



Congress of the United States
House of Representatives
Washington, DC 20515

April 27, 2005

The Honorable David Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Comptroller Walker:

We write asking GAO to investigate the continued use of USAID funds to lobby the United States Government regarding passage of the Central American Free Trade Agreement (CAFTA). Specifically we refer to the use of a \$500,000 USAID grant to the CAFTAlliance Fund of the Humane Society of the United States (HSUS), which ultimately funded a letter written to the Office of the United States Trade Representative (USTR) in support of CAFTA.

**Background on USAID Office of Inspector General Investigation into Misuse of
USAID Funds to Promote CAFTA**

On November 19, 2004 several Members of Congress joined in writing the Office of the Inspector General at USAID requesting a review of a USAID \$700,000 challenge grant providing initial funding for the Alliance for CAFTAction.¹ This money was to be matched by the Central American business community for promotion of CAFTA. Members of the Alliance include the U.S. Chamber of Commerce and the Chambers of Commerce for Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

The letter requested a thorough review of USAID's grant to the Alliance for CAFTAction and the Office of the Inspector General's independent assessment of its appropriateness in the context of USAID's mandate. Further, it asked assurances the funds were in compliance with and would not be used in violation of the Foreign Operations provisions of Public Law 109-199, and ADS 225 Sections 225.3.1.4 to 225.3.1.9.

The OIG conducted an audit to assess whether USAID funds funneled through the Caribbean-Central American Action (CCAA) to the Alliance for CAFTAction violated federal law.

A report was provided in February by USAID Office of the Inspector General (OIG) in response to this inquiry.² It found that using USAID funds to promote the president's trade policy violated U.S. Federal and USAID lobbying restrictions. Further, the report examined the appropriateness of a \$700,000 grant given to business groups to promote the CAFTA.

¹ Letter from Rep. Sherrod Brown, *et al*, to USAID Inspector General Ebbitt (November 19, 2004).

² USAID Office of the Inspector General, *Audit of USAID/Guatemala-Central American Programs' Cooperative Agreement with Caribbean-Central American Action (Cooperative Agreement No. 596-A-00-04-00235-00)*, Audit Report Number 9-596-05-003-P (February 7, 2005).

While the audit found CCAA compliant in several areas, the OIG concluded that CCAA did not initially comply with U.S. federal and USAID lobbying restrictions. The OIG found the "Declaration of Principles" distributed by CCAA and The Alliance for CAFTAction "could be considered an attempt to influence the enactment of pending U.S. Federal legislation, which is not allowed under federal lobbying restrictions."³ The OIG then contacted CCAA and had the group revise the Declaration of Principles to delete references to ratification of CAFTA. There was no fine for violations of lobbying restrictions.

The Alliance for CAFTAction continues to distribute materials of questionable nature despite the fix recommended by the OIG. Continued public scrutiny is necessary to curtail these activities.

USAID Grant to Humane Society of the United States

On October 2, 2003 then-USTR Zoellick announced a \$500,000 government USAID grant to the Humane Society of the United States' (HSUS) "CAFTA Alliance Fund."⁴ The HSUS's smaller sister organization, the Human Society International (HSI) used these funds to create a new project and open an office in Costa Rica, the Global Alliance for Humane Sustainable Development (GAHSD). The president of Humane Society International, Patricia Forkan, is former executive vice president of HSUS. The executive director of GAHSD, Marta Prado, is also legal advisor to the Humane Society of the United States. The regional director of the HSUS-funded project GAHSD in Costa Rica is Mr. Andres Riggioni. For all intents and purposes, there is no distinguishing between HSUS, HIS, and GAHSD in this matter.

The Humane Society was a strong opponent of Congressional passage of all major trade legislation over the past decade, including NAFTA, WTO, and China PNTR. However, since receiving the USAID grant, HSUS has taken a position contrary to this historical trend and announced its support for CAFTA. HIS executive director Forkan recently appeared before the Senate Finance Committee to testify in support of the agreement.⁵

Global Alliance for Humane Sustainable Development Letter to USTR In Support of CAFTA

On January 31, 2005, several environmental organizations, including the GAHSD, which was set up by the HSUS, directly lobbied USTR supporting the environmental provisions of CAFTA.⁶ The GAHSD and several other signatories mention USAID funding on the umbrella organization website at www.caftaalliance.org. The GAHSD states, "The CAFTA Alliance is a USAID-funded coalition of NGOs led by Humane Society International and Counterpart International and managed by the Global Alliance."⁷ We ask for an investigation as to the appropriateness of these government funds, as they appear to have been illegally used to directly lobby the United States government for passage of pending federal legislation.

Several signatories to the GAHSD/USTR letter also merit further scrutiny. According to the GAO, the Caribbean Conservation Corporation has been largely reliant on the U.S. government for its funding since at least 1992, when it received \$245,100 from the United States, or 34.4 percent of its total funding.⁸

³ *Id.*

⁴ USTR Press Release, *U.S. Funds Program Supporting Humane Agriculture and Wildlife Protection in Central American FTA Partners*, (October 2, 2003).

