

**U.S. ASSISTANCE TO THE MIDDLE EAST:  
OLD TOOLS FOR NEW TASKS?**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
THE MIDDLE EAST AND SOUTH ASIA  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED TENTH CONGRESS  
SECOND SESSION

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## **U.S. ASSISTANCE TO THE MIDDLE EAST: OLD TOOLS FOR NEW TASKS?**

**THURSDAY, MAY 8, 2008**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON THE MIDDLE EAST  
AND SOUTH ASIA,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2175, Rayburn House Office Building, Hon. Gary L. Ackerman, (chairman of the subcommittee) presiding.

Mr. ACKERMAN. The subcommittee will come to order.

If the next President, presumably in a fit of madness, was to ask me what should be done about the Middle East as a whole; as a region that is vital to the national security interests of the United States; a region that is racked by numerous conflicts, crises and power struggles; and is in the midst of profound transformations in its cultural, economic, religious and political norms; I would cite the wisdom of the great American sage and musician, Warren Zevon, who said: "Send Lawyers, Guns and Money, the [you know what] has hit the fan."

It is hard to provide a more succinct description of the problem, or the prescription for fixing it. The problems in the region are diverse and complex, but our tools for dealing with them are, in truth, initially limited in reality to sending lawyers, guns and money, though I would suggest we not think of these things literally, but rather as categories for our assistance. And in this light do we have some good tools to work with if there is a will to apply them.

At the top of the list of problems in the Middle East is the question of governance and freedoms, from which many of the region's troubling phenomena flow. The U.N.'s Arab Human Development reports, which describe in painful detail the extent to which the Middle East has fallen behind other regions in terms of education, health, technology and other significant measures of quality of life, has cited the lack of freedom as the key factor in these deficits. Over the long term it is hard to see how the Middle East can thrive without a substantial evolution in governance.

It is neither the right, nor the duty, of the United States to pick the form of government for any people but ourselves. But that does not mean that we have to watch impassively as people in the region struggle for their liberty, and demand respect for their civil and human rights. Neither are we bound to watch in silence as governments with which we cooperate endanger themselves, and by

extension our common policy goals, by alienating their own populations.

We do not exactly have to send lawyers, but we can support the growth of civil society, and help build capacity of others to pursue the rule of law. Some of our friends might not like it when we support their critics, but if we do not help those trying to build a vital, liberal center in some of the countries on which we depend, we may find a region being led by those who came to power by deploring us, and their previous government's partnership with us.

Some of our partners in the region face challenges that are more direct and brutal. Some states, like Iraq, Lebanon, and Israel are, every day, struggling against Iranian-supported terrorist groups. These states need more than just our good wishes and sympathy for their dead citizens. Put bluntly, they need guns. They need arms and, often, the proper training to deploy them. But they are ready and willing to defend themselves. Helping them to do so is not only morally right, but is prudent policy.

Other states, especially those without oil resources, but with predominantly young and growing populations, have significant economic needs that, if unmet, will fuel the growth of Islamic radicalization at best, and at worst could destabilize those countries, and even others around them. They need money; ours, and that of our partners in the international community with an interest in a stable, peaceful Middle East. Wise investments by ourselves and increased access to the U.S. economy can make a big difference in helping our friends in the region to grow and to thrive.

Very simply, we need to send more lawyers, guns and money, but we need to know which to send where. And here is where the problems begin. In some places I think the United States is deploying its resources wisely. I do not think it is a coincidence that in these places we have a clear sense of what our money is buying, and there is a clear objective which can be achieved by the application of resources.

For example, since the Camp David Accords the United States has provided tens of billions of dollars in economic and military assistance to Israel and Egypt. Our tangible support for the peace made at Camp David has linked the two most important militaries in the region to the goodwill of the United States; we have prevented any further Arab-Israeli state-to-state conflicts, through the problem of non-state proxies has grown; and we have shifted the political center of gravity in the region toward peace with Israel versus the prior consensus for war. The total cost of the 29 years of peace forged at Camp David is about \$150 billion. That is a lot of money. But, by comparison, the same \$150 billion buys us just 1.25 years of war in Iraq.

If we want to avoid sending our young men and women to the region, where they often come home in body bags, or without arms, legs or mental health, then we need to start sending more lawyers, guns and money, because the problems in the Middle East are not going away on their own, and they may not be resolved to our liking if we just stand by and watch.

More than 6½ years after 9/11 supposedly changed everything, we still have critical Embassies in the Middle East that lack sufficient security personnel and vehicles to allow our diplomats to

leave the Embassy and do their jobs. We have shortages of both Arabic-speaking diplomats and translators. We have regional partners that are watching Iran fund subversion within their borders to the tune of hundreds of millions of dollars a year, and we are debating whether to spend \$26.1 billion on foreign aid and \$11.4 billion on the State Department, that is, a combined 1.2 percent of our \$3 trillion budget, is too much.

