

**TO AUTHORIZE THE ESTABLISHMENT OF A
SOCIAL INVESTMENT AND ECONOMIC
DEVELOPMENT FUND FOR THE AMERICAS, ETC.**

MARKUP

BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE

COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 3447

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**TO AUTHORIZE THE ESTABLISHMENT OF A
SOCIAL INVESTMENT AND ECONOMIC
DEVELOPMENT FUND FOR THE AMERICAS,
ETC.**

WEDNESDAY, MAY 5, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:45 p.m. in Room 2200, Rayburn House Office Building, Hon. Cass Ballenger (Chairman of the Subcommittee) presiding.

Mr. BALLENGER. The Subcommittee will come to order.

Pursuant to the notice, I call up the bill, H.R. 3447, to authorize the establishment of the Social Investment and Economic Fund for the Americas to provide assistance to reduce poverty and foster increased economic opportunity in the countries of the Western Hemisphere, and for other purposes.

For purposes of markup, without objection, the bill will be considered as read and open for amendment at any point.

[H.R. 3477 follows:]

108TH CONGRESS
1ST SESSION

H. R. 3447

To authorize the establishment of a Social Investment and Economic Development Fund for the Americas to provide assistance to reduce poverty and foster increased economic opportunity in the countries of the Western Hemisphere, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 5, 2003

Mr. MENENDEZ (for himself, Mr. BALLENGER, Mr. DELAHUNT, Ms. ROSLEHTINEN, Mr. LANTOS, Mr. WELLER, Mr. ACKERMAN, Ms. HARRIS, Mr. FALEOMAVAEGA, Mr. PAYNE, Mr. CROWLEY, Mrs. NAPOLITANO, Mr. RODRIGUEZ, Mr. REYES, Mr. GUTIERREZ, Mr. ORTIZ, Ms. ROYBAL-ALLARD, Mr. GONZALEZ, Ms. SOLIS, Mr. ACEVEDO-VILÁ, Mr. BERMAN, and Mr. HASTINGS of Florida) introduced the following bill; which was referred to the Committee on International Relations, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To authorize the establishment of a Social Investment and Economic Development Fund for the Americas to provide assistance to reduce poverty and foster increased economic opportunity in the countries of the Western Hemisphere, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Social Investment and
3 Economic Development Fund for the Americas Act of
4 2003”.

5 **SEC. 2. FINDINGS; STATEMENT OF POLICY.**

6 (a) FINDINGS.—Congress finds the following:

7 (1) The historic economic, political, cultural,
8 and geographic relationships among the countries of
9 the Western Hemisphere are unique and of con-
10 tinuing special significance to the United States.

11 (2) The interests of the countries of the West-
12 ern Hemisphere are more interrelated today than
13 ever before. Consequently, sound economic, social,
14 and democratic progress in each of the countries
15 continues to benefit other countries, and lack of it
16 in any country may have serious repercussions in
17 others.

18 (3) Following the historic Summits of the
19 Americas—the 1994 Summit in Miami, the 1998
20 Summit in Santiago, Chile, and the 2001 Summit in
21 Quebec City, Canada—the heads of state of the
22 countries of the Western Hemisphere accepted the
23 formidable challenge of economic and social integra-
24 tion in and between their respective countries.

25 (4) To make progress toward economic and so-
26 cial integration, there is a compelling need to focus

1 on the social development of the people of the Amer-
2 icas which, in turn, will promote the economic and
3 political development of the region.

4 (5) Investment in social development in the
5 Americas, including investment in human and social
6 capital, specifically in education, health, housing,
7 and labor markets with the goal of combating social
8 exclusion and social ills, will consolidate political de-
9 mocracy and the rule of law and promote regional
10 economic integration and trade in the region.

11 (6) The challenge of achieving economic inte-
12 gration between one of the world's most developed
13 economies and some of the poorest and most vulner-
14 able countries requires a special effort to promote
15 social equality, develop skills, and modernize the in-
16 frastructure in poorer countries that will enable the
17 people of these countries to maximize the amount of
18 benefits accrued from economic integration.

