

Statement of Mark S. Ward, Senior Deputy Assistant Administrator For Asia And The Near East U.S. Agency For International Development (USAID)

Connecting the Money to the Mission: The Past, Present, and Future of U.S. Assistance to the Palestinians

Before The House Committee On Foreign Affairs Subcommittee On The Middle East And South Asia

Mr. Chairman, Ranking Member Pence and other distinguished members of the committee, thank you for inviting me to appear before you today. I appreciate the opportunity to testify on USAID's assistance to the Palestinians.

Many changes have taken place in the West Bank and Gaza since I had the opportunity to brief you last May. Following Hamas' actions in Gaza, President Abbas established a new Quartet-compliant government under Prime Minister Fayyad. Acceptance of the Quartet principles has allowed USAID to reengage actively and constructively with the Palestinian Authority (PA) and to move forward with our assistance program to the Palestinians.

I will describe how our assistance strategy continues serving USG policy objectives. Specifically, I will discuss how our assistance is coordinated with ongoing international donor efforts and how it will play a critical role in helping to establish a more responsive and accountable PA in an environment shaped by new opportunities.

Prior to Hamas' violent take over of the Gaza strip in June 2007, the USG had limited its contact with the PA for 18 months following the January 2006 Palestinian Legislative Council elections. Now, since June we have resumed relations with the PA, and activities previously suspended were unsuspending by the Secretary of State. Direct engagement with the PA has transformed our assistance and allowed us to work in partnership with the PA ministries.

It is our priority to support Prime Minister Fayyad and his government's objectives as well as attract international donor support. When I visited the West Bank in late August I met with Prime Minister Fayyad, who stressed the difficulties caused by the growing budget deficit within the PA and continued political turmoil over Gaza. The PA currently has over \$1 billion in arrears and faces an expected monthly cash shortfall of at least \$100 million. In order to deal with these challenges, with the support of international donors, the PA is undertaking important reforms to improve governance and become more responsive and accountable to the Palestinian people. These include modernizing its financial institutions, in particular the Palestinian Monetary Authority (PMA), an independent agency within the Office of the President, to be more transparent and effective in countering terrorist financing and money laundering. The PA is also putting together a comprehensive and ambitious Palestinian Reform and Development Plan (PRDP) to be announced at the December 17 donor's conference.

The PRDP will be a major launching point for communicating the priorities of the Fayyad government. The document appropriately establishes the linkage between policy, planning, and spending. It recognizes both recurrent expenditure needs and capital investment requirements for development, and presents a three-year budget aimed at accommodating both. It sets ambitious, achievable targets and provides for the alleviation of the net lending problem.

Expansion of USAID Programs

USAID's strategy in the West Bank and Gaza adheres to the President's vision of supporting the development of a future democratic Palestinian state living side by side in peace and security with Israel and its neighbors.

We are accelerating our assistance programs, in consultation with other international donors and the PA, to bring

innovative and fresh ideas that support Prime Minister Fayyad's priorities.

In direct support of the Prime Minister, and in coordination with assistance provided by the U.S. Security Coordinator, we have extended new assistance to PA-controlled institutions in Nablus, a West Bank city that posed particular security and development challenges as Mr. Danin noted. From renovating and equipping the Public Notary Office at Nablus Court, to the Nablus City School Clean-up Campaign and the reconstruction of a large girls' school, we are working with the PA to help ensure that both security interests and community service needs are addressed simultaneously, a model that we would like to see expanded to other areas of the West Bank. Nablus is an excellent example of how we are actively matching our assistance resources with our political goals and linking them to promote positive change for Palestinians on the ground.

Economic Growth

Long term economic development and job creation are vital components of our overall assistance strategy, including employment generation and long-term economic development and investment. New and on-going job opportunity programs are generating employment in a range of projects, including construction of two large public secondary schools and renovation of several roads.

On December 3rd, Secretary Rice and our Administrator, Henrietta Fore, participated in the U.S.-Palestinian Public-Private Partnership initiative conference hosted by the Aspen Institute. This initiative will support Palestinian objectives and the work of Mr. Blair by developing economic and educational opportunities for Palestinian youth and helping to foster business opportunities in the West Bank. The Secretary identified economic development as a third pillar, along with security and political progress, of the renewed Palestinian-Israeli peace talks begun in Annapolis.