In Fiscal Year 2000, we spent \$6.6 billion on assistance to the Middle East. This year, this year of crisis and war and looming disaster, the Bush administration has asked for \$5.5 billion, a 17 percent reduction over the past decade. Should we assume the Bush administration believes that everything in the Middle East has gotten 17 percent better? Just for comparison, in Fiscal Year 2008, New York City will spend \$7.5 billion just for its police department, that is \$2 billion more for peace and security on the streets of the Big Apple than the United States is going to spend on peace and stability to the entire Middle East.

This kind of budget folly reflects a level of ignorance and pettiness and frivolousness which cannot continue if we are going to protect our nation's security. Our enemies in the region and in al-Qaeda are disciplined and focused, and their goals are inimical to our vital national interests and the security of our country. We, on the other hand, are spending \$2.4 billion a week on the President's misbegotten, unending, purposeless war in Iraq, and cannot find \$1.1 billion just to keep level funding for the most critical and chaotic region of the world. That is quite a legacy.

We turn now to our ranking member, Mr. Pence.

[The prepared statement of Mr. Ackerman follows:]

PREPARED STATEMENT OF THE HONORABLE GARY L. ACKERMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA

If the next President—presumably in a fit of madness—was to ask me what should be done about the Middle East as a whole; as a region that is vital to the national security interests of the United States; that is wracked by numerous conflicts, crises and power struggles; and is in the midst of profound transformations in its cultural, economic, religious and political norms; I would cite the wisdom of that great American sage and musician, Warren Zevon, who said:

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It is neither the right, nor the duty, of the United States to pick the form of government for any people but ourselves. But that does not mean that we have to watch impassively as people in the region struggle for their liberty, and demand respect for their civil and human rights. Neither are we bound to watch in silence as governments with which we cooperate endanger themselves—and by extension our common policy goals—by alienating their own populations.

We don't actually have to send Lawyers, but we can support the growth of civil society, and help build the capacity of others to pursue the rule of law. Some of our friends might not like it when we support their critics. But if we do not help those trying to build a vital, liberal center in some of the countries on which we depend, we may find a region being led by those who came to power by deploring us, and their previous government's partnership with us.

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Mr. PENCE. Thank you, Mr. Chairman. I am very much looking forward to the testimony of our two very distinguished and ad-

mired witnesses, and I welcome them to the committee. And thank you for calling this important hearing.

Like anyone looking in, Mr. Chairman, I find your prescription for what should be done in the Middle East as a whole memorable. The suggestion of lawyers, guns and money start an interesting conversation. I might be prepared to say that our tort system is in need of reform and not export but I take your point and your typically provocative manner of making it to heart.

I would offer there is really no substitute for American leadership on the foreign stage. Foreign assistance is one tool; it is an element of soft power in our national arsenal. Our leadership though is broader than simply considering dollar amounts. As you know, I am generally skeptical of government spending, especially direct payments to other governments. But I certainly understand why governments like the newly elected one in Pakistan desire bilateral aid with no strings attached. I believe they should always, though, be closely linked to our national interests. Foreign policy and foreign aid go together. Foreign aid is not philanthropy; it must be tied to America's vital national interests.

The Foreign Assistance Act of 1961 was last reformed in 1973. As CRS reports in the context of this hearing, our foreign aid is a hodgepodge covering "33 major objectives, 75 priorities, 247 directives, none of which are prioritized, making it less effective in demonstrating a coordinated foreign aid strategy." This obviously is a situation crying out for leadership and reform. And to what extent State and USAID, represented by our two distinguished witnesses here today, are on the same page is of vital importance in determining those priorities.

I am especially interested in hearing from Ambassador Welch, as I always am, about the specific effects of our aid in the Middle East. Relatively easy cases included our support for Israel and Jordan as well as most of our spending in Iraq and Afghanistan I would argue. I support USAID's efforts in Iraq, highlighted by Mr. Laudato's testimony today, and appreciate his leadership. I toured a USAID-funded project in the Kunar Province of Afghanistan. The efforts there I would report to our witness are extraordinary and are a great credit to USAID and its efforts in that country. When I consider the scope of foreign assistance I wonder, Is our aid strengthening the forces for reform in places like Egypt and Pakistan, Lebanon, and in the Palestinian Territories, or is it doing otherwise?

Some time ago there was a phrase popular in this business that gained some currency: "Trade not aid." In the current climate it has fallen somewhat out of fashion. In reality, trade might advance our national interests in the Middle East and worldwide, which is why I continue to believe the Democrat leadership in this Congress should give the President what every previous President in the last few decades has had, an up or down vote on a trade pact. We will leave the U.S.-Colombia Free Trade Agreement and other Central American issues out of this conversation. I think trade rather than aid is perhaps the best formula for our current worldwide food shortage as well. Dollar amounts or category adjustments of foreign aid are not the last word on national security, and sometimes merely arming or even training our allies is not enough.