19 (7) The particular challenge facing social and
20 economic development in Latin America is the his-
21 toric and persistent highly unequal distribution of
22 wealth. Latin America suffers from the most un-
23 equal distribution of wealth in the world with huge
24 inequities in the distribution of assets including edu-
25 cation, land, and credit.

1 (8) Latin America also confronts the challenge
2 of an increasing number of poor people. As of today,
3 approximately one-third of the population lives in
4 poverty and increasing numbers live in extreme pov-
5 erty. Poverty exists in all Latin American countries
6 but 70 percent of the region's poor live in the five
7 largest middle-income countries.

8 (9) Marginalized groups, including indigenous
9 populations, people of African descent, women, peo-
10 ple with disabilities, and rural populations, are so-
11 cially excluded and suffer from poverty, stigma, and
12 discrimination.

13 (10) Democratic values are dominant through-
14 out the Americas, and nearly all governments in the
15 region have come to power through democratic elec-
16 tions.

17 (11) Nonetheless, existing democratic govern-
18 ments and their constituent institutions remain frag-
19 ile and face critical challenges including effective
20 democratic civilian authority over these institutions,
21 including the military, the consolidation or establish-
22 ment of independent judicial institutions and the
23 rule of law, and the elimination of corruption.

24 (12) The prosperity, security, and well-being of
25 the United States is linked directly to peace, pros-

1 perity, and democracy in the Americas. The entire
2 region benefits by reducing poverty, strengthening
3 the middle class, and promoting the rule of law
4 which will also increase markets for United States
5 goods and create a better environment for regional
6 investment by United States businesses.

7 (13) Section 101 of the Foreign Assistance Act
8 of 1961 (22 U.S.C. 2151) establishes as a principal
9 objective of United States foreign assistance the
10 “encouragement and sustained support of the people
11 of developing countries in their efforts to acquire the
12 knowledge and resources essential to development
13 and to build the economic, political, and social insti-
14 tutions which will improve the quality of their lives”.

15 (14) It is in the national interests of the United
16 States to assist developing countries in the Western
17 Hemisphere as they implement the economic and po-
18 litical policies which are necessary to achieve equi-
19 table economic growth.

20 (15) The Summit of the Americas has directly
21 charged the multilateral institutions of the Americas,
22 including the Organization of American States
23 (OAS), the Inter-American Development Bank
24 (IADB), and the new Inter-American Agency for Co-
25 operation and Development with mobilizing private-

1 public sector partnerships among industry and civil
2 society to help achieve equitable development objec-
3 tives.

4 (16) By supporting the purposes and objectives
5 of development and applying such purposes and ob-
6 jectives to the Americas, a Social Investment and
7 Economic Development Fund for the Americas can
8 advance the national interests of the United States
9 and can directly improve the lives of the poor and
10 marginalized groups, encourage broad-based eco-
11 nomic growth while protecting the environment,
12 build human capital and knowledge, support mean-
13 ingful participation in democracy, and promote
14 peace and justice in the Americas.

15 (b) STATEMENT OF POLICY.—It is, therefore, the
16 policy of the United States—

17 (1) to promote market-based principles, eco-
18 nomic integration, social development, and trade in
19 and between countries of the Americas by—

20 (A) nurturing public-private partnerships
21 and microenterprise development;

22 (B) improving the quality of life and in-
23 vesting in human capital, specifically targeting
24 education, health and disease prevention, and
25 housing;

1 (C) strengthening the rule of law through
2 improved efficiency and transparency in govern-
3 ment services; and

4 (D) reducing poverty and eliminating the
5 exclusion of marginalized populations, including
6 people of African descent, indigenous groups,
7 women, and people with disabilities; and

8 (2) to establish an investment fund for the
9 Western Hemisphere to advance the national inter-
10 ests of the United States, directly improve the lives
11 of the poor and marginalized, encourage broad-based
12 economic growth while protecting the environment,
13 build human capital and knowledge, support mean-
14 ingful participation in democratic institutions and
15 processes, and promote peace and justice in the
16 Americas.

