

Statement of Mark S. Ward, Senior Deputy Assistant Administrator for Asia and the Near East

The Political Situation in Lebanon

**Before the Subcommittee on the Middle East and South Asia
Committee on Foreign Affairs
U.S. House of Representatives
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Mr. Chairman and other distinguished members of the committee, thank you for inviting me to appear before you today. I salute the committee for scheduling a hearing on this critically important issue: *The Political Situation in Lebanon*. I also appreciate this opportunity to talk about how the USAID assistance program is serving broad policy objectives by helping Lebanon become stable and prosperous.

I think we would agree that the United States has a strong interest in promoting a free, independent and democratic Lebanon at peace with Israel and surrounding states. For its part and to help achieve these ends, USAID's primary objective for its Lebanon program is to create a stable situation for good governance to take hold, and to build the economic and institutional capacity of the country to serve and engage its citizens on every level.

Over the years, our development programs, though limited in size, have helped to establish valuable relationships and trust among the Lebanese people. Today, we are drawing on these relationships as we focus our assistance to serve the purposes of humanitarian relief, reconstruction, and longer term development.

In the past, foreign assistance funding for Lebanon have been directed toward activities promoting economic growth, democratic reforms, participatory government, educational opportunities and environmental integrity. These programs form the backbone of the United States Government's ongoing development presence in Lebanon.

Last summer's humanitarian crisis in Lebanon resulting from the Israeli/Hizbollah conflict created a need to refocus U.S. objectives toward the immediate requirements of the relief and reconstruction effort. The U.S. led the international relief initiative by pledging \$230 million in assistance to alleviate the suffering of the Lebanese people. With respect to reconstruction, the President committed to assisting in specific areas of need, based on requirements identified by the Government of Lebanon: 1) rebuilding key transportation infrastructure; 2) rebuilding homes and private infrastructure; 3) rehabilitating schools; 4) cleaning up a major oil spill and restoring coastal livelihoods and 5) assisting in the disposal of unexploded ordnance. USAID immediately launched these efforts, redirecting certain program funds (\$16 million in FY06 funds and eventually \$18 million in FY07 funds) toward the reconstruction initiative.

The international community re-convened to assess the needs and progress of the Government of Lebanon in January of this year. At that gathering, the Government of Lebanon presented a very thorough and well-received reform plan, laying out a commitment to meaningful economic change. In light of that commitment and taking into account what the rest of the donor community was prepared to undertake, the President requested \$300 million in supplemental ESF funds for the Lebanese Government and people. The request includes \$250 million in cash transfer funds to be conditioned on achieving promised reform and \$50 million for capacity building development activities, namely strengthening legislative and judicial processes and municipal government operations, promoting civil society participation and improving primary and secondary schools.

As the funds requested for capacity building underscore, through all of this, the U.S has not lost sight of the importance of its longer term development activities in Lebanon. To keep our previous investments on track and to meet our overall objectives in Lebanon, \$42 million has been requested in the coming 2008 fiscal year budget to support the continuation of current programs, as well as proposed new activities from FY 2007.

The remaining portions of this statement will detail the non-security aspects of USG transformational diplomacy activities in Lebanon, including the continuing development program, our humanitarian relief and reconstruction response, USAID program activities proposed under the 2007 supplemental appropriations request and, finally, the particular challenges USAID faces in implementing a larger foreign assistance program in Lebanon.

Continuing Transformational Diplomacy Activities in Lebanon

Economic Growth - The United States will continue its focus on the most underserved segments of Lebanon's population. To create jobs, USAID has established a program which focuses on strengthening three sectors of the economy, namely agribusiness and light agro-industry, rural tourism and information and communications technology (ICT).

Activities are designed to promote increased productivity and competitiveness of the agricultural sector in Lebanon. In the area of private sector productivity, USG assistance will support varying enterprises and small and medium enterprises (SME) involved in specialty food production, crafts, and rural tourism. With our support, ICT companies are adopting more efficient processes in their production and business systems and improving their marketing practices.

USAID is continuously working to revitalize rural communities by focusing on workforce development in the tourism sector and developing and strengthening micro-enterprises to generate sustainable source of income for rural micro-entrepreneurs. USAID efforts in trade and investment capacity building will provide private sector firms from rural areas and industries with the necessary training, information, and data to improve their understanding of international market demands and competitive conditions. USAID's water policy program is working on sensitive policy and financial issues related to public private partnerships, water utility management and tariff pricing at both national and local levels. USAID is providing training and technical assistance to tackle tough issues surrounding the installation of water meters, tariff implementation, bill collection and awareness campaigns for the general public.

