

Testimony of Andrew S. Natsios, USAID Administrator

Iraq and Afghanistan: Accomplishments and Next Steps

**Before the House Appropriations Foreign Operations Subcommittee
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Introductory Remarks

Mr. Chairman, thank you for this opportunity to speak with you and members of the Committee in support of the President's supplemental request and the U.S. Government's considerable accomplishments in Iraq and Afghanistan.

President Bush and Secretary of State Powell have shown remarkable leadership with respect to both Iraq and Afghanistan. The supplemental the President requested is vitally important if these countries are to become the stable, peaceful, democratic, economically productive nations we all seek. USAID strongly supports the supplemental request, and we stand ready to play an important role in reconstructing both countries.

You all heard Ambassador Bremer's excellent testimony from last week. I would just like to reiterate three points he made.

- First, we must remain flexible and be prepared to modify our plans as we go along.
- Second, no one part of the supplemental is more important than another.
- Third, there is an urgent need for this legislation. We need to move quickly to show the Iraqi people that we can make their lives better.

As the Committee has requested, my testimony will focus on what USAID has done thus far with funds already provided by the Congress. I will begin my presentation today with Iraq and then make some comments on Afghanistan.

USAID provides vital reconstruction and rehabilitation assistance to Iraq. USAID is investing resources in planning, staffing, managing, implementing, and evaluating reconstruction and rehabilitation programs to advance the Coalition Provisional Authority (CPA) strategic plan for Iraq and improve the wellbeing of the Iraqi people.

Today I would like to provide you a clear sense of our many accomplishments, our immediate next steps, USAID's organizational presence in Iraq, and the challenges we face in the current operating environment.

USAID Works to Advance the CPA Strategy

We support the CPA strategic plan for Iraq. The CPA strategy has four objectives, none of which can be pursued in isolation and all of which lead to the return home of U.S. troops and a transition to national governance of Iraq by Iraqis sooner rather than later:

- security, which determines the speed with which we can advance reconstruction and build up institutions of good governance;
- essential services, which are a major priority for the people of Iraq;
- the economy, which requires considerable assistance before the country can realize its potential for economic growth; and
- governance, which requires a rapid development of institutions and values to support democratic government.

Our USAID mission in Iraq reports to Ambassador Bremer and the Coalition Provisional Authority and, through him, to the emerging Iraqi government and the Iraqi people.

USAID's Accomplishments and Next Steps in Iraq

Before combat started, USAID was involved in planning efforts to respond to potential humanitarian needs in Iraq, and an inter-agency Disaster Assistance Response Team (DART), the largest in U.S. history, had pre-positioned humanitarian commodities in the region for up to 1,000,000 internally displaced people. This DART team entered Iraq on March 27, before the cessation of combat and before the fall of Baghdad. USAID obligated hundreds of millions of dollars in food and other humanitarian assistance before the war had ended.

On May 2, one day after the President declared the end of major combat operations, USAID began directing assistance to the most immediate post-conflict needs in Iraq. Our DART team provided urgent assistance to displaced people and linked the humanitarian community and Coalition Forces, facilitating their delivery of food, medicines and clean drinking water. The DART team included an Abuse Prevention Unit deployed to protect vulnerable Iraqis and to help the CPA preserve evidence such as mass grave sites of past abuse by Saddam's regime.

USAID undertook rapid assessments of Iraqi needs and immediately began programming resources. USAID programmed over \$400 million through UN agencies to ensure that the food distribution system was restarted and people did not go hungry, including many displaced people who had not been receiving food rations. The transition was so smooth that the media paid little attention to it.

Our field mission in Iraq is delivering reconstruction, rehabilitation, and humanitarian relief assistance through approximately 45 grants and contracts to American non-profit organizations and firms. While our \$680 million contract with Bechtel captures the media spotlight, it certainly does not define our engagement with the Iraqi people. We have tapped into the innovation and expertise of a number of American firms. Through grants

to American groups such as the International Rescue Committee, International Medical Corps, Mercy Corps, Save the Children, World Vision, Cooperative Housing Foundation International, and CARE and international organizations such as UNICEF, the World Food Program and the World Health Organization, USAID is engaging Iraqis neighborhood by neighborhood, providing basic services and helping Iraqi communities to help themselves.

USAID works to ensure that U.S. assistance benefits the average Iraqi citizen and encourages cooperation among ethnic and religious groups on Iraqi society.

