are going to last longer than a short term surge (ph). Building governance, I think, takes time.

So, the budget deal certainly provided welcome relief from the sequestration that provide some planning certainty that was -- both of those things were very good. But in order to -- but our reliance on OCO increased. And as the secretary said last week, that's something we need to tackle going forward.

And so, what we did really was we shifted a lot of programs that we had traditionally funded through the base appropriations that do have a little bit of a longer term, look to them and we funded them through OCO because that's, you know, that's the tool that we had.

So, going forward, we certainly have this challenge of how do we response in many more parts of the word than we were responding to in 2004 or 2005 or 2006? And how do we maintain that because we do see that, you know, we don't see the pressures on the system side really abating much all in the short term.

Of course, we hope that will come down in a long term. But in the near future, we just -- we don't see that. And the real drivers have been, you know, the conflicts of driven humanitarian cost up and et cetera.

PERDUE:

Mr. Napoli?

NAPOLI:

Yeah. I won't add too much more to what was said. But I think from our perspective, the USAID, one of the things we look at is, you know, 90 percent, over 90 percent of our international disaster assistance account is now in OCO.

And while we can see a way in which that makes that framing works in the short term, in the long term, we know very well that part of what we do in the disaster assistance account is also make investments in disaster readiness, working and to make communities more resilient to future external shock. So, there is a little bit of conflict there that I think over the longer term, will have to be resolved.

PITKIN:

I don't want to OCO to end up being like the Willie Sutton (inaudible) banks because that's where the money is.

We're not going to burry the budget gaps, but if we could just put it in the OCO account, then everybody will be going there.



So, some rational understanding of, well, what is an OCO expenditure and what is a base budget expenditure, something that as members of this committee and the budget committee to were going to grab with.

I'm going to say my questions about individual items for the next round for Senator Isakson's sake.

PERDUE:

Thank you, Senator Isakson.

ISAKSON:

Thank you Senator Perdue. Let me ask you Mr. Pitkin. Tell me, you said your first page or your printed testimony (ph), you said that the President's budget is 50.1 billion and 35.2 of which is enduring, maybe that's the word.

Then Mr. Sastry, your first line says, the F.Y. 2017 budget is 50.1 billion which is the same number, and it says 34 billion of which is foreign assistance. This foreign assistance and enduring the same thing?

SASTRY:

No Mr. Senator. On each of the 50.1 billion, 34 billion is foreign assistance. That split between our base piece and our OCO piece. So, our base piece is approximately 25 billion and our OCO piece is about 9 billion.

ISAKSON:

So 25 billion is foreign assistance?

SASTRY:

Thirty four is the total. That thirty four...

ISAKSON And that's a separate account?

SASTRY:

Correct.

ISAKSON:

Correct. How much of that goes to Israel (ph)?

SASTRY:

3.1 billion.

ISAKSON:

So about 10 percent of all foreign assistance goes to Treasury?

SASTRY:

Correct.

ISAKSON:

The point I want to make on that is I have been caught as every senator, with people who think, what if you just repeal the foreign assistance budget, you can balance the budget and you never have any problems with this country and our debt goes away.

Its probably the best buy we've got in the entire budget for peace and security. And I think enduring is, I'm not sure even an accurate word. But I think to know that 10 percent foreign assistance goes to Israel, and I was asked the question by my constituents who complain about foreign assistance, how much do you think it would cost us to build and maintain a military base in the Middle East? It'd be a heck of a lot more than \$3 billion a year, so it's a great return on the dollar, tremendous return on the dollar.

Listen, now Roman Napoli by the way is a great, and he ought have been in the Oscars the other night, we would have won one.

But I thought I saw Roman Napoli there but I guess I didn't. And anyway, never mind.

In your testimony, you said USAID -- you said the accounts -- you said the president's funding request for accounts from which USAID administers assistance is 22.7 billion. How did -- is that out of the 50.1 total or is that another?

NAPOLI:

No sir, that's inclusive of the number, and it's inclusive of the \$30 billion number that Mr. Sastry is using.

ISAKSON:

So foreign, USAID, et cetera, et cetera, et cetera all comes under the umbrella of 50.1, just out of different component accounts, is that right?

NAPOLI:

Yes sir, that's right.

ISAKSON:

What about embassy security and embassy improvements around the world, or is that in this 50.1 billion as well?

NAPOLI:

Yes sir, it is, 6.1 in total.

ISAKSON:

Is there any new embassy or replacement embassy we're building in this budget?

NAPOLI:

Yes, we have funding in our capital city clustering (ph) program to build foreign new embassy facilities and we can get the details, but I believe they are Guatemala City, Kenya and two others and I can back to you on those. But yes, we have four new embassies in this budget.

ISAKSON:

Given what happened in Benghazi and the tragedy which all of us felt for Ambassador Stevens and the others who lost their lives. How are we -- and we've done a thorough job on reviewing, say, country by country, embassy by embassy, our security in our potential city?

