

request for refugee admissions, I believe restoring overseas assistance and ERMA to FY 2010 enacted levels will ensure we have sufficient tools for long-term planning and urgent refugee protection.

Millennium Challenge Corporation (MCC)

MCC is an important and innovative development tool, and enjoys our strong support and the continued support of the development community. It represents one of the few institutions in the U.S. Government dedicated to providing long-term development funding and MCC chooses partner countries based on policy performance, as well as the government's demonstrated commitment to development. I support the President's FY 2012 request for \$1.125 billion in funding and note that this falls significantly below the FY 2009 request of \$2.225 billion. This minimum level will allow MCC to fulfill future compact commitments in its pipeline, including countries such as Malawi, Zambia, Cape Verde, and Indonesia. I feel this is an appropriate level in which to fund MCC and I strongly urge full funding of this request.

Multilateral Development Banks

I strongly support the full funding of the Administration's \$3.3 billion request for the Multilateral Development Banks (MDBs). Few other programs or institutions provide as much leverage per U.S. dollar spent as the MDBs. As Secretary Geithner noted in his testimony, "The MDBs cumulatively will make \$95 billion in financing commitments globally in 2012. In comparison, the entire U.S. foreign assistance budget request is \$61 billion for FY 2012." In this difficult budget environment, support for the MDBs is one of the most fiscally prudent decisions we can make.

The President's request does not only make the \$95 billion of annual assistance possible, but it also cements U.S. leadership at these institutions. As the largest donor nation at all of the MDBs, we have been able to guide the direction of these banks to support critical U.S. priorities. General Petraeus noted in his testimony, "[The World Bank and Asian Development Bank] are the largest donors to Afghanistan after the U.S., and they have been critical to the success of such projects as the Ring Road and the Uzbek-Afghan railroad. We need these critical enabling institutions, and further U.S. support for them will ensure that they are able to continue to contribute as significantly as they have in the past." Similarly, the U.S. has already begun working with the World Bank and African Development Bank to help accelerate funding in North Africa for the new governments of Egypt and Tunisia.

Clearly these institutions are critical tools to achieving our goals in diplomacy and development. Moreover, if we fail to fund these institutions, the negative consequences are substantial. Already, due to our failure to provide funding for the Asian Development Bank in FY 2010 and thus far in FY 2011, our voting power in the Bank is at risk. If we fail to live up to our commitments, our shareholding, and thus our influence will fall below China, putting the U.S. at a further disadvantage in this critical part of the world.

Non-proliferation

An ongoing priority of the Committee is to support American and global efforts to keep the world's deadliest weapons, materials and technology out of the hands of the world's most dangerous people. Committee priorities in this area are primarily reflected in the administration's requested budget for FY 2012 the Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) account. The administration already proposes to cut FY 2012 funding for this account by over five percent from the FY 2010 level; any further cuts would curtail progress in addressing urgent threats to U.S. national security. Priorities for the Committee in the coming year include: continuing to provide robust financial and technical support to the International Atomic Energy Agency's nuclear safeguards system, the Organization for the Prohibition of Chemical Weapons, and the Preparatory Commission for the Comprehensive Test Ban Treaty Organization, which operates an unclassified, internationally respected system for detecting nuclear weapon test explosions; reducing nuclear and biological terrorism threats worldwide, including by enacting the Global Pathogen Surveillance Act to strengthen the ability of developing countries to detect and combat bioterrorism threats and infectious diseases; and supporting the Key Verification Assets Fund to give the Department of State some ability to help develop or maintain critical arms control and nonproliferation verification capabilities. The Key Verification Assets Fund, which is funded out of the Diplomatic and Consular Programs account, is one small example of the national security benefits derived from the State Department operations account that might be curtailed if Congress fails to support the President's FY 2012 request.

Office of the Inspector General (OIG)

The FY 2012 combined OCO and enduring request for the Office of the Inspector General (including SIGAR, SIGIR, State OIG, and USAID OIG) totals \$128 million. I fully support this request. The OIG oversees audits, investigations, and inspections of worldwide operations and programs of the Department and the Broadcasting Board of Governors. Such activities assist in improving the economy, efficiency, and effectiveness of operations, as well as in detecting and preventing fraud, waste, and mismanagement. For example, the FY 2012 request of \$51.5 million for the USAID OIG supports audit and investigative coverage of USAID, the African Development Foundation, and the Inter-American Foundation programs and activities. USAID OIG will also focus resources on high-priority development programs in Iraq, Afghanistan, Pakistan, and West Bank and Gaza, as well as USAID programs to combat HIV/AIDs, malaria, tuberculosis, and the reconstruction efforts in Haiti.