Infrastructure

Let me touch on our progress in reconstructing and rehabilitating seven key components of Iraq's infrastructure: electricity, water and sanitation, the Umm Qasr seaport, the Baghdad and Basrah airports, bridges, railroads, and telecommunications.

Electricity is critical for economic development, Iraqi livelihoods, and a sense of normalcy in Iraq. On September 28, national electrical generation was at 3,927 megawatts, the highest level produced since before the war at approximately 89% of pre-conflict levels. Under an agreement between the Iraqi Commission of Electricity, the U.S. Army Corps of Engineers, Bechtel, USAID, and CPA, responsibilities for procuring parts and materials are divided according to the predominant capability of each agency.

Water and sanitation prevent disease and meet an essential human need. USAID support to water and sanitation projects has benefited over 14.5 million Iraqis. Among other things, we have helped Iraqi municipal governments repair over 1,700 pipe breaks in Baghdad's water network, increasing water flow by 200,000 cubic meters per day; we have rehabilitated 70 of Baghdad's 90 non-functioning waste pumping stations; and we began installing generators at 37 Baghdad water facilities and pumping stations, to ensure continuous water supply, even in the event of an electrical grid failure. Through our non-governmental partners, we support projects meeting the immediate water needs of Iraqis in urban and rural communities throughout the country. These projects will help to reduce the incidence of water-borne disease and mortality by bringing safe drinking water to thousands of children and their families, in many cases to villages that have been forced to go without water for years.

Seaport access is critical to the timely flow of humanitarian and reconstruction materials and kick starting the Iraqi economy. Together with the CPA regional coordinator, I opened Umm Qasr port to commercial traffic June 17, and the first test of passenger vessel docking was completed July 16. Working with our counterpart, the Iraqi Port Authority, port tariffs have been approved and applied on June 20, opening the way towards financial sustainability for port operations. Major dredging activities -- USAID has also supported the removal of vessels, 250 pieces of unexploded ordinance, and about 4 million cubic meters of silt -- are complete and the port is able to handle deep-draft ships at all 21 berths. Generators have been installed, restoring power to most parts of the port. Over 500,000 metric tons of cargo passed through the port in August, and work on

the grain-receiving facility is complete. USAID contractor Bechtel is awaiting the arrival of a grain ship to test the system and turn it over to the Grain Board. When operational, it will be able to process up to 600 metric tons of grain an hour.

Airports will enhance commercial productivity and help integrate Iraq and its economy into the global community. USAID has completed infrastructure work at Baghdad International Airport. This included repairing a terminal and the administration offices; installing power generators; and repairing sewage pumps. USAID investments in the Basrah International Airport have included repairing the runway and installing baggage x-ray units, toilets, and passenger lounges.

Bridges are critical to economic development, regional integration, transportation. The USAID mission in Iraq has worked with our implementation partners to complete construction of a 1.5-kilometer, four-lane bypass for the damaged Al-Mat Bridge—a key bridge needed for humanitarian efforts. Our partners have completed 36 detailed bridge assessments and are working with the Iraqi Ministry of Public Works and Iraqi firms to reconstruct three priority bridges.

Railroads link the Umm Qasr port to grain mills and are also important to Iraq's economy and integration. USAID contractor Bechtel completed an evaluation of the Iraqi railroad system on June 25 and repairs to tracks leading out of Umm Qasr port are underway. Work on railways is an integrated U.S.-Iraqi effort: Bechtel contributes project management, material and parts while the Iraqi Railway Administration contributes equipment and labor. This approach brings Iraqis into the rebuilding process and lowers project costs. Bechtel is also reviewing assessments from rail construction equipment manufacturers with Iraqi Republic Railways personnel.

Telecommunications investments will enable private, commercial, and official communications throughout Iraq, serving the people, business, and the government. USAID contractor Bechtel has awarded sub-contracts for 12 containerized telephone switches and one satellite gateway for international telephone calls. The projects will restore international calling for Iraq and reconnect all 240,000 phone lines in Baghdad presently without service, returning the city to pre-conflict level of 540,000 operational phone lines. Alongside Bechtel, Iraqi Telephone and Postal Company employees are constructing foundations, splicing cables, and testing lines prior to the arrival of the switches. In addition, Bechtel is repairing the fiberoptic backbone from Mosul in the north to Umm Qasr in the south, connecting Baghdad to 20 cities in Iraq and benefiting 70% of all Iraqis.