17 **SEC. 3. AMENDMENT TO FOREIGN ASSISTANCE ACT OF**
18 **1961.**

19 Part I of the Foreign Assistance Act of 1961 (22
20 U.S.C. 2151 et seq.) is amended by adding at the end
21 the following:

1 **“CHAPTER 13—SOCIAL INVESTMENT AND**
2 **ECONOMIC DEVELOPMENT FUND FOR**
3 **THE AMERICAS**

4 **“SEC. 499H. AUTHORIZATION OF ASSISTANCE.**

5 “(a) IN GENERAL.—The President, acting through
6 the Administrator of the United States Agency for Inter-
7 national Development, shall provide assistance to reduce
8 poverty and foster increased economic opportunity in the
9 countries of the Western Hemisphere by—

10 “(1) nurturing public-private partnerships and
11 microenterprise development;

12 “(2) improving the quality of life and investing
13 in human capital, specifically targeting education,
14 health and disease prevention, and housing;

15 “(3) strengthening the rule of law through im-
16 proved efficiency and transparency in government
17 services; and

18 “(4) reducing poverty and eliminating the ex-
19 clusion of marginalized populations, including people
20 of African descent, indigenous groups, women, and
21 people with disabilities.

22 “(b) TERMS AND CONDITIONS.—Assistance under
23 this chapter may be provided on such other terms and con-
24 ditions as the President may determine.

1 **“SEC. 499I. TECHNICAL REVIEW COMMITTEE.**

2 “(a) IN GENERAL.—There is established within the
3 United States Agency for International Development a
4 technical review committee.

5 “(b) MEMBERSHIP.—The President, by and with the
6 advice and consent of the Senate, shall appoint to serve
7 on the technical review committee—

8 “(1) individuals with technical expertise with
9 respect to the development of Latin America and the
10 Caribbean; and

11 “(2) citizens of the United States with technical
12 expertise with respect to development projects and
13 business experience.

14 Technical expertise shall be the sole criterion in making
15 appointments to the technical review committee.

16 “(c) DUTIES.—The technical review committee shall
17 review all projects proposed for funding using assistance
18 provided under section 499H(a), and make recommenda-
19 tions to the President with respect to the guidelines to
20 be used in evaluating project proposals and the suitability
21 of the proposed projects for funding.

22 “(d) CONFLICTS OF INTEREST.—A member of the
23 technical review committee shall not be permitted to re-
24 view an application submitted by an organization with
25 which the member has been or is affiliated.

1 **“SEC. 499J. REPORT.**

2 “The President shall prepare and transmit to the
3 Committee on International Relations of the House of
4 Representatives, the Committee on Foreign Relations of
5 the Senate, and other appropriate congressional commit-
6 tees an annual report on the specific programs, projects,
7 and activities carried out under this chapter during the
8 preceding year, including an evaluation of the results of
9 such programs, projects, and activities.

10 **“SEC. 499K. AUTHORIZATION OF APPROPRIATIONS.**

11 “(a) IN GENERAL.—There are authorized to be ap-
12 propriated to carry out this chapter \$250,000,000 for
13 each of the fiscal years 2005 through 2009.

14 “(b) ADDITIONAL AUTHORITIES.—Amounts appro-
15 priated pursuant to subsection (a)—

16 “(1) may be referred to as the ‘United States
17 Social Investment and Economic Development Fund
18 for the Americas’;

19 “(2) are authorized to remain available until ex-
20 pended; and

21 “(3) are in addition to amounts otherwise avail-
22 able for such purposes.

23 “(c) FUNDING LIMITATION.—Not more than 7 per-
24 cent of the amounts appropriated pursuant to subsection
25 (a) for a fiscal year may be used for administrative ex-
26 penses.”.

1 **SEC. 4. AMENDMENT TO THE INTER-AMERICAN DEVELOP-**
2 **MENT BANK ACT.**

3 The Inter-American Development Bank Act (22
4 U.S.C. 283—283z-10) is amended by adding at the end
5 the following:

6 **“SEC. 39. SOCIAL INVESTMENT AND ECONOMIC DEVELOP-**
7 **MENT FUND FOR THE AMERICAS.**

8 “(a) IN GENERAL.—The Secretary of the Treasury
9 shall instruct the United States Executive Director at the
10 Bank to use the voice, vote, and influence of the United
11 States to urge the Bank to establish an account to be
12 known as the ‘Social Investment and Economic Develop-
13 ment Fund for the Americas’ (in this section referred to
14 as the ‘Fund’), which is to be operated and administered
15 by the Board of Executive Directors of the Bank con-
16 sistent with subsection (b). The United States Governor
17 of the Bank may vote for a resolution transmitted by the
18 Board of Executive Directors which provides for the estab-
19 lishment of such an account, and the operation and admin-
20 istration of the account consistent with subsection (b).