Peace Corps

Over the last 50 years, Peace Corps volunteers in more than 75 countries have worked with local governments, communities, schools, and entrepreneurs to address complex challenges ranging from education, health, and the environment, to information communication technology, agriculture, and youth and community development. Though the FY 2012 request of \$438.6 million is a slight increase from FY 2010 enacted levels of funding, it still represents a small portion of the overall international affairs budget and is critical to supporting an organization that represents our nation's firm commitment to public service and promoting world peace. I am

firmly in support of the requested level of funding. This investment will allow the Peace Corps to strengthen and reform all aspects of its operations as it continues to focus on addressing global needs through grassroots efforts.

Peacekeeping Operations

The President has requested \$292 million for Peacekeeping Operations (PKO) to help prevent, mitigate, and resolve conflict; enhance the ability of states to participate in peacekeeping and stability operations; address counterterrorism threats; and engage in security sector reform and professionalization efforts. These programs are important for the stability of areas at risk of, experiencing, or emerging from conflict and for U.S. policy objectives in these regions, particularly in sub-Saharan Africa. PKO funding supports training in and deployment for peacekeeping operations through the Global Peace Operations Initiative; strengthens regional capacities to combat terrorism through the Trans-Sahara Counterterrorism Partnership and the Partnership for Regional East Africa Counter Terrorism; provides regional maritime security training; and helps countries in Africa improve border security. These programs also support urgently needed security sector reform activities in the Democratic Republic of Congo, Southern Sudan, Liberia, and other countries, with the recognition that these are long-term investments that will require extended commitments from the United States and the partner countries themselves. While continuing to exercise oversight over this wide-ranging program, I strongly support the request and its objectives.

Public Diplomacy

The administration has been clear in its position that public diplomacy activities, namely, communicating through new and effective technologies and engaging in person-to-person initiatives, are critical to supporting our foreign policy priorities. Many of the individuals planning and participating in the democratic movements sweeping through the Middle East are alumnae of U.S. public diplomacy programs and initiatives. Communication through new and innovative ways with foreign language experts is how the U.S. will succeed in countering radical sentiments and ideologies that run contrary to U.S. governance and development goals. To that end, I support the greater integration of public diplomacy into our overall strategy.

The President's FY 2012 request for Educational and Cultural Affairs reflects a \$2.1 million increase over FY 2010 levels. Even this small increase is welcome as exchange programs offer Americans and foreign publics the opportunity for greater understanding and personal connections. For minimal dollars invested, these programs have a multiplying effect on our diplomatic and national security efforts. I strongly support this essential request.

With the full Board of Governors now in place, I support the increase in funding for the Broadcasting Board of Governors (BBG) to \$754.26 million. The BBG has shown skill in bringing vital information to closed media environments. Its creation of a global news-sharing service and its digitization and modernization programs are welcome. BBG is competing against private and government broadcasters with greater resources and reach. The Secretary of State has declared that the free flow of information is vital – BBG is a critical tool in bringing quality information where it matters most.

Security Assistance

A significant portion of the International Affairs budget is devoted to assisting allies and partners around the world in meeting their security needs. The security assistance funded through the Foreign Military Financing, International Military Education and Training, Pakistan Counterinsurgency Capability Fund, and Nonproliferation, Antiterrorism, Demining and Related Programs accounts enhances the capability of partnering forces to serve alongside U.S. forces while fostering engagement through which our forces can influence the values and behavior of foreign military forces. The FY 2012 request for these activities reflects the continued expansion of support for Israel's military and, as noted elsewhere in this letter, provides at least \$1 billion each for Iraq and Pakistan that in FY 2010 had been provided under the National Defense budget function. While contributing to a notable increase in the International Affairs budget function, the desire of our military for still greater resources to be devoted to security assistance far outweighs even this additional funding.

Recent months have made clear that security assistance must be carefully calibrated with all of our foreign policy priorities. It is therefore critical that the Congress fund U.S. security assistance programs in a way that ensures that the State Department will continue to provide the essential foreign policy oversight of their execution; the Committee supports funding these accounts for FY 2012 at least at the levels requested by the administration. Indeed, the request may not adequately address all of the Committee's priorities: the additional security assistance proposed for a few key frontline states is more than offset by reductions in the assistance proposed for other allies, including NATO allies contributing to the mission in Afghanistan and allies in the Western Hemisphere.