Next Steps in Infrastructure

Let me briefly tell you about our next steps in infrastructure. In collaboration with the CPA, USAID has begun or will work to:

- increase Iraq's daily national power generation to 6,000 MW prior by the summer of 2004;

- increase potable water flow to east Baghdad by 45%, benefiting approximately 2.5 million people, rehabilitate eight water treatment and pump stations in the south, and establish a water system in Mosul with an independent, 24 hour water supply;
- manage customs, immigration and security for shipping cargo; purchase cranes and equipment to increase port capacity; and gradually pass on control of the port of Umm Qasr to the Iraqi people;
- rehabilitate Baghdad International Airport's control tower and building (restoring the air and ventilation system, floors, ceilings, walls, the customs section, and security gates), and continue rehabilitating at Basrah Airport; and
- install 12 telephone switches between late October through mid-January, approximately one every week; and complete repairs to the nation's fiberoptic network from north of Mosul, through Baghdad and Nasiriyah to Umm Qasr by November 2003; and repair of the 2,000 km fiber optic cable that will connect 20 cities to Baghdad and benefit 70% of Iraq's population.

Economic Reform and Democratic Governance

Promoting national security, supporting CPA objectives, and expressing American values in the huge project of Iraqi reconstruction requires that our government invest heavily in economic governance, and social programs as well as infrastructure. Working with the CPA and the emerging Iraqi government and in consultation with the Congress, USAID is applying its development expertise and investing in several inter-related economic and social sectors. We are working under the direction of the CPA in implementing economic governance, local governance, education, health, community action, and agriculture programs in Iraq.

Economic rehabilitation is essential to economic growth. The CPA has asked USAID to provide technical support in 17 priority areas in economic governance. Our counterparts in this critical effort include the Iraqi Central Bank, Iraqi state-owned enterprises, and the Ministries of Finance, Trade, Agriculture, and Industry. These priority areas include: introduction of a new currency, credit for small businesses, improvement to commercial legislation, coordination of a national employment program, bank-to-bank payment system, new tax policies, and effective budget planning. USAID and its partner, BearingPoint, are playing a key supporting role in supporting the currency exchange operation and are developing a bank-to-bank payment system that will allow 80 banks to conduct business by mid-October. We are also assisting the CPA in the management of its micro-lending program and are evaluating private sector and investment-related commercial laws.

Agriculture sustains rural people, contributes to the economy, and feeds the nation; trauma to the southern marshlands has left deep scars that we are helping to heal. In collaboration with the Iraqi Ministries of Trade and Agriculture and Irrigation, a four-person USAID-supported technical team traveled in June to the southern marshes, a region devastated by Saddam Hussein's brutal regime, to determine the feasibility of providing irrigation and restoring the marshes. This visit to the marshlands was the first

on-the-ground scientific assessment in more than two decades. The team met with marsh dwellers to assess social and economic conditions, and their conversations revealed repeated displacement, persecution and destruction. Residents suffer from a lack of public health services and clean drinking water.

Iraq's agricultural capacity was devastated by Saddam's regime. Competitive bids for an agriculture rehabilitation contract, which will target the small private farmer, are under internal USAID technical evaluation and will soon be awarded. USAID also works with the CPA and the U.N. World Food Program to ensure the smooth transition to Iraqi management of the delivery of food baskets to about 27 million Iraqis each month. We are also helping the CPA to encourage domestic food production

Local governance creates demands for democracy, the equitable distribution of resources, and provides local populations with basic services. Iraqis are experiencing new freedoms. For the first time, the Iraqi people have the freedom to vote and run for office. Together with CPA and civil affairs officers, we have designed an interim local government structure to represent the population in the Baghdad metropolitan area. Just through our work alone, more than 200 neighborhood advisory councils have been established, representing more than half of Iraq's people and all of Baghdad's 88 neighborhoods. This neighborhood council program is being established in 14 other governorates across the country. These councils are coordinating the provision of essential services. USAID is also partnering with the CPA, coalition forces, Iraqi provincial and municipal governments and others to deliver essential services, promote Iraqi citizen participation in decision making at the grass roots level, and assist with budget development and payroll management. Through our partners, USAID has also awarded over 830 Rapid Response Grants, totaling over \$40 million. These grants are increasing Iraqi participation in local governance, promoting civil society, human rights, and gender equality in Iraq. USAID has provided over 40 "Ministries in a Box." These deliver essential supplies and equipment to Iraqi Ministries and government offices, including the Ministries of Justice, Irrigation, Foreign Affairs, Labor, Health and Finance and eight Baghdad municipality headquarters.