⁵ <http://finance.senate.gov/hearings/testimony/2005test/pftest041305.pdf>

⁶ Letter from Global Alliance for Humane Sustainable Development, *et al.*, to USTR (January 31, 2005), available at http://www.ustr.gov/assets/Trade_Agreements/Bilateral/CAFTA/Briefing_Book/asset_upload_file351_7196.pdf

⁷ http://www.caftaalliance.org/about_us.html

⁸ Government Accountability Office, "Foreign Assistance: Private Voluntary Organizations' Contributions and Limitations," GAO Report to the Ranking Minority Member, Committee on International Relations, House of Representatives, GAO/NSIAD-96-34, (Dec. 1995, at 47).

Another signatory, SalvaNatura, is a for-profit purveyor of coffee and supplier to Kraft Foods. It participates in a joint consortium run by Kraft and the Rainforest Alliance, which received \$2 million in U.S. government money in FY 2003.⁹

Little information is available about the other signers of the letter, though Marina Arguello de Sacasa, appearing on the USTR letter as Director of *Fundación Zoológica de Nicaragua*, was identified in a January 31, 2003 *El Nuevo Herald (Miami)* article as director of Nicaragua's national zoo, a government-funded entity rather than a non-profit environmental organization.¹⁰

Alleged Government Propaganda and Prior Misuse of U.S. Funds

This USTR letter comes on the heels of the General Accountability Office launching an investigation into the Education Department's deal with Armstrong Williams, who promoted President Bush's policies after receiving a payment of \$240,000. The Federal Communications Commission also ordered an investigation into whether Mr. Williams broke the law by failing to disclose he was paid by the Bush administration to promote the president's education agenda.

Over the past year, other investigations have revealed that federal agencies have employed secret publicity campaigns to promote administration priorities.

The Government Accountability Office also found that the Department of Health and Human Services and the White House Office of National Drug Control Policy violated the congressional prohibition on publicity and propaganda by distributing fabricated video news reports.

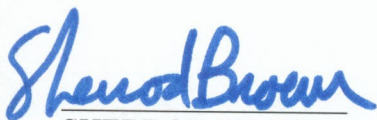
Conclusion

In addition to being troubling, such propaganda and lobbying campaigns are illegal. The possibility of a widespread practice of special interests lobbying the U.S. government using development assistance funds raises serious concerns. Congress and the American people deserve a full accounting for the uses of these taxpayer funds.

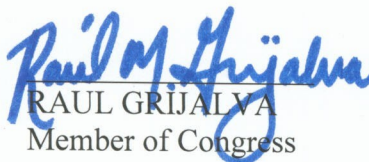
It appears a troubling trend may be emerging where USAID development money is misdirected from important poverty and technical assistance programs. It then comes home to roost in the form of direct lobbying of the United States Government by groups largely indistinguishable from businesses supporting CAFTA. The Humane Society's use of funds to lobby USTR in support of CAFTA's ratification is an attempt to influence the enactment of pending U.S. federal legislation.

Thank you for your prompt attention. We look forward to your timely investigation of this matter.

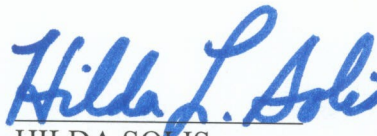
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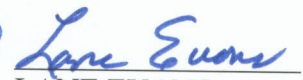
SHERROD BROWN
Member of Congress



RAUL GRIJALVA
Member of Congress



HILDA SOLIS
Member of Congress



LANE EVANS
Member of Congress

⁹ US TCB Database, *U.S. Government 2003 Trade Capacity Building Assistance, Central America NS, Rainforest Alliance for Sustainable Economic Growth*, (accessed April 1, 2005).

¹⁰ *El Nuevo Herald (Miami)*, *El zoológico de Managua en crisis por falta de alimentos*, (Jan. 31, 2003).

Tim Ryan

TIM RYAN
Member of Congress

Jan Schakowsky

JAN SCHAKOWSKY
Member of Congress

Michael Michaud

MICHAEL MICHAUD
Member of Congress

Dennis Kucinich

DENNIS KUCINICH
Member of Congress

Linda Sanchez

LINDA SANCHEZ
Member of Congress

Pete Stark

PETE STARK
Member of Congress

Collin Peterson

COLLIN PETERSON
Member of Congress

Stephen Lynch

STEPHEN LYNCH
Member of Congress

Ted Strickland

TED STRICKLAND
Member of Congress

Lynn Woolsey

LYNN WOOLSEY
Member of Congress

Woolsey

cc: USAID Administrator Andrew Natsios
Acting USTR Peter Allgeier
USAID Inspector General James R. Ebbitt