21 “(b) GOVERNING RULES.—

22 “(1) USE OF FUNDS.—The Fund shall be used
23 to provide assistance to reduce poverty and foster in-
24 creased economic opportunity in the countries of the
25 Western Hemisphere by—

1 “(A) nurturing public-private partnerships
2 and microenterprise development;

3 “(B) improving the quality of life and in-
4 vesting in human capital, specifically targeting
5 education, health and disease prevention, and
6 housing;

7 “(C) strengthening the rule of law through
8 improved efficiency and transparency in govern-
9 ment services; and

10 “(D) reducing poverty and eliminating the
11 exclusion of marginalized populations, including
12 people of African descent, indigenous groups,
13 women, and people with disabilities.

14 “(2) APPLICATION FOR FUNDING THROUGH A
15 COMPETITIVE PROCESS.—Any interested person or
16 organization may submit an application for funding
17 by the Fund.

18 “(3) TECHNICAL REVIEW COMMITTEE.—

19 “(A) IN GENERAL.—The Fund shall have
20 a technical review committee.

21 “(B) MEMBERSHIP.—The Board of Execu-
22 tive Directors of the Bank shall appoint to
23 serve on the technical review committee—

1 “(i) individuals with technical exper-
2 tise with respect to the development of
3 Latin America and the Caribbean; and

4 “(ii) citizens of the United States with
5 technical expertise with respect to develop-
6 ment projects and business experience.

7 Technical expertise shall be the sole criterion
8 (other than citizenship pursuant to clause (ii))
9 in making appointments to the technical review
10 committee.

11 “(C) DUTIES.—The technical review com-
12 mittee shall review all projects proposed for
13 funding by the Fund, and make recommenda-
14 tions to the Board of Executive Directors of the
15 Bank with respect to the guidelines to be used
16 in evaluating project proposals and the suit-
17 ability of the proposed projects for funding.

18 “(D) CONFLICTS OF INTEREST.—A mem-
19 ber of the technical review committee shall not
20 be permitted to review an application submitted
21 by an organization with which the member has
22 been or is affiliated.

23 “(4) REVIEW OF PROPOSED PROJECTS.—Not
24 more frequently than annually, the Board of Execu-
25 tive Directors of the Bank shall review and make de-

1 cisions on applications for projects to be funded by
2 the Fund, in accordance with procedures which pro-
3 vide for transparency. The Board of Executive Di-
4 rectors shall provide advance notice to all interested
5 parties of any date on which such a review will be
6 conducted.

7 “(c) CONTRIBUTION AUTHORITY.—To the extent and
8 in the amounts provided in advance in appropriations
9 Acts, the United States Governor of the Bank may con-
10 tribute to the Fund \$1,250,000,000.

11 “(d) LIMITATIONS ON AUTHORIZATION OF APPRO-
12 PRIATIONS.—

13 “(1) IN GENERAL.—For the contribution au-
14 thorized by subsection (c), there are authorized to be
15 appropriated for payment to the Secretary of the
16 Treasury \$250,000,000 for each fiscal year begin-
17 ning with the fiscal year in which the resolution de-
18 scribed in subsection (a) is adopted.

19 “(2) ADDITIONAL AUTHORITIES.—Amounts ap-
20 propriated pursuant to paragraph (1)—

21 “(A) are authorized to remain available
22 until expended; and

23 “(B) are in addition to amounts otherwise
24 available for such purposes.

1 “(3) FUNDING LIMITATION.—Not more than 7
2 percent of the amounts appropriated pursuant to
3 paragraph (1) for a fiscal year may be used for ad-
4 ministrative expenses.”.