NAPOLI:

Yes, certainly senator. After Benghazi and the Benghazi Accountability Review Board, the Bureau of Diplomatic Security, as well as the Industry for Management, the Deputy Security of State with a very detailed review of our embassy's security posture particularly in several dozen of facilities that were deemed the highest risk.

And E.S. (ph) has a number of ways of measuring risk. It is, well, an art and a science. But they look at number of factors and they tested it several dozen of our overseas, posed as high risk, high threat post.

And first off, they did create a special directory within the Bureau of Diplomatic Security, all the highest(inaudible) which focuses on these highest risk post. They created new programs and they hired new people. They put in place new controls to ensure that those posts were prioritize for resources and received that for attention in terms of having the right security capacity on the ground.

We reprogrammed at that time about \$1 billion of savings that we glean from Iraq, and we programmed that to both facilities and personnel to basically bolster our security poster at those on other post.

And then, we have sustained those investments as part of our on going budget request. And we are still in the process of standing up some increased marine security guard presences at, I believe, 34 total posts.

In many case, we still have to work with the local governments and get permissions in finding the right housing, but we have that funding both in our proper base budget to sustain those efforts.

And I believe we have implemented all, but I think -- fully implemented all but two of the Benghazi Arabia recommendation. And the last two, I believe, are really because of policy, local, post nation issues and not because our funding.

ISAKSON:

Once you get outside the half premium employments like investor to France and Australia and the few places like that. The ranking file diplomat is on the front line of the United States of America or embassies around the world that people have never heard off, and they risk their lives to do so or they put their lives certainly at risk.

Now, it gets very important that we make sure they know that we care about their security. They were planning everyday to see to it that every person deployed oversees on behalf of United States of America is as secure as they possibly can be and we can make them.

I am a big believer in the soft power. It works best when your heavy powers are already working and enhanced. But soft power only works when you have the type of volunteers and type of people committed to -- willing to commit their lives to represent the United States on America.

So I -- there's no dollar we should spare whatsoever in securing the security of our embassies around the world and the people we recruit for. And I just want to put that in the record because I think it's critical for what you do.

(UNKNOWN)

Thank you Senator. And just to complete the thought on the two -- the four facilities that we're requesting in '17 are Guatemala City, New Delhi, India, Kampala, Uganda, and Nairobi, Kenya.

And we also have other programs that provide compound security upgrades and other safety upgrades to facilities that are not in the near term schedule for new compound.

ISAKSON:

Well, I've been two of the four and they're good choices.

(UNKNOWN)

Thank you.

ISAKSON:

One last thing I guess while I've got 50 seconds. On Zika, do you all have any input on the request for Zika -- in addressing Zika?

SASTRY:

Yes, we did have input on request for Zika. And although most of that funding was on the foreign assistance in the I.D. side.

ISAKSON:

And I think the budget was completed before the Zika became an issue, wasn't it?

NAPOLI:

I think CDC and others have been tracing Zika for sometime. The disease is much older, although it had not become as acute as it is now.

But we've been trying to work as fast as possible to get where we've gotten.

ISAKSON:

One last thing Mr. Chairman. Let me put a bug in your ear about Zika. A lot in Kansas, in Georgia, in California and in New York, I think those are the right four states. Private hospitals and facilities gave -- entered the Ebola battle, have caused us to be able to cure some people with Ebola and quarantine them with Ebola and they spent a lot of their money. And I think the reimbursement still hasn't come in some of those cases from Ebola.

And there are a lot of people talking about funding Zika out of the left over money from Ebola. We've got to make sure that it is left over after we paid every obligation we had at those hospitals had volunteered their time and their services in the Ebola outbreak.

Thank you very much. Thank you Mr. Chairman.

PERDUE:

Thank you. Let's move over to Europe for a minute. I had a chance a couple of weeks ago to go to Sorbian (ph) and actually met the cousin of Macedonia and a few other leaders over there.

Well, the counties talking about the refugee pipeline from Greece all the way up into Austria, Germany, Norway, Sweden and Venitrix (ph) and talk to several families who had been on the road for 35 days. I have to report. They seem to be well fed, clean. They were being taken care of. Nobody was on the road walking. These people were train and bus.

But there's an ongoing tragedy over there that is not complete at all. I mean, this things is really in its early stages, in my humble estimate. That's what -- but I think one of the questions, June 2015, the U.N. high commissioner for refugees reported that worldwide, there were 60 million people have been displaced.

You know, 11, in Syria alone is one estimate I have seem. Despite this highs, the total U.S. humanitarian assistance requested a 6.2. I think that it's 20 percent less in '16. And further, the amount of -- in the Migration and Refugee Assistance account issue request decreased by about 250 to 260 million.

What accounts for those decreases in the time when you hear and see this growing demand for assistance with the migrants and refugees?

Mr. Sastry.

SASTRY:

Thank you Mr. Chairman.

So first, you're right, the situation around the world especially with Syria is something that has certainly seized everyone's attention, and there's quite a few requirements being driven from that crisis.