Mr. Chairman, I would continue to believe and argue that a victory in the war on terror and standing with our key regional allies like Israel go a long way toward advancing our national objectives and make us secure in some ways much more profoundly and much more permanently than any amount of traditional aid could. I am certainly receptive to your proposals for streamlining our foreign assistance, perhaps that means increasing funding in some areas. I am very interested in hearing from our witnesses about how aid affects our overall national security. I am not certain it is calibrated perfectly to date but I do not believe we should have this conversation in a vacuum, especially when more than 200,000 American troops are waging battle in two fronts in that broad region as we speak. We must calibrate our investments in the region and our foreign assistance against our broader goals in the war on terror and in those theaters of combat.

That being said, I thank the chairman for calling the hearing. I thank him for suggesting new solutions, new ideas, lawyers, guns and money, and I look forward to our witnesses' testimony.

Mr. ACKERMAN. You did not say how much you appreciate my not singing it.

We turn now to the vice chair of the subcommittee, Mr. Klein.

Mr. KLEIN. Thank you very much, Mr. Chair, and thank you for the two previous introducers on the committee, and thank you for the comments and look forward with anticipation to the gentleman who have come before us today.

I think this hearing gives us an opportunity as we move toward the end of the Bush administration to, as you would with any administration's end or move to the end, begin to reevaluate what we are doing, how we are doing it, and whether there are better ways to do it. I think both Mr. Ackerman and Mr. Pence both have already indicated that there is a very broad range of strategies, probably some inconsistent along the way. I note that the Department of Defense has, in the funding that we have given it over the years, has gotten into much more of a non-military strategy of dealing with local areas and trying to assist, which is all fine. I think the mention here was that there was, in 2001 there was 7 percent of the budget was for development assistance and it is now 20 percent of the budget in 2006 is in the form of bilateral official assistance. That is a big change. And I guess the question that is offered is what kind of coordination, strategic coordination is there between the State Department activities and the military side, the Department of Defense, making sure that we have a firm line of alignment of interests and strategies so that we do not necessarily act inconsistently and, most importantly, we are ineffective.

Also note that with Egypt, for example, in 2007 there was a memorandum of understanding introduced which tied disbursements of United States assistance to the Government of Egypt to policy reforms in several key areas. And, you know, I question because this does go to the question of: We are giving money, what are we getting in exchange for it? Obviously Egypt has been an ally of interest in establishing some stability with Israel and the Middle East, and we want to continue to support that. But again, a very large amount of money is being given to Egypt every year since the Camp David accords. And how are we measuring the policy

changes or things that we have said in our memorandum or the objectives that we have in cooperation with Egypt?

These are not things that are being imposed on Egypt, there was a memorandum of understanding. We are going to continue to support and we have certain expectations that we have discussed with you and, hopefully, that they are being accomplished. So the question is what payments are being made in exchange for what outcomes? And how effective are we measuring those outcomes? And I would like to talk about that and understand exactly what those are and whether that format, that procedural format is something that should be established with other countries where we are providing aid as opposed to just giving it.

I know we had a hearing earlier this year on Iran and there were \$65 million I think being given in efforts with Iran. And how is that being used, and things like that? Small, small dollars compared to other areas but, again, I think it is a question of we may have a very large interest, as we do in the Middle East with our friends in the Middle East. And stability is a key to—for a whole lot of reasons for the Middle East. But if we looked at it objectively today and saw the various strands and programs and support that we are providing in different areas, both military and non-military, how consistent are they? What picture are they presenting, not only to the government but to the people of the Middle East in the individual countries?

So, Mr. Chairman, I appreciate the fact that we are starting this conversation. And I think there is a lot of work to be done. And, as I said, I think this is a moment in time where we can between now and the end of this year and whoever the next administration is we will have an opportunity to hopefully revisit and make, maybe make some of these support programs more efficient with better outcomes. Thank you, Mr. Chairman.

Mr. ACKERMAN. Thank you. The chair will announce there is a series of votes taking place. We will recognize Mr. Wilson for 5 minutes and then we will recess for the duration of those votes and resume as quickly as we can get back.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman, and thank you for being here today. As we talk about United States assistance to the Middle East, I have been very fortunate to visit a number of countries with Qatar, Bahrain, Kuwait, I have visited Turkey, I have visited Israel. Each of the countries that I visited give me a lot of hope because, indeed, these are dynamic countries. Whatever their religious background, the people who live in those countries have successfully moved into the 21st Century. It is just extraordinary. I wish more American citizens could see the popular perception that the people of the Middle East want to live in the 14th Century is not correct. People want to live in the 21st Century.

In fact, I represent Hilton Head Island and I have told people that when visiting Qatar, Bahrain and Kuwait that I feel like I am visiting Hilton Head Island on steroids. So, again, I am very hopeful. Indeed, as to assistance, I appreciate the briefings I have had in Jordan, real world projects, USAID, making a difference, providing opportunities for persons to develop small businesses and micro-loans. It just goes on and on, an untold story of success.