Our program also supports Lebanon's efforts for membership in the World Trade Organization (WTO). Through our technical assistance, our implementer, Booz Allen Hamilton has an office and personnel working within the Ministry of Economics and Trade, acting as advisers to the Ministry on WTO related laws and issues.

Investing in People - In the area of education, we are providing funds to educational institutions in Lebanon. The U.S. supports scholarships for more than 1,000 students from financially disadvantaged backgrounds at four well-regarded institutions: American University of Beirut (AUB), Lebanese American University (LAU), American Community School (ACS) and International College (IC). We are working with these institutions to ensure that appropriate safeguards remain in place to comply with legal and policy restrictions against providing assistance to foreign terrorist groups.

USG funding for water supply and sanitation activities demonstrates our commitment to transform the water pollution problems in Lebanon, particularly in the Litani River Basin. Unregulated domestic and industrial waste disposal practices are threatening public health. To address this problem, USAID is improving water management practices and providing for cost effective, environmentally sound and appropriate solutions.

Governing Justly and Democratically - USAID's technical assistance in this area provides training to the Lebanese Parliament to enhance its ability to exercise effective oversight of public administration and to legislate in areas critical to economic and political reform.

Funding through USAID is used to improve the delivery of governmental services to citizens and municipalities, thereby enabling Lebanon's political and governmental systems to adopt credible reforms. USAID's municipal reform program is nationwide and has been credited with rebuilding essential local government foundations. With continued enhancement of administrative and financial capabilities, Lebanon has expanded its tax and revenue base. USAID'S Professional Training Program offers Lebanese professionals training or internship programs based on their need for professional growth and better delivery of services within their organizations.

The USG also supports a Transparency and Accountability Grants (TAG) program providing small grants of up to \$25,000 to local civil society organizations. We lay the groundwork for real reform by empowering these organizations to play a constructive role in advocating for change, thus promoting democracy building and enhancing transparency, accountability, and good governance.

Humanitarian Relief and Reconstruction Program

Following the end of the cross-border crisis last summer, USG efforts in Lebanon proved instrumental in limiting suffering and instability. From the onset of the conflict, the USAID Disaster Assistance Response Team (DART) arrived in Lebanon and began coordinating with the Government of Lebanon, the U.S. military, non-governmental organizations and other donors to ensure the right kinds of aid went to the people most in need.

Relying in part on U.S. military logistical capability, the United States was instrumental in the successful evacuation of more than 15,000 American citizens and provided transport to Beirut for emergency relief supplies. At least six CH-53 helicopters assisted in the evacuation of citizens. More than 5,000 U.S. military service members were involved in the evacuation as well. In addition to the USS Nashville, U.S. Navy assets in the area included the guided missile destroyers the USS Gonzalez and the USS Barry, and the USS Mount Whitney, a command and control ship. Through the help of the U.S. military, including the 24th Marine Expeditionary Unit, USAID was able to provide emergency health supplies and basic household commodities that served the medical needs of almost 200,000 people for three months.

USAID provided water and sanitation services and temporary shelters for more than 610,000 residents. The United States also provided nearly \$10 million in wheat flour, wheat, and lentil commodities.

In partnership with the Government of Lebanon, the United States has committed to several long term reconstruction projects. Work has already started on the Mudeirej Bridge, one of the tallest bridges in the Middle East, with an estimated completion date of April 2008. This large effort will restore one of Lebanon's most vital commercial links - into the interior from Beirut. Once completed this commercial linkage will stimulate trade and economic growth essential for Lebanon's financial reconstruction. It will also provide hundreds of jobs for Lebanese workers in the interim.

Additionally, U.S. reconstruction efforts include a new, long term program to improve schools throughout the country. It is estimated that approximately 90,000 students and 208 schools will benefit from our efforts. These improvements include: repairs to school infrastructure; upgrades to school equipment such as laboratory equipment, supplies and books; awareness programs on health and nutrition, promotion of a better learning environment, and extracurricular activities to enhance the skills and learning experiences of students.