Our 2016 appropriation gave us \$7.6 billion in humanitarian assistance. This was a -- we thank Congress for the support. It was nearly a 25 percent increase from what we had in 2015. So, when we were building the '17 budget, what we really did was look at what our needs were across two years, across '16 and '17, and to see what we could -- what was the right amount that would be able to meet the needs.

While also, making sure we balance some of our development funding at the same time, because we want to ensure that we're preventing crisis in other places of the world as well.

So, if you look at across two years, it's nearly \$14 billion in humanitarian over two years.

So, that's \$7 billion a year. That is still a very strong foot print for humanitarian assistance. And the other I think priority we had going forward and the secretary mentioned this at the conference in London a couple of weeks ago is as the U.S. continued -- U.S. is the number one donor for humanitarian systems and will continue to be a number one donor but in order to be a leader, the other issue that we need to tackle is bringing other donors to the table.

So I think it was a combination of making sure that we have a strong humanitarian funding level over the two year period but also making sure that we're engaging other countries to come to the table.

PERDUE:

I notice Senator Markey has arrived but before I moved him, here's a follow up question.

SASTRY:

Sure.

PERDUE:

All right is State Department having any conversations specifically with any of the Arab countries that are not now participating in this humanitarian aid?

SASTRY:

So, I will take that question back there. There have been discussions but I don't have the details and we'll...

PERDUE:

Well, I'm happy to tackle (ph) that until next week would you let under secretary Higa Marthon (?) see if she wants to respond for the record?

SASTRY:

Sure.

PERDUE:

Thank you. Senator Markey, if you're ready I will yield to you if you're ready.

MARKEY:

Thank you. Thank you, Mr. Chairman. Thank you for having this very important hearing. I'd like to go to Ethiopia, I like to talk about El Nino, talk about this historic impact its having in Ethiopia generational. The impact its having that could lead to malnutrition for millions of kids in Ethiopia. And what we're doing and what can we do to help? This is clearly an exacerbated form of the climate change impacts that we're seeing and that part of the world is particularly vulnerable. So can we talk a little bit about that?

SASTRY:

Sure, thank you Mr. Senator and I actually was recently in Ethiopia a few months ago and was able to see some of the preparations as they were -- as if they were grazing for El Nino our total request in this budget is \$513 million for Ethiopia. And so -- and that includes our work -- a lot of our work in the resilience of communities that have -- that are susceptible to the shocks that you see when there is a drought in the dry lands.

There also includes a lot of our work with them on governance, on health and on some of the from the healthcare -- some of the health infrastructure that we help them with.

MARKEY:

So how are you coordinating, you know, feed the future in your work on this issue? Can you talk about that?

SASTRY:

So that's something USAID is -- first of all, we are right now, actively looking at what kind of posture we need to have on the response side. And so, we have put additionally food resources and food aid against Ethiopia since this crisis has become more acute so I think I want to make sure that we say that first.

Concurrent to that though we see the ability for agriculture to make a difference, really in a country like Ethiopia, it's a lot about land management, water management, teaching people how to use crops that are drought resistant and really helping them and I think that we see a lot of that.

You know, Ethiopia is one of the countries that was part of the food alliance that we were -- the African food alliance. And so, those are the kinds of things that they have a direction they want to go. We want to help them get there but right now, we're really focused on how the acute need that are so evident.

MARKEY:

OK. So how is AID incorporating climate change into the developmental risk assessment which you're making as you look at the different regions of the world?

SASTRY:

So I think there's a policy issue applied and there's a pragmatic issue. So there is an executive order that the president signed which requires USAID, another federal agencies to include climate considerations in all of their programming. USAID is taking that to heart and so all of our strategies, and all of our work, and all of our projects now include a climate component ensuring that we take those things into considerations so that we don't build schools in potential flood zones. So that we consider the availability of water on our agricultural projects and I think that's kind of the step one and that's the case.

MARKEY:

OK. So why is that important in terms of using U.S. tax dollar wisely that we have talked through the climate change impacts on these different regions?

SASTRY:



Well, you know, there's a project that I was recently briefed on that I think it's a project that USAID is doing with NASA where we are using satellite data to help watershed manager in Pakistan. And the idea that when we have data about how much water should be flowing, when it should be flowing, looking at that data over the course of the year, multiple years it helps us to understand. So, how much can be diverted for agriculture? How much needs to remain to keep the aquaculture?

Those are the kinds of questions we can begin to answer because we've done the right work and we have the right technology to do it.

MARKEY:

Yeah, the problems in Sub-Saharan Africa were actually the first problems -- first areas kind of identified as the problem area for climate change, this goes back to 1976 when it's actually on the first day I came to congress the story on the front page of the Washington Star which was the other paper and ton of them was on climate changing and its impact in Sub-Saharan Africa. So, its 40-year-old -- and talk about how it was going to intensify region conflicts as they fought over limited resources, the impacts on water, et cetera that leads to games kind of fighting over what was that left over. And so, all of that is not been born (ph) out.

And I just like if I could've done, could move over to Power Africa for a second because two out of three people in Sub-Saharan Africa still don't have electricity. And you're making the request here for additional money for Power Africa, can you talk a little bit about that and what progress you have made and what we hope to do that solve the next five years?