In Afghanistan I have visited six times, I am very grateful on my last visit with Congressman Pence both of us saw the efforts at road building. We saw bridge building, opportunities where local citizens were doing the work. Good employment, just an extraordinary opportunity. Additionally I visited Iraq nine times. I am very pleased that General Petraeus and our troops indeed are reducing, by way of the surge, chaos in that country so that they will deny the ability of a safe haven for al-Qaeda to attack the United States and our allies.

Additionally, I have another perspective: Two of my sons served in Iraq. One participated, he is an Army Guard member, in the distribution of backpacks. Two million backpacks were distributed to the young people of Iraq so that they could go to school. And for the first time young girls had school supplies, world class, not junk that they could now further their education. I wish more people knew about that.

And then, additionally, I just want to thank you for what you are doing. And I look forward to working with the chairman on the issue of assistance. But I want to thank you for the success that we have had and I hope that we can build on these in a region that is so vital to protecting American families. Thank you very much.

Mr. ACKERMAN. Thank you. Our colleagues having been brief in their remarks I have time to introduce the panel to save a little bit of time on the other side. And I will do that and then we will recess and begin with Ambassador Welch.

We have a very distinguished panel today. I am pleased to welcome back yet again to the subcommittee Ambassador David Welch who has served since March 2005 as assistant secretary of state for near eastern affairs. Ambassador Welch has also served as assistant secretary of state for international organizations, and as the United States Ambassador to Egypt. In addition, Ambassador Welch served for 2 years as Charge d'Affaires in Saudi Arabia, senior staff positions in the State Department, the National Security Council, and in numerous diplomatic posts in the Middle East.

Ambassador Welch has just returned from traveling with Secretary Rice, which is the only excuse we accept for his absence. It is a pleasure to welcome him back to the subcommittee.

We are also very pleased to have with us today George A. Laudato who is special assistant for the Middle East for USAID Administrator Henrietta Fore. Mr. Laudato has more than 45 years of experience in international program development and management in the private and public sectors in Asia, the Middle East, Latin America, Central Europe. And he leads the Middle East Bureau for Administrator Fore.

From 1998 to 2007, Mr. Laudato was managing senior vice president of the international health area at ABT Associates, that is ABT Associates. Prior to joining ABT, Mr. Laudato served for 29 years with USAID where he was deputy assistant administrator for the Bureau of Asia and the Near East from 1991 to 1995, and for the Bureau of Program and Policy Coordination from 1988 to 1990. And we are pleased to have him with us today.

As previously announced, we are in the midst of a series of five votes. One will be a 15-minute vote, the other 5-minute votes. Add 2 minutes to each of those, as is traditional. A motion to recommit

that is in the middle which will be a 15-minute vote preceded by 10 minutes of debate. So you add that all up and it seems to me we have at least 1 hour. So those of you who want to stretch, feel free to do so, get breakfast, and we will return in approximately 1 hour and begin with Ambassador Welch.

The committee stands recessed.

[Recess.]

[The prepared statement of Ambassador Welch follows:]

PREPARED STATEMENT OF THE HONORABLE C. DAVID WELCH, ASSISTANT SECRETARY,  
BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Chairman Ackerman, Congressman Pence, and distinguished Members of the Committee, it is a privilege to appear before you today.

Our Fiscal Year (FY) 2009 budget request reflects the centrality of the Middle East to United States foreign policy, our strategic commitment to our partners' security, and our enduring interests in the region. This request reflects an integrated approach managed by the office of the Director of Foreign Assistance between the Department of State and USAID.

In the Middle East, U.S. assistance provides a key means to address some of our most pressing and important commitments. Long-term peace, stability, and economic growth in the region are critical to our national security. The United States and our regional partners are involved in a sustained effort to address pivotal issues affecting the balance between moderates and extremists across the region. Assistance will strengthen and expand U.S. capacity for engagement by enhancing our ability to jointly pursue solutions to vital national security issues and combat terrorism and extremism by promoting freedom, democracy, and access to economic opportunity.

Our concept for the region is to support peaceful solutions and to strengthen the hand of democratic leaders against extremists who use violence, repress fundamental freedoms and seek to undermine our interests and our friends. Our FY 2009 budget reflects our continued focus on providing security assistance to our allies to promote our objectives—building well-governed, democratic states, promoting human rights and reducing poverty requires a foundation in security.

Our diplomacy is married up with our programmatic activities across the region in pursuit of our priorities. These priorities begin with a positive outcome in Iraq. Other key U.S. priorities include sustaining the security of Israel; advancing a two state solution to the Israeli-Palestinian conflict; countering the Iranian threat; enhancing the defensive capabilities of our friends in the Gulf; strengthening relations with responsible states in the region, including Egypt, Jordan, and the Gulf states; and supporting Lebanese democracy and sovereignty. In addition, the U.S. will continue to promote efforts involving political, economic, and educational reform, which contribute to our long-term efforts in the war against terror.

In Iraq, we must continue to support increased security and national reconciliation efforts for Iraq, promote moderates, and empower the Iraqi Government to take increasing responsibility for the future of the country. We have seen important progress in recent months, yet the events of the last few weeks demonstrate that the situation is fragile and requires our continued focus and support.