Community action helps communities to help themselves. Five USAID non-governmental partners have established offices in 9 major Iraqi cities throughout Iraq. These five Community Action Program partners have identified more than 390 community activities that promote improved local governance. Nearly 7 million Iraqi people have already benefited. Our collective efforts include: the organization of 74 Iraqi counterpart community associations to direct activities focusing on repair of sewage treatment plants, neighborhood clean-up, road repairs, school renovation, water sanitation, and medical facilities; construction of a Community Market Place, with an estimated 250,000 residents benefiting; clean up of medical waste disposal sites and education of medical personnel on proper disposal methods; water sanitation programs; and hospital and kindergarten renovation.

Education is a basic service that promotes economic growth, supports democracy, and inspires hope. USAID, the Iraqi Ministry of Education, and our partners have

inventoried all 3,900 secondary schools in areas with a permissive security environment, and we are on target in most areas to supply secondary schools with desks, supplies, and school materials by the time classes start on October 4. We have exceeded CPA's target of renovating 1,000 schools in time for the first day of school; we have renovated 1,500 schools. In addition to that achievement, we have approved 89 grants worth over \$1.2 million to refurbish schools and re-equip Education Offices in each governorate, and we have supported UNESCO in undertaking a review with Iraqis of 98 math and science textbooks. More than 5.6 million math and science books-all free of Saddam's propaganda-are being printed and delivered to students. More than 1.5 million secondary students will receive student supply kits in time for school. We have selected five sites for an accelerated learning program and conducted a survey of out-of-school Iraqi children at each site. Alongside the Ministry of Education we have helped create a plan for the national exam process, including schedule and security requirements, and we are concluding a \$20 million grant competition program for U.S. universities to partner with Iraqi universities.

Health is an immediate and basic human need. USAID is applying its extensive expertise in international public health to the health challenges faced by Iraqi citizens today. USAID and the Iraqi Ministry of Health are working to develop a national health strategy for Iraq which will include our plan to reduce the shamefully high child mortality rates. Together with our partners, we have also rehabilitated 20 delivery rooms in care centers serving 300,000 residents in Basrah. An additional 29 hospital rehabilitations have been completed in other areas and 131 more are planned or underway; 600 primary health centers have been re-equipped. We have awarded grants to the Iraqi Doctors and Nurses associations to help revitalize the Iraqi medical system; distributed most of three million packets of Oral Re-hydration Salts to children with diarrhea; and provided 2.5 kilograms of supplementary food rations to more than 100,000 pregnant, nursing mothers and malnourished children under 5 years. We have procured 4.2 million vaccinations, with approximately 1.4 million children vaccinated through July during monthly immunization days; provided assistance to more than 168 hospitals and clinics and 82 primary health care centers; and evaluated 18 national and regional public health laboratories for equipment needs. We have completed our rehabilitation of the National Polio Laboratory. Training for community outreach is critical, and we have trained more than 2,000 health workers to provide life-saving services for malnourished children; training for additional 8,000 health workers is underway through our partner, UNICEF.

Next Steps in Economic and Social Programs

The stability and prosperity of Iraq and the wellbeing of the Iraqi people require continued investments in economic and social rehabilitation and development programs. Here is an outline of our immediate plans. We are in the process of helping to:

- support CPA in replacing the existing Iraqi currencies with a single new currency;
- support CPA and Iraqi evaluation of strategic alternatives for the disposition of state owned enterprises; oversee the design and management of credit facilities

for small Iraqi businesses; and review and recommend changes to key commercial laws.

- promote political and social stability by helping Baghdad neighborhood advisory councils provide affordable, high-quality public services to citizens; help Baghdad officials in developing Baghdad's first openly-approved budget; develop emergency communications packages that will reconnect nine key central government ministries to the local governorate offices; and assess rehabilitation needs of municipal fire departments in five cities.
- return to the Southern Marshes to assist marsh dwellers by providing economic opportunities and improve marshland management; and implement an agricultural assistance program to address urgent agricultural rehabilitation needs, enhance food security, and support the development of competitive agro-enterprise and agricultural markets.
- accelerate the formation of community associations and improve their ability to manage municipal infrastructure, rehabilitate roads and schools, and repair irrigation systems.
- print and distribute 5.6 million math and science textbooks in October; train tens of thousands of teachers and administrators across Iraq.
- rehabilitate 21 referral hospitals, 50 public health centers, 20 delivery rooms and 35 hospitals in Baghdad by April 2004; continue to conduct monthly National Immunization Days; and increase efficiency of drug distribution to 157 outpatient health facilities in Baghdad.