SASTRY:

So this request includes \$291 million for Power Africa and I think the ambitious goals that we set around electrifying Africa and then this course thanking, this committee for the work they've did it on, you know, working on the authorization and something that it's important to USA that affirms the work we do, it reinforces that message that we think these are valuable things.

We've made a tremendous amount of progress right now, we've already got 4300 megawatts that have already been brought to there, that's very good for a project that's -- it is first few years. But what's most important to a lot of us in aid is the fact that that we've brought \$43 billion of out -- private and public sector investment into the space.

So, in an area where aid is contributing a small amount of funding, the -- all of that funding is being matched, doubled, tripled and quadrupled with private sector funding that is really something that we think is very valuable for an effort that so broad and such a, you know, such a big policy statement.

MARKEY:

Yeah. I went with the president to Africa last July. And in Ethiopia, we had a signing of an agreement and so, can you talk a little bit about the geothermal potential in Ethiopia and these

other surrounding countries and what we are doing in order to telescope, timeframe and will take to extract those energy resources for the people in those countries?

SASTRY:

Well, I want to thank you and thank you for taking the time that to make the visit. As a budget person, I think you've tapped my knowledge of geothermal energy. I'm sorry. But I will bring that question back and we would love to make sure we talk more about it with you and your team.

MARKEY:

By the way, I will say, that the utility executives and regulator in those countries reminded me a lot of the same executives in America in terms of their, "Do we really have to do this? Do we really have to move to geothermal? Do we really have to move the Seoul (ph)?" Yeah, it's sunny everyday here, you know, maybe we can do that and here, we could just see there -- they have to show up at the ribbon cutting when you had to, you know, you smile, and you could just see they were doing a to grid (ph) a teeth and it's a challenge but it's a good thing USAID is there. It's a good thing there's other agency are there because they have the credibility to help them to -- they kind of almost double their electricity generation in just two or three years for the entire country, you know, it's just amazing and it's working and we thank you for your great work.

PERDUE:

Senator Kaine.

KAINE:

Thank you Mr. Chair and I'm just going to hop, there were some issues now. I'm really interested in this plan Central America investment. We would have reasoned that if we did it right to be helpful because the Colombian example of failed Marco State to really progressing economy and democracy and security assistant around the world. I was with Colombian forces in the Sinai. It was part of the multi national portion (ph) observers watching them do that. I mean it's been a remarkable transition so, that should give us some hope that if we make the investments right in Central America, we could see a similar path, if we're consistent with it.

I hope we might have a hearing about this in the Western Hemisphere Subcommittee to kind of get into the programatic side. But the key is how do you spend the money? Do you spend it right? So we just had \$750 million in the approx. bill and this request is for a billion. I think \$360 million of it is on the USAID side and the remainder is through the state budget. But could you just talk a little about how you see us starting down this path if we helped those economies be stronger, we can slow the unaccompanied minors. If we help those economies be stronger they, can become, you know, a valuable security partners. Talking a little bit about the -- there's a lot of ways you can spend that right, the infrastructure, education, economic development, security, how do you approach a task like that in terms of how money should be spent?

SASTRY:

Sure. Thank you Mr. Senator. Now, I'll answer a little bit and I'll turn over to Mr. Napoli who can certainly speak some of the eight equities. As you said, our request in the 17 budget is billion dollars of which \$750 million is here in the state they budget. The other \$250 million is with OPEC and DOJ, et cetera. OK.

The Central American Strategy has three pillars. So the administration has set of set four to past one pillar being governance, one being prosperity, one being security. So, on the security side for example, there's a little over \$300 million largely working with the communities to increase will of law, working with training of police, et cetera. On the development side, we have obviously the three countries that we're targeting is El Salvador and Guatemala in each of those have a slightly different bent to how we're tackling the promise depending on the -- depending on the issue for that country.

NAPOLI:

So I think, from USAID perspective we always think about what's the cause? Why are we here? What's the issue? And we assess that and we begin to look at those underlying factors. So, for Honduras, clearly it's economic opportunity and in El Salvador and Guatemala clearly, violence is also one of the drivers of immigration.

So, in Honduras, you know, we've really made significant investments in agriculture and we've increased farmers incomes for the areas we work by 55 percent. So giving people an incentive to stay generating those jobs and creating those opportunities and I think in El Salvador, you know, something that's really interesting is when we get into some of these communities where violence are most acute, aid's programming has a very strong effect and it has -- it's mutually reinforcing with what the central governments are trying to do.

So in the 70 plus communities, we were doing non-violent, we're promoting non-violent programming. We actually saw 60 plus percent reductions on homicide. So we think that there are tremendous investments that we can make and that then, there's actually numbers to back, you know, those investments.

KAINE:

So, lets see, that is -- and then governance, talk about governance. That's the third pillar. We talk about security. We talk about prosperity and the governance was the third pillar.