Assistance for Iraq will be used to improve the capacity of the Government of Iraq to deliver essential services to its citizens; build strong governance structures; enhance civil society institutions; expand economic reforms; bolster Iraq's private sector economy; implement key measures needed to decrease sectarian and ethnic violence; strengthen the foundation for rule of law and human rights; and enhance governance in Iraq's regions, provinces, and local municipalities. This request includes economic and governance reform programs that take advantage of recent security gains to help Iraqis transition to self sufficiency.

With the approach of the sixtieth anniversary of the State of Israel, our commitment to the security of this key ally is stronger than ever. This past August, the United States and Israel signed a memorandum of understanding that will underpin our security relationship through 2018. The arrangement calls for \$30 billion to be provided to Israel over ten years, understanding that this is subject to the availability and annual appropriation of foreign assistance funding. This will allow Israel to maintain its qualitative military edge and to strengthen its ability to defend itself against regional threats and terrorism.

Israeli-Palestinian peace is a top foreign policy priority. It is essential to the long-term security of the State of Israel and a long overdue step that would improve the

future for Israelis and Palestinians alike. We are actively engaged in efforts to support Israel and the Palestinians as they negotiate core issues with the goal of reaching a peace agreement by the end of this year. Robust foreign assistance in support of the current Palestinian Authority government, which is firmly committed to peace and has staked its reputation on its ability to work constructively with Israel toward a two-state solution, is critical to ensuring that a future Palestinian state will be democratic, capable of providing law and order, economically viable, and a source of stability in the region.

U.S. economic support funds (ESF) will support the Palestinian Authority's Palestinian Reform and Development Plan and the PA's efforts to reform the Palestinian economy, strengthen rule of law, improve local infrastructure, build institutional capacity, create jobs and promote initiatives in health and education.

Egypt is a critical regional partner and a key player in the pursuit of a comprehensive Israeli-Palestinian peace. Our assistance to Egypt is evolving in response to Egypt's improving economic situation. The level of ESF for Egypt has been gradually reduced to \$200 million, a significant decline since the 1990s. Our economic assistance program currently focuses on benchmarked policy reform/cash transfer arrangements, specifically, reforming Egypt's financial sector, as well as promoting democracy, human rights and governance, creating private sector jobs, providing health services, and improving basic education. A portion of the \$200 million is also dedicated to democracy and governance programs, including working with Egyptian civil society and NGOs. Our FMF budget of \$1.3 billion strengthens our strategic partnership with Egypt by helping to modernize the Egyptian military and enabling Egypt to acquire systems and equipment that are aligned with our shared security goals.

Funds for Lebanon will support our end-goal of maintaining a sovereign, stable, democratic, and economically viable Lebanon. Assistance programs will provide the security services with the ability to maintain law and order, combat a growing terrorist threat, and implement all provisions of UN Security Council resolutions 1559 and 1701. Lebanon ESF will be used to establish transparent, credible, and democratic governing institutions, educational and civil society institutions, economic growth, humanitarian assistance, and health initiatives.

A key element to security in the region is countering the Iranian threat. Foreign Military Financing (FMF) increases to Bahrain and Oman will enhance the self-defense capabilities and coordination of our partners in the Gulf. This assistance will help strengthen our increased efforts with the Gulf States to support our peace and security goals in the region.

As we confront the Iranian threat, we note that our door remains open to friendship with the Iranian people. Our FY 2009 ESF request for Iran reflects this Administration's commitment to strengthening Iran's civil society, providing greater access to unbiased information, increasing awareness of human rights, promoting good governance and anti-corruption efforts, and increasing opportunities for academic, professional, and cultural exchanges.

Our steadfast ally Jordan is providing significant support to our operations in Iraq and other shared strategic objectives in the Middle East. Jordan is a moderate leader in the region. Our security assistance to Jordan will focus on training and equipping peacekeepers, enhancing military professionalism, improving counterterrorism capabilities, and strengthening border security. Our economic assistance will promote Jordan's economic growth, help address the needs of Iraqi refugees in Jordan, support Jordan on its path toward political reform in the area of democracy and governance.

Economic support funds across the region will be used to promote reform, democracy and human rights, and promote democratic leaders in the region. The Middle East Partnership Initiative is a critical tool that allows us to look broadly across the region and rapidly respond to indigenous reform efforts. Funds will be used to redress the deficits in the region associated with unaccountable, undemocratic governments, weak educational systems, inadequate government services, and economies that provide insufficient job opportunities for young people. Funding will also be used to support women's empowerment.

Stepping outside of the Middle East, we see the growing extremist threat in North Africa and the need to provide support to governments and their counterterrorism efforts, including addressing the flow of foreign fighters into other regions. We are seeking funds for Trans-Sahara Counter-Terrorism Partnership (TSCTP) activities in the Maghreb to support individual country and regional capabilities to defeat terrorist organizations, disrupt efforts to recruit and train new terrorist fighters, and counter efforts to establish safe havens for domestic and outside extremist groups.