5 **SEC. 5. SENSE OF CONGRESS.**

6 It is the sense of Congress that the countries of the
7 Western Hemisphere should collectively provide assistance
8 equal to the amount of United States bilateral assistance
9 provided under chapter 13 of part I of the Foreign Assist-
10 ance Act of 1961 (as added by section 3(a) of this Act)
11 and multilateral assistance provided by the Social Invest-
12 ment and Economic Development Fund for the Americas
13 under section 39 of the Inter-American Development
14 Bank Act (as added by section 4 of this Act) for the same
15 purpose for which such assistance was provided.

○

Mr. BALLENGER. I want to thank our Ranking Member, Mr. Menendez, for his work in introducing this important bill. He has consistently advocated increasing our Nation's investment for the people of the countries of the Western Hemisphere.

Representatives Jerry Weller and Katherine Harris are cosponsors of this legislation, and I thank them for their help, too.

I am fulfilling my commitment to mark up this bill in Subcommittee. Some differences remain on how best to frame this legislation. I appreciate Mr. Menendez's commitment to work with me to fashion a bipartisan consensus on the final text of this bill.

I am informed that Chairman Hyde has ideas he wishes to contribute and looks forward to scheduling a Full Committee markup on this bill when we have come to agreement on the final text. I am sure our staffs can help work this out.

We share a common goal in this Subcommittee to help our friends and neighbors in the Caribbean and Central and South America, helping them to become more prosperous and free. I hope with moving forward with this bill sends a clear signal to them that Members on both sides of the aisle are serious about working with them toward that purpose.

I recognize Mr. Menendez for an opening statement. Then, afterwards, I will recognize any other Members of the Subcommittee who wish to make an opening statement before we proceed with the markup of H.R. 3447.

Congressman Menendez, please proceed.

Mr. MENENDEZ. Thank you, Mr. Chairman.

I want to start by thanking you. As you said, you gave us your word you would have this markup, and we appreciate your keeping your word. I did not expect differently, but, nonetheless, I thank you for this opportunity and for also working with us on the bill and for your cosponsorship of it.

I understand that, while in the Subcommittee today, we will hopefully pass the bill and report it to the Full Committee that there are issues to be resolved. I look forward to fervently working on those issues so that we can, in the same spirit that we are voting on today, be able to do so before the Full Committee. Because if we are really to get an opportunity to do something for the hemisphere, we are going to need the Full Committee's action and then, hopefully, efforts on the Floor. So, in that spirit, we look forward to the opportunities that are presented, and we thank you for your engagement and that of your staff as well.

And I want to thank Jessica Lewis, who is the Democratic professional staff member for our Subcommittee, who has been working very diligently on this, and my colleagues on both sides of the aisle who have joined in cosponsoring the legislation.

It is fitting we are holding this markup today, on the 5th of May, or Cinco de Mayo. The holiday, which started as a local event in Puebla, Mexico, is now celebrated throughout much of the United States. It is a shared holiday with our nearest neighbor in the hemisphere and a symbol of the close ties between the United States and Mexico. And I would say that also for all of Latin America and the Caribbean.

So today marks the possibility, and I will underline the possibility, of a historic moment in United States-Latin America rela-

tions. We have an opportunity to advance bipartisan legislation that will invest in social and economic development at a crucial moment in the region's history. We have an opportunity to turn around years of regional neglect and refocus United States-Latin America policy on proactive engagement. We have an opportunity to tell the people of the Americas, our neighbors and our friends, that the United States is making a real commitment to Latin America.

The region is at a critical moment. Over the past year, two democratically-elected Presidents have left office in Haiti and Bolivia. A democratically-elected Bolivian government collapsed as angry mobs took out their frustration with crushing poverty and little economic opportunity among other issues. This incident only highlights the destabilizing impact of poverty, hunger, and economic disenfranchisement. And democracy is on fragile ground in many countries throughout the region.

Why? In a recent report by the United Nations Development Program, 55 percent of Latin Americans interviewed say they preferred an authoritarian government to a democratic one.

Fifty-five percent of the people in the hemisphere said they preferred an authoritarian government to a Democratic one.

The reason? They think an authoritarian government could solve their economic problems.

That speaks volumes about something I have been saying for quite a while, that we are losing the battle for the hearts and minds of Latin Americans. Democracy is losing the battle for the hearts and minds of those who would say that they would choose authoritarianism over a democratically-elected government.