SASTRY:

Sure. Right, so in governance, I think the one of the areas of focus is really anti-corruption in a couple of the countries and how are we tackling? How are we helping those countries tackle the issue? So I know there have been and as you said, if you have a WHA hearing, they can certainly get into details of how they're exactly doing this. But we have nearly I believe a third of that -- of our request is for that pillar.

KAINE:

Jumping over the Russia, so a billion dollars in the request for the America as the Northern Triangle, there's \$4.3 billion request for countering Russian aggression and I'm assuming that's across, you know, the broad area of Europe, Eastern Europe but talk a little bit about again, programmatically on that. What are the pillars of that investment? That's a size of little investment, what are the pillars, what are the matrix that we would use?

SASTRY:

Sure.

KAINE:

We don't -- we -- I guess we can't affect, you know, the inside Russia dynamic but we can affect that agree to which surrounding neighboring countries are more resilient to that aggression so.

SASTRY:

Sure. So our countering Russian aggression total is 951 million. So it's a little bit -- the higher number you maybe referencing includes kind of the DOD European reinsurance initiative potentially, but the state aid portion is 951 million. OK.

The big difference I think you'll see from previous years and what we hope is we'll see an improvement in the macro economic conditions in Ukraine is we don't have a loan guarantee in this request. We've done two, we're in the process of completing the third and we're hoping that will have a little bit of -- a little bit of -- we'll see a little bit of progress.

But one, you know, we -- we're working in the encountering Russian's base not just in Ukraine, Moldova and Georgia but also in the Balkans, also in Central Asia kind of that whole region. And our focus -- one -- our focus in that area is really, it really runs the gamut. A lot having to do with training police and working with law enforcement, the rule of law and there's also a lot of governance especially energy security area within Ukraine.

So there, it really it's a rather comprehensive approach in the area but it's not just kind of that as you said, not just the focus of Ukraine, Moldova and Georgia but the broader EUR area.

KAINE:

Let me ask about this and I'm surprise I haven't asked this question before. I've been going to so many arm services hearing the last few years where we've been talking about the pivot or the rebounds to Asia as if it is purely a DOD pivot within the state in USAID, have you guys similar kind of deflection in the direction to, you know, play a larger role in that theater?

SASTRY:

Yes, and thank you for the question. So our total in FY17 is \$824 million which is almost \$100 million increase from the previous year. And so, that sustains a strong maritime security piece, strong maritime security presence which is something three years ago was, you know, two, three years ago with -- at a much lower level than what you're seeing now and it response to some of the events in that region.

We also have funding to take advantage to some of political transitions. For example in Burma, there's some additional funding going in there as well as there's strong funding level about almost \$300 million in the health area.

PITKIN:

I would just like to add to that...

KAINE:

Please.

PITKIN:

I think in support of another part of the platforms reporting there's all those programs is the funding for a regional bureaus which should be first for the U.R. Bureau as well as the AEP Bureau, we do have some very targeted increases or increase, a public diplomacy programming in the Russia's neighbors about \$1.5 million, also targeted funding to the EAP Regional Bureau for about \$1 million as well as some of the new embassy's were opening up, so if the increase is not dramatic, I -- one of the things we are trying to do in this budget is sustain and restore some of the funding that we just currently had to sort of trimmer constraint over the last two years for the platform for the regional bureaus that are funded in their diplomatic state department budget as well.

KAINE:

Two areas where I think I've seen reductions in funding in this budget, request that kind of surprise although maybe I'm not really relying on is right. Under the International Narcotics Control Law Enforcement funding, we have traditionally had funding for Palestine Authority Security Sector to work on security cooperation with Israel that has strong benefit for Israel, Israel men support of that.

If I read it right, the INCLE funding for this security initiative has been about \$70 millions here but the FY17 request cut it in half to 35 millions. Am I reading that right, and if that's the case, why?

SASTRY:

Yes you are reading that correctly. And that is not a cut to our activities in the program, it is a natural, it is kind of the natural progression of that program. It was very resource intensive. There's

a lot of training, a lot of infrastructure and now we're ramping that down to the size the it should be. This isn't a -- this isn't kind of a cut to the current level of effort...

KAINE:

And some of the spending in earlier is might have been one time even like...

SASTRY:

Correct.

KAINE:

... equipment and things like that.

SASTRY:

Correct.

KAINE:

You don't...

SASTRY:

Correct.

KAINE:

Yes.

SASTRY:

And kind of intensive training early on...

(CROSSTALK)

KAINE:

I see.

SASTRY:

Yes.

KAINE:

OK. And there's a second one on the -- and this -- Mr. Napoli, it's probably for you. On humanitarian assistance, the omnibus we did includes a significant increase for humanitarian assistance but it looks like the FY17 budget request proposals about a 20 percent cut in that program. And I wondered again, do I read that right and if that's, so why is that the case?

NAPOLI:

So I think when we look at the International Disasters Assistance account which is our primary humanitarian account, I think we take this two year review and we look at the genre as, you know, amount of funding that the congress appropriated in FY16 and we kind of compare that and looked across. So 17 was clearly, you know, impacted by the FY16 levels.