Robust assistance levels for the region remain essential to promote regional peace and stability and to advance the vital foreign policy interests of the United States.

Sustained, appropriate foreign assistance levels in the region are essential to confronting the gravest threats to our national security and will strengthen and expand the capacity of our partners to help us meet important U.S. political, economic, and security goals.

Equally essential are resources to ensure the strength of our regional diplomatic presence. During the Cold War, we allocated significant resources to counter the Soviet threat. For the most part, this did not entail large diplomatic missions in the Middle East.

Today the need for a strong U.S. diplomatic profile in the Middle East has increased along with the extent to which the threats to our national security emanate from the region. We need to ensure that our posts are appropriately staffed, that our diplomats are adequately trained, to include training in critical languages, and that our diplomats in the field have the resources necessary to help counter the threats they face. This includes armored vehicles and sufficient security protection, safe facilities and housing and support for an unprecedented pace of operations. Where appropriate, it includes incentives for service in unaccompanied and high hardship posts, including support for separated family members. Maintaining a robust diplomatic presence is an integral element in countering those who oppose our interests and the security of our allies in the region. While sometimes the appropriate response to a diplomatically unwelcoming atmosphere is to reduce our presence, more often than not it is to ensure that presence remains strong.

During the Cold War, the men and women of the Department of State and other civilian agencies viewed themselves as privileged to serve their country abroad in challenging times. My colleagues serving in the Middle East today bring the same spirit of dedication and patriotism to their missions. I am proud to serve with them and on their behalf thank you for your support.

[The prepared statement of Mr. Laudato follows:]

PREPARED STATEMENT OF MR. GEORGE A. LAUDATO, ADMINISTRATOR'S SPECIAL ASSISTANT FOR THE MIDDLE EAST, THE MIDDLE EAST BUREAU, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Chairman Ackerman, Ranking Member Pence and other distinguished members of the committee, thank you for inviting me to appear before you today to testify on U.S. assistance in the Middle East. I am pleased to have the opportunity to share the perspective of the U.S. Agency for International Development (USAID) with the subcommittee.

The world has changed dramatically in the nearly 50 years since USAID was created through the Foreign Assistance Act of 1961. In the past 50 years, we have learned firsthand that regions lagging in development—lack of economic opportunity, poor health and education, lack of women's empowerment, and lack of transparency and rule of law—in countries halfway around the globe can have effects that stream across borders. At the same time, the expansion of trade and investment has led to exciting new possibilities for economic growth and poverty reduction.

Situated along major fault lines of geography, religion, and culture, the Middle East has experienced the strains and stresses—as well as the promise—of the global changes that have occurred in recent decades. The President elevated development alongside diplomacy and defense in the 2002 National Security Strategy, equipping our country to respond to the evolving challenges that face us in this complicated region. And the 2009 budget request integrates these focal points and represents a coordinated effort both within USAID and with related agencies to maximize the impact of our foreign assistance.

Since USAID began working in the Middle East over 50 years ago, U.S. assistance has been used to provide clean water and sanitation facilities, better health care, modern schools and teacher training, microfinance and help for small business, roads and cutting edge information technology. We have helped countries in the region to improve their trade regimes, modernize their banking systems, remove impediments to private sector development, and put effective regulatory systems in place to ensure accountable and transparent governance. The region has seen many improvements over these years that will undergird future advancements where USAID development programs operate.

#### ADDRESSING GLOBAL CHALLENGES

In the Middle East, USAID operates programs in six countries and in the West Bank-Gaza, delivering assistance through individual country missions and through the new Office of Middle East Programs (OMEP), a platform that supports key re-

gional strategic priorities, including reducing the underlying causes of terrorism, through cross-regional activities that maximize the impact of U.S. assistance. These delivery mechanisms allow us to respond to development trends at the country level as well as the regional level.

By addressing the urgent development challenges facing the Middle East, USAID assistance contributes to the our government's broader efforts to promote stability, prosperity, and human dignity throughout the region. Americans value progress in development out of genuine humanitarian concern, as well as from an acknowledgment that weak states and disadvantaged populations are more susceptible to political instability and the sway of terrorism. USAID works closely with the Department of State to ensure that overall transformational diplomacy activities are carried out in a coordinated way in order to maximize the impact of our funding.

The USAID Middle East Bureau receives a significant amount of appropriated funds, reflecting the USG's strong commitment to the people and governments in the region. USAID funding levels in the region are rooted in the USG's overall foreign policy priorities, concentrating on Iraq, Jordan and Lebanon—key programs for maintaining regional stability. USAID assistance in Morocco is directed at solidifying economic and political gains and boosting development indicators.