USAID Presence in Iraq

USAID began operations in Iraq before hostilities in Iraq ended and officially opened a USAID Mission there on July 27. USAID plans, delivers, and evaluates in collaboration with the CPA to manage this large reconstruction and rehabilitation portfolio with a workforce of approximately 57 USAID officers and associated direct staff. Our implementation partners currently deliver services with a total workforce in Iraq of approximately 600 personnel. Together with our implementation partners, we are employing approximately 55,000 Iraqis in our reconstruction efforts.

USAID Mission headquarters are in Baghdad, and we maintain offices in Hillah, Basrah, Mosul, and Arbil.

Security

USAID and its implementing partners face a fluid environment and significant security challenges in the neighborhoods, villages, and towns of Iraq. The bombings of the United Nations building illustrate the extent to which the civilian reconstruction of Iraq continues to face violent opposition. However, USAID personnel have operated effectively in 12 hot war zones in recent years without casualties. Our personnel travel in armored vehicles, and these vehicles have saved lives in both Iraq and Afghanistan.

I have met with the elders of Iraqi towns and villages where we are successfully working together using the same community development approaches we apply around the world. These communities showed me how they are organizing to protect their infrastructure themselves from sabotage and terrorism. Meanwhile, we are increasing power reliability and reducing security costs by disconnecting some plants from the vulnerable power grid and installing smaller generators at each facility. This will make sewer and water treatment plants independent of the power grid and much easier to protect from terrorist attacks.

Donor Coordination

USAID is lending its extensive expertise in donor coordination to our government's fundraising effort. U.S. assistance to Iraq is coordinated with donors at the field level and in Washington, and many USAID partners coordinate their activities on the ground, real-time, with other organizations providing assistance. USAID continues to encourage multilateral funding of education, health care, electricity, water, sewage, and telecommunications projects, among others.

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USAID is working to improve conditions in Iraq and contribute to our nation's vision of an Iraq that is a sovereign, stable, prosperous, and democratic country at peace with the United States and with the world.

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USAID Accomplishments and Next Steps in Afghanistan

Mr. Chairman, I would now like to update the Members of the committee on our reconstruction efforts in Afghanistan.

First, in order to establish a baseline for analysis of the reconstruction effort, I believe it bears repeating that Afghanistan provides one of the most complex reconstruction challenges the U.S. government has encountered anywhere.

Afghanistan was one of the poorest places on the face of the earth before the Soviet incursion precipitated more than two decades of conflict and destruction. Afghanistan remains at or near the bottom of every socio-economic indicator used to measure human and economic progress. In fact, the country's overall human misery index is among the highest in the world. As just one grim reminder of the harshness of this long-suffering land, one of four Afghan children dies before the age of five. Afghanistan is tied with Sierra Leone as having the highest maternal mortality rates in the world.

While many analyses of Afghanistan describe the infrastructure damage caused by the long conflict there, I would like to draw the Committee's attention to Afghanistan's institutional devastation, which matches the physical damage in its severity. When our

USAID team arrived in Kabul in January last year, we found a nation without a viable security apparatus, without courts, without functioning ministries; in short, a place where all the basic trappings of a nation-state had been obliterated. Compounding these reconstruction challenges, Afghanistan possesses some of the harshest climatic conditions and most difficult terrain on earth, far too much of it laced with unmarked landmines, numbering in the millions.

USAID's first objective in Afghanistan, as in Iraq, was to staunch the bleeding: to prevent a major humanitarian crisis. By the spring of 2001, pre-famine indicators were beginning to appear in many areas of the country. Programs were put in place immediately to ensure sufficient supplies of food and shelter, especially for returning refugees and displaced persons, and to prevent the outbreak of epidemic diseases related to rising rural malnutrition rates. Despite the challenges, the massive humanitarian relief program launched by the U.S. government in cooperation with the U.N., non-governmental, and other bilateral aid agencies worked effectively, preventing a relief crisis. As an example of the scale of the humanitarian effort undertaken since September 11, 2001, more than 400,000 metric tons of Food for Peace commodities have been delivered to Afghanistan.