But I think for USAID, what's important is we're -- we are going to continue to make commitments and places that we have significant humanitarian needs and we think we can do that in this budget. We will be responsive in the Yemen. We will be responsive in Syria, so, that's does not propose any change in our posture, it's just really looking at the physical years, looking at the large has the congress provided and how we would balance that over two years.

KAINE:

Last questions, Mr. Chair, I wanted to just to ask, and this is maybe last budgetary than programmatic and maybe I could direct it to Heather -- Hagan Bathom (ph) if it's less pure budget but that Zika and our personnel. So you put out travel advisories about a whole series, probably 15 a Latin American and Caribbean countries where, you know, warned Americans especially if they might be vulnerable because if they're pregnant or they could, you know, be in the kind of pregnancy window. You warn people not to trouble. What are we doing with our embassy personnel or USAID personnel? Federal employs generally it could be with the DEA, they could be with any agencies serving in this countries, what are we doing to try to them make sure that we're do -- protecting into best we can?

SASTRY:

Our medical office, part of the Department State has issued guidance -- number of guidance to circulates for both of Department State and another agency personnel, working this embassies and -- well, it contains number of sort of same the same type of guides that we provide to American travelers, American visitors. And we -- one of the things we are doing is essentially increasing the time in which people who are -- if the women who are pregnant with a families can made of act which are term of our program basic. They have someone come home from an overseas post. Particularly in overseas post with perhaps not their level of healthcare that you will get in the states so, we're increasing that analytic people come with basically six months earlier than normally would.

Normally I think the time to come home for the last isn't the last few weeks of pregnancy and now we're sending someone saying that our pregnant woman employee or family member can come home about six months sooner. And so, part of our request in the supplemental is increase cost that

will approve not just the Department of State but also some our agency partners for that increased cost for coming back to the State sooner.

KAINE:

Right, thank you very much.

PERDUE:

Thank you guys. I just have a few closing questions and we'll try to get you out of here momentarily. Thank you for your full bearance. The U.N. estimates are 13.5 million people in Syria who need help. And I know we're not the only ones providing the help, but the aid -- how much aid are we providing to Syria? How do we get it through the restriction that Bashar al-Assad has in place through? How do we get it through our networks of volunteers? How do we defense against prod? How are we assured that what we're giving is actually getting to the people that we're trying to help?

SASTRY:

Thank you for that question Mr. Chairman, so our assistance total that were requesting for Syria is \$239 million, and that does not include the humanitarian assistance that we will end up giving once we determined.

PERDUE:

Can up within in perspective. How much -- what is the portion we give to Jordan right now?

SASTRY:

\$1 billion.

PERDUE:

OK. And is all that \$1 billion for Jordan refugee related or is that?

SASTRY:

No not necessarily.

PERDUE:

OK.

SASTRY:

And -- actually, there's no -- that \$1 billion doesn't include humanitarian budget.



PERDUE:

I don't think so.

SASTRY:

Yes.

PERDUE:

OK.

SASTRY:

Yes.

PERDUE:

So the 239 is again zero for somebody like Jordan for example in the refugee issue?

SASTRY:

Right, so our -- so the \$239 million in Syria is not related to the humanitarian. In addition to the 239, we do give money to Syrian humanitarian but that traditionally we determined in the year of execution when we...

PERDUE:

Who are the recipients of the 239? I'm sorry.

SASTRY:

So the 239 is largely given, we support the armed opposition with non-lethal support.

PERDUE:

OK.

SASTRY:

So those equipment, supplies, food, et cetera. Also as DOD...

PERDUE:

Is that part of the OCO?

SASTRY:

It is part of OCO. That's correct.

PERDUE:

So in terms of humanitarian aid, no aid -- we're not providing any aid in Syria directly today?

SASTRY:

We are. So the -- our -- we're projecting that we will have to spend about \$1.7 billion in Syria in humanitarian aid but that is an estimate for the -- for 2017 depending, there's obviously could be a lot changes between now and then.

In addition to that 1.7 billion, we're spending 239 million direct -- in the country to help the -- to aid the armed opposition with non-lethal.

PERDUE:

I understand that but I'm really trying to get. I know we're trying to get money through that very confused battle space to this 13.5 million that we're trying to help. And to put that in perspective, is that come out with the bilateral aid market in terms of the budget?

SASTRY:

No, not...

PERDUE:

Where is that 1.7 come from?

SASTRY:

It comes from the two main humanitarian accounts which is the Migration Refugee Assistance and the International Disaster Assistance.

PERDUE:

OK. What I'm trying to do is that the 1.7, what -- how big is that relative to the 22.5 for bilaterally aid or the international or the multilateral assistance which is only 2.6? What I'm trying to...

(CROSSTALK)

... to put 1.7 in perspective, we heard 3 billion for Israel earlier.

SASTRY:

Right. So I think the 3 billion for Israel obviously, doesn't include any humanitarian (ph) aid.

PERDUE:

Right.

SASTRY:

If you want to compare...

PERDUE:

When we look at it, is that 30 -- is that part of the 34 foreign assistance?