The largest shift in request levels from FY 2008 to FY 2009 is the decrease in Economic Support Funds for *Egypt*. The drop from \$415 million in FY 2008 to \$200 million in FY 2009 is reflective of a few factors: (a) Egypt's reduced need for assistance given its recent positive economic performance, (b) the more mature bilateral relationship emerging between the United States and Egypt, and (c) the need to adapt resource allocations in the Middle East region to meet current priorities. Nevertheless, our funding levels also show and support the USG's continuing commitment to promoting democracy, human rights, transparency, education, economic growth, and maternal and child health in Egypt. Funding for the Foreign Military Financing remains at \$1.3 billion.

Reflecting national security priorities, *Iraq* remains a central focus of USAID activities in the Middle East, with an FY 2009 request level of \$300 million in Economic Support Funds (ESF). USAID programs are focused both on institutions of the Government of Iraq (GOI) and directly on the Iraqi private sector, both key elements in helping Iraq to become a self-reliant and stable country. Current USAID foreign assistance to the GOI is targeted to help build capacity at all levels to manage resources effectively in order to provide the essential services. USAID's foreign assistance no longer includes large-scale infrastructure, which is undertaken and funded directly by the GOI.

USAID foreign assistance to the Iraqi people is comprised of support for civil society, democracy and private sector development programs. USAID provides technical expertise and support to the Iraqi private sector to foster a market-oriented economy. Finally, on the ground in Iraq's Provincial Reconstruction Teams (PRTs), USAID, the Department of State, and Multinational Forces-Iraq (MNF-I) personnel collaborate closely and effectively to consolidate the gains of the military surge. In addition, the Administration has requested \$797 million in ESF funding in the pending FY 2008 supplemental and \$213 million in the FY 2009 'bridge' to support urgent and critical programs to help us solidify the strategic gains made by our military forces, support recently announced elections for the Fall, and help the Iraqis transition to self-sufficiency.

The scale of the USAID FY 2009 request for *Jordan*—at \$277 million (including Global Health and Child Survival, and ESF), rivaling the total requested for Iraq—reflects the critical importance of the U.S.-Jordanian relationship, Jordan's leadership in the region and the support they provide to our efforts in Iraq. USAID's FY 2009 base funding request will maintain many of USAID's important development initiatives in Jordan, including economic reform, improved access to quality health services, education and workforce training, clean water, and good governance. In addition, the funding request reflects the fact that Jordan has become an invaluable partner in achieving regional development goals, highlighted by its assistance in hosting Iraqi refugees. An additional \$100 million has been requested in the FY 2009 'bridge', including \$60 million to address urgent needs in Jordanian communities with a large influx of Iraqi refugees.

In *Lebanon*, an increase in requested ESF funding—to \$67.5 million—will maintain programs that support reconstruction and stability. USAID's economic growth programs will continue to assist the country in rebuilding its economy and provide an atmosphere where job creation, wealth and prosperity prevail. USAID programs also support the right of the people of Lebanon to have a transparent, credible, and strong democratic government and institutions. In addition, support for American educational institutions in Lebanon enhances and improves Lebanese citizens' understanding of the United States and its policies.

USAID programs in the *West Bank and Gaza* are essential to supporting the President's objective of a two-state solution to the Israeli-Palestinian conflict, including the establishment of a Palestinian state, living side-by-side with Israel in peace and security. Our programs work to strengthen the forces of moderation and improve the lives of Palestinians by encouraging good governance and providing for infrastructure, capacity building, and support vital social services. A portion of the request will also be used to address humanitarian needs in the Gaza Strip. The USAID funding request for FY 2009 is \$75 million in ESF. There is an additional \$195 million in the FY 2008 supplemental and \$150 million in the FY 2009 'bridge'. Dispersals of funds to the West Bank and Gaza undergo a robust vetting and oversight process to prevent aid from being directed towards any Foreign Terrorist Organization (FTO).

FY 2009 funding requests for Morocco and Yemen support smaller programs but represent increases for USAID over FY 2008. *Morocco* is an important ally of the United States. USAID programs provide critical support in the following strategic areas to help maintain Moroccan stability: improving the business climate and ensuring implementation of and full compliance with the bilateral Free Trade Agreement, strengthening basic education to better equip youth with employment skills, and supporting Moroccan reforms to establish transparency and accountability in governance.

We face a number of challenges in *Yemen*, a country which ranks as one of the least developed in the world and which some believe may be on the verge of becoming a failed state. Despite the significant problems that exist, USAID is able to continue activities in the areas of good governance and decentralization, improving maternal and child health, developing health policy and planning systems, increasing literacy, and developing education information systems. The FY 2009 request represents a \$14 million increase in funding that will allow USAID to expand existing programs geographically, to areas in Yemen where programs have not operated in recent years.

Finally, USAID's *Office of Middle East Programs—or OMEP*—located in Cairo, Egypt, develops and carries out programs on regional and cross-border issues, including water use, governance and youth opportunities. This new regional office is an innovative approach to help USAID better address development issues across the Middle East region. One prominent example is the Blue Revolution Initiative, which addresses the scarcity of water in the Middle East and North Africa, where water is used faster than it can be replenished. This initiative emphasizes conservation, demand management, re-use, public participation and the building of regional institutions. The FY 2009 request of \$5.5 million for OMEP represents an increase over the FY 2008 request of \$3.8 million. The additional funds will allow the expansion of this successful integrated regional approach.