Now we are putting in place the building blocks of a reconstructed Afghanistan, an Afghanistan that is-to quote President Bush-"prosperous, democratic, at peace, contributing to regional stability, market friendly, and respectful of human rights."

The USAID strategy for Afghanistan is based on six key objectives:

1. **Reconstructing the devastated economy with a focus on agriculture and infrastructure:** Since 85% of Afghans are dependent on the agricultural sector for survival, USAID's emphasis has been on spurring agricultural recovery and rural reconstruction. Since highways are the commercial lifelines in Afghanistan, we have invested heavily in rebuilding key road links and the bridges destroyed in the conflicts of the past twenty-three years.
2. **Creating the conditions for private investment:** Given Afghanistan's commercial traditions and recognizing that foreign aid cannot alone provide long-term economic growth, USAID programs focus on currency and banking reform, investment law reform, sound budgeting procedures by the Afghan government and related economic governance initiatives. These mechanisms are necessary to induce the direct private investment that can fuel economic recovery in the long-term. Moreover, our strategy recognizes that peace and stability are contingent on jobs and increases in family income.
3. **Improving the lives of average Afghans through the provision of basic public services:** The human misery index in Afghanistan is perhaps the worst in the world, when measured by factors such as the illiteracy rate, caloric intake, and the health and survival of the population. When we arrived in Afghanistan, we found the level of health care was abysmal and so we are investing in basic health clinics and pharmaceuticals. Because-in a nation with 80% illiteracy-there are not

enough schools for all the children who try to attend, we are investing in primary education by building schools, training teachers, and providing textbooks. Statistical data attached to my statement provides some indication of the scale of our public service investments.

4. **Reconstituting the basic institutions of national government:** As an indication of how seriously government institutions had deteriorated in Afghanistan during two decades of internecine conflict and Taliban mismanagement, until recent months the heads of ministries in Kabul had no capacity for voice or data transmission with regional offices. Ministers could not speak with their colleagues in Afghanistan's far-flung provinces to convey government decisions, assess needs, or provide policy guidance. Now, with the help of U.S. government assistance, we have put in place a basic telecommunications system that connects each of Afghanistan's thirty two provinces with Kabul, as a first step in helping the Afghans increase their capacity to run their own affairs. We have helped rebuild 13 Afghan ministries, including the Ministries of Agriculture, Health, and Education and other institutions wiped out during the conflict and Taliban oppression. We are funding 136 Afghan senior policy advisors in key Ministries, and paying the salaries of 879 Afghans who staff these Ministries. We are repairing buildings and record-keeping systems, and training competent managers and teachers.
5. **Promoting democracy and peace in Afghanistan:** Keeping on track the "Bonn Agreement," that forged the post-Taliban government in Afghanistan, is essential to fostering support for democracy, human rights, and stability. Ensuring that the reconciliation and reconstruction processes spelled out in the Bonn Agreement take place in a timely and transparent fashion is an important confidence-building measure after more than twenty years of internal conflict. This mission has required support for the nationwide Loya Jirgas, or grand councils, for election registration and for elections themselves, for judicial reforms and human rights institutions, and especially for the writing of a new constitution for Afghanistan.
6. **Contributing to full participation in the new Afghanistan:** As an alternative to the Taliban's emphasis on isolation and a closed society, USAID programs support a free media; provide training for professional journalists; lend assistance to private organizations of women, professionals and reformers; nurture local non-governmental organizations through shared project implementation; and, launch other initiatives intended to spur free, open debate about the future of Afghanistan, and the participation in that debate by all elements of Afghan society committed to democratic principles.

We do not minimize the very significant obstacles to reconstruction that remain in Afghanistan, but significant progress has taken place in each of these key reconstruction objectives between 2002 and 2003, and we will have further progress in the coming year. We recognize full well that the economic and institutional reconstruction of Afghanistan

is a weapon in the war against terrorism, and we are making a substantial contribution to that effort.

In economic recovery, for example, the Rome-based Food and Agriculture Organization reported an 82% increase in production of wheat - Afghanistan's staple grain - since the fall of the Taliban, with a further increase in production expected with this year's harvest. We are pushing forward with road construction, aiming to complete the first layer of asphalt on the major Kabul-to-Kandahar highway by the end of 2003. In support of private sector investment, a new Afghani, the national currency, has been placed in circulation, the Afghan central bank has been placed on a sound footing, new central bank and banking laws have been enacted, and the investment code is on the verge of promulgation.