SASTRY:

Yes, yes.

PERDUE:

OK.

SASTRY:

Yes.

PERDUE:

All right, that's all I need.

SASTRY:

Yes.

PERDUE:

All right, but how do we assure? What are we putting in place to make sure that money gets through to the people that really need it?

PITKIN:

I think we just said, I'd be happy to say a few words about that. Thank you Senator for asking because, you know, making sure that people get the aid that we're trying to provide is critical to

how we think about this that they are the beneficiaries. They are -- in, you know, but this is the end game is to provide that assistance to them.

So we're doing a number of different things and I know it sounds kind of bureaucratic but it's really overlaying a couple of different approaches. It's making sure that, you know, before it leaves Turkey or before it leaves Jordan, it goes across that, you know, we've inspected that we've made sure it -- the food is what it says it is. We have third party monitors that are actually in country that are using technologies, cellphones, you know, photographs, other kinds of things to make sure, did the truck arrive? Did people receive these?

PERDUE:

But in a contrary, is it volunteers that are delivering that assistance?

PITKIN:

We have a number of organization that we work with that -- yes, they are.

PERDUE:

And so what, no, what I'm trying to get is what type of over size structure do we have with them to ensure that this is not being absconded to, you know, government forces or whatever that we would want to say getting to?

SASTRY:

So I think that's something we can certainly have. We can bring back and argument with the...

(CROSSTALK)

PERDUE:

OK, just a little more specificity?

SASTRY:

Yup.

PERDUE:

Talk to me just a little bit about the administrative overhead. One of the things being involved in various full answer raised during my career. You always look at the overhead, right? How much money is really being spent? If I look at this right to the 34 foreign -- 34 billion foreign assistance. The USAID administration cost or 1.7, round numbers, is that the only overhead that we have in state or besides the state operations related agencies group there that was at some \$17 billion. But

I'm just looking at foreign assistance. Is at the administrative overhead for foreign assistance to 1.7?

SASTRY:

So our foreign assistance is both state and aid -- have both state and aid components. So when we talk about our people in platforms that are required our overhead that you talk about. We talk about both on the diplomatic engagement side and Mr. Pitkin talked about and that the aid and the aid administrative overhead that you just mentioned.

So the combination of the two that's required for us to deliver our assistance.

PERDUE:

OK. And then talk to me about last question I have is embassy security. One of the responsibilities of this job is traveling out to meet our men and women in uniform and then people on state assignments and so fort. And it really is a great pleasure to meet these people dedicated their lives to serving our country and making lives better for people around the world. And their security experiment list is sermonizing (ph) says, Senator Kaine has said.

My question is I know that we are -- we've got new embassies around was in Singapore Embassy. I know we got a new one in London coming up. There's one under construction, Islamabad for example. Can you talk through the expense of these, after the Benghazi Commission. And what are we looking? Are these billion dollar, you know, embassies as we go forward, I mean, and I also saw some numbers. I'm not prepared today to get into it, but we saw some over on numbers that were fairly shocking, on a few of these.

So can you talk, maybe Mr. Pitkin if you're the one that address that and we can bring this up next week as well. But I felt we get into that today a little bit here. I hope you don't mind.

PITKIN:

Absolutely, Senator. Well again, it's a too bold issue. One is that after sorting send cost are increasing the CAPS pre- cautioning (ph) program was initially authorized. I think we've about 10 years ago there at \$1.4 billion and certainly something that we have seen was that the average cost just based on cost of construction, dollar going up and down overseas inflation in particularly in developing economies caused to have passed into here at states. That it basically was costing more to deliver the same essentially embassy platform.

PERDUE:

Could you provide force or record just some of the recent construction projects what there bid, what their forecast cost were and then what the ending cost might have actually been. We have two it today but I think ....

PITKIN:

Right.

PERDUE:

... for the record that would be instructive.

PITKIN:

We can actually do that.

PERDUE:

Thank you.

PITKIN:

So in addition to the cost going up there, we also have to make sure that they are the safest and secure facilities possible. And so many cases we're putting in the latest technology, the latest high volume air conditioning and air throw to provide chemical biological worker protection agents. So we are based that we having to make sure that this facilities can face in the, are taken as a ranger threats. Whether its' a force entry, ballistic threats, other types of kinetic threats.

As we've seen, we can't just assume that there was threats are unlimited to that one what we call the high proposed or post like the rock in Afghanistan. And certainly put embassies and facilities there need extra protection, perhaps overhead cover view been to some others propose you've seen. The extra step that we have to take there. So...

PERDUE:

The buffer zones are much larger...

PITKIN:

The buffer zones ....

PERDUE:

In London office that was reason was given this that while it had to be relocated.

PITKIN:

Right, their step backs. And there was some of those requirements where emphasized into the guys the ARB (ph) report and so many times that constraints, it left the number of places that we can find to negotiate with the local government to put those facilities in place. So it's something we tract. Although, the office overseas building operations bureaus does its best to maintain within a

certainly the budget amount for this various embassies, we in case and do have to come before the committees and make sure that we are -- we align some money to if we have an over run.