#### TAKING ADVANTAGE OF GLOBAL OPPORTUNITIES

USAID also is maximizing the impact of development aid by recognizing that the expansion of trade and investment in the region over the past 50 years represents an enormous opportunity for Middle Eastern countries to raise incomes and standards of living. For this reason, USAID's assistance in the Middle East also helps states take advantage of the benefits of liberalized trade by providing assistance in the areas of governance and economic policy reform.

As Administrator Fore has recently announced in her new USAID Economic Growth Strategy, USAID seeks systemic reforms—such as policy or institutional changes—that will have a broad impact throughout society. In the Middle East and North Africa, USAID has worked for decades to assist governments in improving their regulatory frameworks by reducing onerous red tape, strengthening property rights, and easing barriers to trade. These efforts have paid off in Morocco, for example, where a USAID trade capacity building program introduced a new risk-based cargo system, reducing the time to export by two days and import by four days. A customs reform program in Egypt achieved similar efficiencies.

#### COORDINATING WITH NEW DEVELOPMENT PARTICIPANTS

Another positive change in the past 50 years has been the rise of new categories of foreign assistance participants. Today, more and more countries are taking on responsibility for international development, heightening the importance of donor coordination. These new foreign assistance actors are not just large, wealthy states. Even small, developing states are playing vital roles. Here, Jordan is a prime example. In 2007, I visited the newly renovated maternal and infant ward at the hospital in Ghor Al-Safi. At this hospital, one in six infants is born to an Iraqi refugee moth-

er. To its credit, Jordan has supported care for these mothers and infants, providing them with life-saving medical care.

Multinational corporations also are playing much larger roles in development in the Middle East and elsewhere, and our offices in the Middle East have been active in reaching out to these companies. The increasing prominence of corporations allows the USG to leverage significant additional resources for development to achieve mutual development goals. Between 2006 and 2008, USAID will have almost tripled the number of public-private partnerships in the Middle East and North Africa and more than tripled the resources it leverages through these partnerships. Partnerships have included programs in the areas of youth leadership, water, health communications and coffee exports.

Today, 17 public-private alliances have been established in the Middle East, with 27 additional alliances in the pipeline. In December 2007, President Bush announced the U.S.-Palestinian Partnership, a public-private partnership focused on creating economic opportunities for the Palestinian people and helping to prepare Palestinian youth for the responsibilities of citizenship and good governance. This partnership seeks to inspire, educate, and train Palestinian youth and develop economic activities in the region, including supporting the Palestinian Investment Conference coming up in Bethlehem on May 21. USAID's work in leveraging private sector funds dramatically expands the development impact and sustainability of its programs in the Middle East. It pays off for corporations, too, which are recognizing that corporate social responsibility is good for their bottom lines.

#### RESPONDING TO WORKFORCE CHALLENGES

On a more sobering note, a final change in the past several decades has been the steadily shrinking USAID permanent Foreign Service Officer (FSO) workforce, which currently stands at about half the level it did in 1980—despite a significant increase in USAID responsibilities, especially in the post-9/11 Middle East. The President's 2009 request for USAID operating expenses includes \$92.1 million for a "Development Leadership Initiative" that will allow USAID to recruit, hire and train 300 new FSOs. This initiative will allow USAID to strengthen its technical assistance experts leadership and seize the opportunities presented for development in the Middle East and elsewhere.

On security challenges, conditions often make it difficult for designated USAID staff to monitor projects themselves, particularly in the more volatile regions. However, contractors and grantees are generally able to conduct site visits throughout a country to monitor progress. In Iraq, to compensate for these mobility constraints, USAID has developed an approach to monitoring projects that involves local staff, Provincial Reconstruction Team (PRT) members and independent evaluators. For example, local staff of USAID contractors use standardized forms to collect written information on project results; the 25 PRTs throughout Iraq enable USAID, in coordination with the military and local officials, to monitor program activities at the local level; additionally, USAID deploys an independent contractor to the field to monitor and evaluate key project components; and, finally, when a project requires a change in direction or is entering a new phase, USAID engages an independent team of experts to evaluate the project.

#### CONCLUSION

In the Middle East, USAID recognizes that the stakes for development and for foreign assistance have never been higher. The evolving landscape of development that I have described presents both challenges and opportunities to USAID and the USG in general. To respond to these challenges and opportunities, Administrator Fore has put forward a robust vision of a stronger, more flexible Agency—one that will be able to continue to develop innovative approaches and that will be able to expand its successful cooperation with the Departments of State and Defense. We look forward to working together with the Congress in the year ahead to ensure that we maximize the impact of the generous foreign assistance provided by the American people.

Mr. Chairman, thank you for the opportunity to appear before you and Members of the Committee today. I am happy to take any questions you may have.

[Whereupon, at 10:30 a.m., the subcommittee adjourned subject to the call of the chair.]