Today, many Latin Americans confront crushing poverty with few economic prospects and have lost faith in their future. As frustration turns to anger and violence, even more democracies may be threatened.

A staggering 43 percent of the region's population lives in poverty. That is an estimated 220 million people, and that number is only expected to increase. Extreme poverty is growing: 57 million live on less than \$1 a day; 132 million live on less than \$2 a day. Almost 55 million people in Latin America and the Caribbean still suffer from hunger or malnutrition.

Crime has reached staggering proportions. The region has a homicide rate more than twice the average of the rest of the world.

These are only a few of the problems that confront our neighbors. I believe the United States can and should do more. It is time for the United States to move from a policy of too little, too late, to a policy of active engagement all of the time. It is time for the United States to be proactive, not reactive. Our Latin American policy must be more than just free trade and more than counter-narcotics.

As the democratic leaders of the Americas said at the recent interim Summit in Monterrey, Mexico, we must "advance implementation of measures to combat poverty, to promote social development, to achieve economic growth with equity, and to strengthen governance in our democracies."

So we are here today to vote for a bill that will more than double current development funding to the region and invest a total of

\$2.5 billion over the next 5 years. The fund will improve the daily lives of Latin Americans by investing in health, education, housing, and economic development.

In order to change the course of the views of Latin Americans, they must see their quality of life improve. They must see the benefits of stable democracy. And the United States must be at the forefront of that battle for democracy and development and must win back the hearts and minds of the Latin American people.

So I urge my colleagues to join me in voting for the bill today. I know that we have work to do to hopefully get the same type of bipartisan support in the Full Committee. I believe we can do that.

It is in our national interest, however, to do this. This is not about philanthropy. It is not even about being a good neighbor. It is about the national interests of the United States, and it is about the national security of the United States. And that is what we hope to do.

So thank you, Mr. Chairman, for holding the markup. Thank you for your support today, and we look forward to working with you to achieve the mutual success I know we want.

Mr. BALLENGER. Congressman Delahunt?

Mr. DELAHUNT. Thank you, Mr. Chairman, and I, too, want to congratulate you on holding this markup and acknowledge your willingness to work with the Ranking Member on this particular proposal.

I want to acknowledge Bob Menendez for his dedication and vision for crafting this proposal. He has been working at it for some years now, as long as I have been here in Congress, at least serving on this Committee.

So it is a moment that I think we should celebrate to see that, at long last, it has come before this Subcommittee for consideration.

It is particularly positive to observe that it is a bipartisan, and I underscore bipartisan, common-sense approach to the challenges that Mr. Menendez enumerated that are facing the hemisphere. And when one sees polling data conducted by respectable firms, American firms, that indicate that Latin Americans who consider themselves as part of the elite, the economic elite of these countries, have a negative opinion of the United States on the average of 87 percent, one can only imagine the antipathy toward the United States in other segments of Latin American societies.

This is an absolutely essential piece that, hopefully, will be part of a larger, long-term sustained commitment to reordering our relationships in the hemisphere. The Social Investment Fund is needed now more than ever. The Western Hemisphere is in crisis, and the democratic gains of the last few decades are threatened by poor leadership, corruption, poverty, crime, and continuing and increasing social and economic inequality. Whether it is Bolivia or Haiti, Venezuela, Argentina, Guatemala, it is clear that the old ways of dealing with our neighbors are no longer enough.

Trade agreements, at least by themselves, are insufficient. We have to be creative. We have to think out of the box, so to speak. The Social Investment Fund is exactly the kind of creative, innovative proposal that is needed. It is focused on the hemisphere, and

it underscores, as Mr. Menendez indicated, the priorities that we ought to embrace to enhance our own national security.

It will help address the challenges of health care, education and economic development that are at the root of so many of the region's problems. And it will be a partnership, a respectful partnership, with our neighbors, treating them with the respect that they deserve. And it will directly aid the people who need it most.

As Mr. Menendez knows, and my friend Cass Ballenger, I am working on a proposal with them to help strengthen governance, democratic practices and nurturing democratic institutions to provide for better governance. That, too, hopefully, will be a bipartisan undertaking and will implicate the nations and the societies in our hemisphere in a way that creates an exciting spirit of cooperation.