We also should note that the Overseas Private Investment Corporation (OPIC) will implement in Lebanon various programs that focus on: construction and renovation projects; loan guarantees to local banks; a microfinance program; political violence coverage for a number of Lebanese facilities; and financial investment in various sectors such as manufacturing, construction, and consumer goods. USAID provided OPIC with \$1.2 million to set up a guarantee program for housing repair and loans to businesses

Finally, the U.S. has successfully completed its oil spill clean-up activities. This reconstruction effort, led by USAID, supported the restoration of beaches from Byblos to Anfeh (Enfe), including World Heritage sites, commercial harbors and public beaches. More than 36,000 bags of oil contaminated waste were collected and more than 220 local laborers, including fisherman, were hired and trained to perform critical clean-up functions. In addition, local businesses were used to provide and operate heavy equipment. Those trained now possess valuable skills and will be able to serve as experienced responders for future oil spill operations in Lebanon and other Mediterranean counties. I am very proud the United States was able to help return this beautiful area to its original condition, readying Byblos for resurgence in tourism and all the economic development this will bring.

Private Sector Support - On September 23, President Bush asked five distinguished private-sector leaders from the United States to launch a nationwide effort to demonstrate private support for Lebanon's reconstruction and development. They are John Chambers from Cisco, Steve Ballmer from Microsoft, Ray Irani from Occidental Petroleum, Youssef Ghafari from Ghafari Incorporated and Craig Barrett from Intel. Three of the five CEOs traveled to Lebanon in late September with Assistant Secretary Dina Powell and me to see the needs first hand, and to meet the Prime Minister, private sector leaders, NGOs and students. Several have been back since.

The CEOs established a fund to encourage private and corporate donations. USAID is working with the fund on how they can best to use those funds. To date, the Partnership for Lebanon has made grants to UNICEF; American Near East Refugee Aid; Mercy Corps; and Habitat for Humanity International.

The Partnership for Lebanon investments will be used to: revive the private sector through job creation and growth, workforce development to provide critical skills training and knowledge transfer of Lebanon's youth, assist with long

term IT-base transformation projects for improving communications, and support the establishment of broadband infrastructure to improve communications and e-commerce, benefiting Lebanon's economic growth.

FY 2007 Supplemental Request for \$50 million in program activities

New Program Components - Through the FY 2007 supplemental request, we intend to support the GOL's political effort towards reform. Proposed activities include:

- *Rule of Law* - program will strengthen the justice sector's ability to address key rule of law issues, enhance the system of court administration, and increase the effectiveness of parliament;
- *Consensus Building* - promotes a competitive and representative political framework, including support to the independent electoral commission and democratic political parties;
- *Municipal Capacity and Service Delivery* - will improve municipal planning and implementation functions, and transparency of operations;
- *Competitive Grant Program* - that will provide support to Lebanese non-governmental organizations to strengthen their ability to serve communities and it will offer employment opportunities; and, finally
- *LEAD School Improvements* - which will upgrade primary and secondary educational facilities. Supplemental appropriations will allow expansion of program nationwide.

Implementation Challenges - The United States faces many challenges managing a larger foreign assistance program in Lebanon. Operating in an often physically dangerous environment where mobility and access are highly limited; shortage of in-country staff; limited embassy space for additional staff; and addressing the risk of providing assistance in areas of known Hizballah presence are the chief constraints. But, through USAID, the U.S. is leveraging existing resources and identifying new resources and creative means to manage a larger reconstruction program in Lebanon. USAID has added additional U.S. and Lebanese staff, as space permits. We engaged the Army Corps of Engineers to supplement construction oversight from the Corps' facilities in this area and Egypt. We used U.S. and Egyptian professionals from USAID's new Office of Middle East Programs in Cairo to support the design of new activities. We also received contracting and legal services from our bilateral Cairo office and organized the Lebanon Task Force in Washington to provide additional technical support from Headquarters. The office of Conflict Response and Stabilization at the State Department provided short term expert help. Finally, because we are on the front lines of providing U.S. assistance, USAID is particularly cognizant of the real risk that inadvertent benefits might accrue to Hizballah or other foreign terrorist organizations even with available safeguards in place. Our involvement aims to undermine Hizballah influence; accordingly, the U.S. believes that the costs of not being involved in Lebanon outweigh the potential negative risks.

Mr. Chairman, thank you for allowing me this opportunity to share information about USAID's role in assisting and promoting Lebanese reform and development. I look forward to your questions.