The State and Defense Departments have together also proposed a Global Security Contingency Fund as a new mechanism for providing security assistance. The administration has requested \$50 million in International Affairs funding to initiate operations under the fund. As the Committee considers the specifics of the proposal, I urge that the International Affairs budget accommodate full funding for the underlying activity. Independent of the specific mechanism ultimately authorized by Congress, there is a clear need to ensure that the United States has the flexibility to respond quickly to emerging security assistance opportunities and requirements.

Transition Initiatives

The FY 2012 request of \$56 million for the Transition Initiatives (TI) account will address opportunities and challenges facing conflict-prone countries and those countries making the transition from the initial crisis stage of a complex emergency to sustainable development democracy. TI funds support fast, flexible, short-term assistance to advance peace and democracy in countries that are critical to U.S. foreign policy priorities, including promoting responsiveness of central governments to local needs, civic participation programs, media programs raising awareness of national issues, addressing underlying causes of instability, and conflict resolution measures. I fully support this request and urge consideration of additional funds, as appropriate.

Overseas Private Investment Corporation (OPIC)

OPIC's FY 2012 budget is fully self-funded and continues OPIC's positive contribution to the budget. From its estimated net offsetting collections of \$277 million in FY 2012, OPIC is requesting \$57.9 million for administrative expenses and \$31 million for credit funding. The budget also proposes \$4 million in transfers of credit funding from the State Department to OPIC. These resources will support up to \$3.1 billion in new direct loans and loan guarantees.

Over the agency's 38-year history, OPIC projects have generated more than \$72 billion in U.S. exports and supported more than 273,000 American jobs while supporting over \$188 billion worth of investments that have helped developing countries generate almost \$15 billion in host-government revenues leading to over 821,000 host-country jobs.

The basic authorities of the Overseas Private Investment Corporation (OPIC), set forth in Section 234(a), (b), and (c) of the Foreign Assistance Act of 1961, expired at the end of FY 2007, but have been extended by Congress through subsequent appropriations bills. We intend to pass OPIC reauthorization legislation out of the Senate in this session of Congress. I believe a majority of the Senate supports OPIC programs. Therefore, the budget resolution should assume the continuation of OPIC operations.

USAID Operating Expenses

The President's FY 2012 budget request for USAID operating expenses totals \$1.59 billion. I am in full support of this important request – I have repeatedly called for investing appropriate resources into rebuilding USAID in the context of foreign aid reform. This request is a small step towards providing the resources so the agency can once again become a premier global development institution. USAID investments in FY 2012, under the title "USAID Forward," will strengthen, optimize, and streamline the way the Agency does business to achieve high-impact development and make smart use of limited foreign assistance resources. These operational reforms include: Talent Management, Implementation and Procurement Reform, and Science, Technology, and Innovation. As a critical pillar of our national security, I believe USAID deserves our support and funding.

U.S. Trade and Development Agency (USTDA)

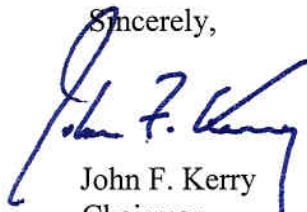
The FY 2012 request for USTDA of \$56.3 million will enable it to continue its mission to help U.S. companies create jobs through the export of goods and services for priority development projects in emerging economies. I fully support the requested appropriation. USTDA links U.S. businesses to export opportunities by funding projects planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries. USTDA programs have a proven record of effectiveness. In FY 2010, USTDA identified over \$2 billion in exports that were attributable to its activities. USTDA's export measure grew to over \$47 in U.S. exports for every program dollar spent by the Agency.

Direct Spending

I request that the Committee provide the Committee on Foreign Relations with a small allocation (not more than \$10 million) for direct spending for Fiscal Year 2011. In recent authorization legislation for the Department of State, the Committee has approved provisions related to management and personnel in the Department that have resulted in small amounts of direct spending, though most of these provisions affect direct spending and revenues by less than \$500,000 annually.

I appreciate your consideration of these views, and look forward to working with you on the budget resolution.

Sincerely,

A handwritten signature in blue ink that reads "John F. Kerry". The signature is stylized with a large initial "J" and a long, sweeping underline.

John F. Kerry
Chairman