To improve the lives of average Afghans, USAID alone has completed 447 projects, small and large, in the countryside. I have appended, for the Committee's review, a complete list of USAID reconstruction projects, which are under way or completed in 31 of Afghanistan's 32 provinces. The generosity of the U.S. people has provided 25 million textbooks for Afghan children. We have repaired or rebuilt 121 health clinics and facilities and will rebuild or construct 400 more over the next three years. We have also repaired or rebuilt 203 schools and will build or rebuild another 1,000 by 2006.

We've stipulated in our program contracts that our implementing partners should increase Afghan participation as much as possible, as soon as possible. We have included this requirement to help build the capacity of the Afghans to take on much of the reconstruction initiative themselves. America and our allies can and must provide substantial support in the short- to mid-term, but USAID programs are consciously designed to build Afghan capacity, and to pave the way for the Afghan government and people to secure their own destiny. For example, we are working with President Karzai's government to increase Afghan capacity to collect and manage customs revenues, a major source of government income. Currently, much of the Afghan government's operating costs are funded by foreign aid contributions, and we are working in the customs arena to build the capacity of the government to meet its own recurring costs. Similarly, in the health care field, we worked with the Ministry of Public Health to support the first national survey of health facilities so that the government could establish its own priorities for rural health care delivery, led by the Afghans themselves.

Much work remains to establish democracy and stability, but many ministries have been repaired, and an orderly national budget process is in place. The Bonn Agreement Peace Process has been kept on track, with a successful Emergency Loya Jirga completed last year. Functioning Judicial and Human Rights Commissions are in place, and programs are underway to begin demobilizing factional fighters in the countryside. A vigorous constitutional drafting effort is underway. Finally, a post-Taliban rebirth of civil society is under way in Afghanistan, with numerous radio stations up and running, a journalist training center funded with U.S. assistance in operation in Kabul, and a functioning Ministry of Women's Affairs establishing women's centers-with strong Congressional encouragement-across the nation.

Mr. Chairman, I am fully aware of the many concerns about security in Afghanistan, and reports of an increase in security incidents in recent months. The security situation per se is not within USAID's purview, but I do want to comment on the effect of security incidents on the reconstruction effort. Overall, without minimizing the security threat-and with profound regret for the lives, Afghan and foreign, that have been lost in recent attacks-we have every intention of maintaining the pace of our reconstruction efforts, and increasing them over time. We do not believe that the current rate of security incidents, including incidents targeting relief and reconstruction organizations, will significantly slow the reconstruction efforts. On the contrary, we will redouble our efforts out of awareness that our reconstruction efforts are a potent weapon in the fight against terrorism.

The reality is that Taliban remnants and other enemies of freedom recognize full well that paved highways, schools where girls learn to read, caring NGO workers, fair elections, and free radio stations will destroy them. That is why they launch scattered, but deadly, forays against our programs and partners. We have increased and will increase security measures to deter attacks, but frankly - given Afghanistan's levels of poverty and isolation, the legacy of twenty-three years of war, and the fear our work engenders among the enemies of freedom - I do not believe the current level of insecurity will slow our progress.

In summary, Mr. Chairman, much reconstruction work remains to be accomplished in Afghanistan, but much has been undertaken and the pace of reconstruction is accelerating. USAID appreciates the strong support of this Committee in those reconstruction efforts. I am prepared to elaborate on any of the points made in this testimony, or to answer your questions.

Closing Statement

In Iraq and Afghanistan, USAID embodies the American spirit to engage with others in promoting freedom and prosperity and the American capacity to lead and contribute to the great projects of our times.

USAID is this country's link to our own greatest successes in foreign assistance. USAID has its roots in Marshall Plan and this country's massive effort to reconstruct Europe after World War II, and we are just as determined today to convey this country's spirit and capacity. USAID pursues effectiveness, promotes the U.S. national interest, and expresses American values through foreign assistance to Iraq, Afghanistan, and countries around the world.

Thank you, Mr. Chairman, for this opportunity to discuss USAID's work in Iraq and Afghanistan and for the consistent support you have demonstrated in our efforts to help rebuild these two countries.

I welcome any questions you or any Members of the Committee might have.