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Before the
Senate Foreign Relations Committee
Subcommittee for Europe
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"Georgia: One Year After the August War"

Chairwoman Shaheen, Senator DeMint, distinguished members of the Committee, thank you for inviting me to speak to you today about U.S. assistance to Georgia on the one-year anniversary of the August war.

Before discussing our assistance programs, I would like to thank the Committee and others in Congress for their generous support for Georgia over the past year. The \$1 billion assistance package has been essential in addressing both the immediate recovery needs and longer term stability of Georgia.

After the war, the United States led the Georgia international donors' conference with a \$1 billion pledge to help meet immediate humanitarian needs, repair damaged infrastructure, sustain investor confidence, and restore economic growth. Within this assistance package, we also included a targeted component to strengthen democratic institutions and foster good governance.

To date, roughly 56% of the \$1 billion has been obligated and 44% has been expended. The balance of our pledge will continue to help Georgia recover and try to grow, even as we use sustained levels of bilateral assistance to cement this recovery, continue to help displaced communities and expand democratic reform.

Approximately 130,000 individuals were initially displaced into undisputed Georgia by the conflict, and in response, \$61.7 million of the \$1 billion package went towards emergency humanitarian assistance. We provided emergency relief to internally displaced persons, or IDPs, providing food, shelter and medicine. In a coordinated effort, the Department of State, USAID, and the Defense Department's European Command rapidly mounted this humanitarian response.

Today, approximately 30,000 people are still displaced due to the August conflict and are still in need of assistance. With other components of the \$1 billion package, the U.S. will continue to address the needs of these IDPs. In addition, more than 220,000

IDPs still remain displaced due to conflicts in the 1990's. Along with other donors, we expect to support the Government of Georgia's plan to improve the living conditions and craft durable solutions of these IDPs through livable shelter, vocational training, and small business development

The first \$50 million in Defense Department section 1207 funds included a police support package, and was also used to meet the priority food, shelter, and livelihood needs of those returning to the Shida Kartli region – the region of the country most affected by the conflict. We recently received the second \$50 million tranche in section 1207 funds, which will continue to support the recovery needs in the region.

USAID's winter wheat program, financed by section 1207 funds, has been hailed by the Government of Georgia as the timeliest and most effective post-conflict donor-funded project in Georgia. Project coverage was expanded in the spring for other crops and orchards, and support for farmers with livestock, benefiting many thousands of families. The winter wheat was harvested beginning in late July, and it produced a bumper crop worth approximately \$15 million, which will help Georgia meet its food needs.

Through funding appropriated in the FY2008 supplemental, we provided \$250 million in direct budget support to the Government of Georgia. This allowed the timely payment of state pensions and other critical public obligations. This funding has been fully expended by the Government of Georgia, which provided us with a final expenditure report in April. This program is being audited, and we expect to receive the draft findings by mid-October.

Another \$65 million in funding from the FY 2008 supplemental will be used to help reestablish agriculture production in Shida Kartli and to support civil society, municipal infrastructure, regional trade, hydropower, independent media, and the removal of landmines. We have also obligated funds for a Money Management Program to procure a new national payments system for the National Bank of Georgia, and many other projects are in the design approval phase.

The Millennium Challenge Corporation (MCC) increased its existing compact to include an additional \$100 million for roads, energy, and regional infrastructure development as part of our \$1 billion pledge.

The Overseas Private Investment Corporation (OPIC) is providing more than \$180 million in assistance to facilitate the provision of credit lines and project financing for a myriad of investment projects. OPIC and Georgia also signed a Memorandum of

Understanding to encourage U.S. investment in Georgia. The MCC and OPIC investments should go a long way toward Georgia's economic recovery and growth.

The final portion of the \$1 billion pledge, the recently appropriated \$242 million in Fiscal Year 2009 supplemental funding, provides an opportunity to finish addressing crisis and humanitarian response and shift to programs designed to meet the longer term needs of vulnerable populations, as well as to provide necessary capital investments. These investments will encourage private sector growth while enabling Georgia to meet its energy needs and to expand its markets in order to take advantage of trade opportunities.

I would like to emphasize that U.S. assistance to Georgia following the August war has been the product of a cooperative "whole-of-government" approach. Policy is coordinated at the senior interagency level and, in large part, assistance is planned and implemented by an outstanding team at the U.S. Embassy and USAID Mission in Tbilisi. We use an "all spigots" concept, drawing funds from a range of U.S. programs and agencies that can best help Georgia meet identified needs. This coordinated, interagency approach has allowed us to do the greatest good in the shortest period of time in close cooperation with the Government of Georgia.

The \$1 billion addressed immediate needs and laid the foundation for Georgia's recovery. We will secure this investment in Georgia's future through our future, annual assistance programs.

Madame Chairwoman, Senator DeMint, members of the Committee, I appreciate the opportunity to appear before you today, and I welcome the opportunity to respond to your questions.

Thank you.

\$1 Billion Pledge by Priority Area

| Area | Level |
|--|------------------------|
| Restoring Peace and Security | \$28,337,000 |
| Strengthening Democracy, Governance, and Rule of Law | \$23,200,000 |
| Economic Recovery and Growth | \$334,640,000 |
| Aid to IDPs and Social Recovery | \$123,323,000 |
| Other | |
| Management Support (USAID) | \$2,000,000 |
| Direct Budget Support | \$250,000,000 |
| Not Yet Allocated | \$242,000,000 |
| TOTAL | \$1,003,500,000 |