But usually those are offset by savings that identified another embassies. So the right overruns are sometimes do occur but we've managed to keep the overall program within the top line level set by Congress. I will actually want do and to correct something I said earlier. We actually do have three outstanding ARB (ph) recommendations that we're following up on to run the public record. And one is could be dealt with separate session.

PERDUE:

In how much prior year embassy construction budget is still unallocated?

PITKIN:

All of there of funds have been allocated. They do have a significant unobligated balance. These I believe over \$4 billion. Its part of what we do report to the Congress. But that's because we don't want to these projects can take up to five years or longer to complete.

PERDUE:

So they're already committed. They just have them inspect?

PITKIN:

You're right. The projects have been committed and essentially have the phony money there. So as the construction proceeds, we fit it all. The money has been allocated and is available.

PERDUE:

Thank you.

KAINE:

Mr. Pitkin, on that are -- the unaddressed three, I think I'll ask the classified question as a question for the record that can not be submitted that classified. But, what are the two that are unaddressed? And I think you indicated that they were maybe policy not funding that if there's policies that we ought to help with. You know, I wouldn't want to leave this opportunity without it.

PITKIN:

One way is number seven which dealt co-location which is theme of the actually some of the previous Embassy's Security Act which is to emphasize a need, to co-locate the greatest is in fact were impossible, all of chief commissioner or U.S. personnel on to the secure facilities. And in many cases, either because of the number and the size of the U.S. government presence that is an always feasible and we have to - there are very separate waivers or arrangements that D.S. (ph) in

the department has to reach with other agencies on co-location. And so, is and we're still working through exactly how the process of co-location works.

KAINE:

So, I'm sure that's there's a lot of co-location and as you're building new facilities you do it whenever you can. But that's just going to take sometime to get that done.

PITKIN:

Yes, senator and not just drive some of the cause. In many cases we're replacing distributed multiple buildings, multiple locations, some lease, some owned and try to bring it into one centralized compound with the setback and held a security enhancements. The other is camera upgrades. One of the recommendation is number 20 I believe was on installing that latest generation of cameras to provide 24/7 in coverage. In many cases we're still -- and some cases we're still working through some issues of visa's and getting access to the specific sides.

And that's really an issue of dealing with the host government getting the technical experts there on site to do the installation and is of course have to be clear to American contractors. And so there are some facilities where we're still working through the issues with the local government.

KAINE:

So that's not something where, you know we need to provide policy alteration in order to enable it. But that this is just a matter of something that's going to take while to get fully implemented.

PITKIN:

Yes sir, it's been...

KAINE:

And I'll ask the classified question for the record. Thank you Mr. Chairman.

PERDUE:

I do have one last question going back to Haiti. I didn't get to follow up on that. The GAO issued a report in 2015 on part of what was been about 1.7 billion that -- and it came with two observations that they found a lack of planning for sustainability of none infrastructure projects, none infrastructure and then also a lack of USAID wide guidance on how mission should plan for the sustainability of there infrastructure projects.

So to observation, my question is, what is the USAID done the follow up that report and use Haiti as a learning experience for future investments like that?

NAPOLI:



So I think instead, I'm not as familiar with the exact way the we responded to the GAO. So I think we can bring that back to you and but thank you for asking.

PERDUE:

Oh, that's fine.

NAPOLI:

I think in terms of lessons learned, there are two things that really stand out to me. There were a number of investments. The port is one of the issues and we were really trying to support economic recovery in Haiti after the earthquake and, you know, we had an option of building a new port in the northern part of the country or refurbishing the existing port. And we were able to use cost benefit analysis, use market research, use a number of tools that are disposable and we were able to pick an option that actually was more cost effect.

So before the first tax payer dollar went into that project, we knew we had kind of made the best choice with the information we had. And I think something that I would allude back to is, you know, our ability to bring in the diaspora and how valuable they can be. I mean the Haitian community is so strong and had such a strong, you know, response to the events. And, I think that's something we really want to keep building on and that's something we've learned. I mean, when we had the earthquake in Nepal and other places, we continue to learn it's a lesson we -- it's refreshed to us all the time where we remember and those communities bond together in a time, in place around the certain kind of crisis. And we can really work within to leverage a lot of that, and really do something very special in the aftermath.

PERDUE:

Well, thank you all. We obviously one of the good storage and tax fair money and that's why we had this hearing. I appreciate your preparation and your testimony today. But I also want to talk to you and thank you for your career service. I mean, we can never do this enough. The most humbling thing I've had is to meet men and women in uniform. Senator Kaine has a son, it's an African now, I believe, back home now but he's been serving over there and then you see people in state department, that every two years they're moving their family and so fort, partners of themselves in harms way.

And I just want this for the record to go back that this is a none part as an observation but how much we appreciate that. We're trying to make they're safe. We're trying to make sure this is a career they can continue to build and that they're going to continue to get support from United State Senate. So thank you guys for being here. We really appreciate your testimony. Thank you.