Let me conclude again by saying congratulations to Cass Ballenger and especially to Bob Menendez for, I think, a significant step in a new direction.

Mr. BALLENGER. Congresswoman Napolitano?

Mrs. NAPOLITANO. Thank you, Mr. Chairman.

I associate myself with the remarks of my colleagues in regard to this bill before us today.

It is interesting how our foreign policies sometimes get misplaced. We spent over \$87 billion in Iraq to try to build a democracy, yet in Cuba, where a Communist regime clings to power, we will spend over \$25 million a year just to broadcast TV and radio telecasts to support change and try to bring about democracy.

We also allow existing democracies in Latin America to flounder. As we have seen in the last year or so, Haiti and Bolivia are those examples. But would we really be surprised if the same happened in Ecuador, Peru or Venezuela?

Our development aid to this region really is minuscule. The United States foreign aid to the Latin American region amounted to \$1.6 billion for 2003, but of that amount, 60 percent went for military and counternarcotics. So very little actually went to help establish the programs that are needed to be able to help these people have economic independence of some kind or an increasing of their economy.

As has been mentioned by my colleagues, this is a region home to approximately 150 million Afro-Latin Americans. So it is not just Latins; it is Afro-Latin Americans included.

The Millennium Challenge Account, created to have U.S. development assistance to countries that need it, has ignored to a large part our neighbors to the south. We find that only five of those countries actually can benefit from this account or are able to qualify for benefits under the Millennium Challenge Account.

There is certainly a need for development in that region. As we have heard, many of those children live in impoverished homes. I have always maintained that charity starts at home. Those are our neighbors, and we need to begin to look at what is happening to our neighbors to the south. We cannot expect democracy to flourish in such an environment if we do not take the steps that will allow them to be able to have the education, the economic development, and all those things that are going to help bring about acceptance of democratic governance.

I believe we should show more of a commitment to our own hemisphere. I think \$500 million a year is small and minuscule compared to the \$87 billion we are spending in Iraq, and probably more. We do have a chance to consolidate the democracies and market economies in our own backyard. The Social Development Fund will reduce poverty and help Latin Americans find a future in their own country.

Everybody gets concerned and unhappy about the illegals, the undocumented coming from South and Central America. This would be a help to be able to have those governments be able to maintain their male workforce, if you will, and not be, obviously, open to the risk of crossing borders that may bring death to them.

I urge all my colleagues, especially my Republican colleagues, to co-sign and work with us to get this badly needed Social Investment Fund for the Americas passed.

Thank you, Mr. Chairman.

Mr. BALLENGER. Congresswoman Harris, for an opening statement.

Ms. HARRIS. Thanks, Mr. Chairman, for holding this critical markup session.

I also wish to express my deep appreciation to Representative Menendez for his sponsorship of the Social Investment and Economic Development Fund for the Americas and to all my Subcommittee colleagues for supporting it.

This groundbreaking initiative promises to provide new opportunity and improve the quality of life for millions of our friends and neighbors here in the Western Hemisphere.

Fortunately, after some exceptionally difficult years, real economic recovery in Latin America is taking hold. Mexican exports in March 2004 surged to a level of 20 percent higher than in March 2003. Economic growth in Brazil is forecast to reach its highest since 2000, and Argentina's recovery continues to roar ahead.

Yet much more progress has to be made in order to lift the millions of Latin Americans out of poverty and into the middle class.

Congratulations are in order to all those within the Administration and those within Congress who worked so hard for the official establishment of the Millennium Challenge Corporation, which provides new hope for nations committed to following a healthy and sustainable route toward economic prosperity and good government.

However, only four countries from the Americas qualify for funding consideration: Bolivia, Haiti, Honduras, and Nicaragua. In a region so critical to my Florida constituents—for example, fully 70 percent of my State's foreign trade occurs within the hemisphere—I am very proud to sponsor this bill.

While this measure constitutes a momentous step forward for the United States in our commitment to sustainable development in Latin America, it is critical that principles of accountability, similar to those that guide the Millennium Challenge Corporation, be adhered to within the Western Hemisphere as well.

As President Bush asserted at the International Conference on Financing for Development in Monterrey, Mexico, in March 2002, "We must tie greater aid to political and legal and economic reforms." Strong government, social and private-sector institutions

are necessary if countries are to graduate from aid recipients to a path of self-reinforcing and ongoing economic development.

Of particular concern to me is that governments create a climate conducive to increased business investment that creates the jobs needed for individual citizens to provide for themselves and their families. A consistent, coherent and clear investment regime in each nation of the Americas is indispensable to a sustained rise in living standards and increased levels of personal dignity.

Sound and transparent competition policy, combined with unshakable rule of law, will mean that the Social Investment and Economic Development Fund achieves its vaunted goal of making our Western Hemisphere a better place to live for all our nations' constituents.

Thank you, Mr. Chairman.

Mr. BALLENGER. Congressman Weller, do you have an opening statement?

Mr. WELLER. No. Thank you, Mr. Chairman.

Mr. BALLENGER. The gentleman from New Jersey, Mr. Payne?

Mr. PAYNE. Thank you, Mr. Chairman, and let me commend you for calling this very important meeting.

And I also, certainly, follow the leadership of our Ranking Member, Congressman Menendez, and the leadership he has provided to this Subcommittee.

Mr. Menendez has exhibited great concern for the people of Latin America with the Social Investment and Economic Development Fund of the Americas. I have heard him, for the last 4 years, talk about the fact that Latin America is being forgotten, that not enough attention is being paid to it. And I certainly concur and always associate myself with his remarks in regard to the region.

Although Latin America and the Caribbean are our closest neighbors, our third border in the Caribbean, they are perhaps the most ignored by our United States policy. The most glaring example is Haiti, which is now, of course, trying just to stay afloat in the face of debilitating poverty, civil unrest, stifling disease and downright dire conditions all around after the recent toppling of the Aristide government. We just have not paid enough attention to our own hemisphere, probably the least since the Monroe Doctrine.

My colleagues have already done a good job of explaining the bill in their remarks, but let me just emphasize a few points. Reducing poverty and focusing on the exclusion of marginalized populations, including people of African descent, indigenous groups, women, and people with disabilities in an effort to turn around the marginalization of these groups and to promote social equality is something we need to stress.

We have learned from events in our world over the last 2.5 years that we just cannot afford to ignore the poor. We cannot afford to look the other way at the downtrodden. Morally it is wrong to ignore these groups, and pragmatically, for our own national defense, it is foolish.

I think this bill is a great step toward focusing more on the communities south of the border in order to reduce poverty, including the traditionally excluded sectors of society, investing in human capital, putting more money into education, and combating disease.

Just in conclusion, we have serious challenges, the dire poverty, economic downturn, as others have mentioned, human rights abuse, civil strife, social inequality, as well as other challenges to democracy. Roughly 44 percent of Latin America people are poor. More than half the population under the age of 19 live in poverty. According to the World Bank, Latin America in 2000 was no better off than it was 20 years ago. That is serious. Additionally, economic inequalities and skewed distribution of wealth has caused civil unrest throughout the region, in Colombia, Venezuela, and Brazil in particular.

So these economic issues must be worked out, and U.S. policy in the region should be very clear and focused on cutting poverty, creating new opportunities for people.

Mr. Menendez's Social Investment and Economic Development Fund for the Americas will provide \$250 million a year for 5 years, starting with 2005, to USAID, which handles our core development programs, and another \$250 million to the Inter-American Development Bank, which supports economic and social development and regional integration in Latin America and the Caribbean, mainly through lending to public institutions but also for private projects and infrastructure.

So I certainly commend my colleague from New Jersey for this very important bill and urge its support.

Mr. BALLENGER. Thank you, sir.

Are there any amendments?

If not, the Chair will now entertain a motion that the bill be reported favorably to the Full Committee.

Ms. HARRIS. So moved.

Mr. BALLENGER. The question occurs on the motion to report a bill, H.R. 3447, favorably.

All those in favor will say aye.

All opposed, no.

The motion is approved and the bill is reported favorably. The staff is directed to make any technical and conforming amendments.

Without objection, the bill will be reported favorably.

Thank you everybody for being here. We are going to turn this into something very positive. Thank you.

[Whereupon, at 3:10 p.m., the Subcommittee was adjourned.]