We are assisting small and medium enterprises to revitalize business. We are also providing technical assistance and loan capital to microfinance institutions in the West Bank. Our Palestinian Agribusiness Partnership Activity program promotes advanced agribusiness development, often in partnership with Israeli partners and buyers.

We also supported the procurement of high-capacity cargo scanning equipment to accelerate cargo through trade corridors into and out of the West Bank. We will be expanding on this work through capacity-building activities with Palestinian border management institutions.

Infrastructure

Infrastructure projects in the West Bank are a critical component to advancing the USG's objectives. They provide tangible, visible evidence of our commitment to a viable Palestinian state as well as critical support for economic development. Moreover, our projects generate employment and salaries for Palestinians. In the first eleven months of 2007, infrastructure and community development projects created 178,495 person days of employment.

When I spoke before you last May, many projects were still in suspension and not yet completed. I am pleased to report today that I, along with numerous PA officials, had the opportunity to participate in the re-launching of the \$48.5 million USAID Eastern Hebron Bulk Water Supply Project. Nearly finished, this project will provide clean, reliable water service to 600,000 Palestinians - serving as a constant reminder of the invaluable and needed services being furnished by the PA. Our Emergency Water and Sanitation (EWAS) Program is also improving water and sanitation systems for over 500,000 residents of the West Bank.

Another major infrastructure project is the rehabilitation of the Qalandia Road. This road will provide a more reliable connection between the Qalandia passenger terminal and Ramallah, a major thoroughfare in the West Bank. A number of other roads in the West Bank will also be rehabilitated. In addition, the Palestinian-American Recreational Conservation Services program will rehabilitate, expand, and improve recreational parks and create new urban parks.

Youth

We remain committed to Palestinian youth. We have refocused existing efforts to empower and provide increased economic and educational opportunities for Palestinian youth. The Technical and Vocational Education and Training program is a new effort aimed to increase the relevance and improve the quality of non-governmental technical and vocational education so that youth have the skills necessary for the labor market. In addition, our Youth Volunteers

for Community Assistance is a leadership program that has created a 1,000-strong Youth Corps which has initiated dozens of youth-led community initiatives throughout the West Bank. We have re-focused this program to support the new U.S.-Palestinian Public-Private Partnership initiative I mentioned earlier. Specifically, these young people will be assisting the Ministry of Youth and Sports at three youth centers in Nablus, Hebron and Ramallah and helping develop skills training and job opportunities.

Capacity Building

The long-term viability of a democratic Palestinian state depends on transparent and effective governing institutions and on a strong private-sector led economy. One of our primary objectives is to help build the capacity and effectiveness of government.

Improving Governance

Transparent, effective governance and the rule of law are the foundations for a democratic state. We are supporting the High Judicial Council, the Ministry of Justice, the Attorney General, and other judicial bodies. Our Local Democratic Reform program supports moderate leaders by working with municipal officials and their constituents to address basic service needs through the implementation of community projects.

We also are working to strengthen the role of civil society in carrying out oversight of government functions to reduce corruption. Our Independent Media program works with 24 private broadcast media outlets to improve coverage of critical local social and political topics and produce short documentaries to highlight positive changes in the lives of Palestinians. We have also recently launched three new conflict mitigation programs that aim to re-enforce efforts to reinvigorate the peace process.

Health and Humanitarian Assistance

We continue to provide for the immediate, daily needs of Palestinians, especially through its health and humanitarian assistance program.

Our Emergency Medical Assistance Program provides support to non-governmental (NGO) clinics and hospitals and expanded public health support to MoH facilities in the West Bank and Gaza by delivering pharmaceuticals, medical supplies, medical equipment, and spare parts to eligible hospitals and clinics. We also improve the quality of maternal and child health and nutrition through training and technical assistance for hospitals and clinics; and we provide medical equipment, community mobilization and specialty workshops in advanced life support and health communications. MoH staff are integrated into all activities, and technical assistance will target MoH hospitals and clinics. Our A2Z Micronutrient Project will promote micronutrient fortification of essential food commodities, especially wheat flour, in the West Bank. We have also provided direct assistance to the Holy Family Hospital in Bethlehem for maternal and child health care.

The World Food Program implements food-for-work and food-for-training activities. USAID's current grant with WFP ended on September 30, 2007. The next cycle of USAID food assistance will begin shortly to help meet the needs of an estimated 250,000 beneficiaries. The program uses Food for Peace commodities at a total of approximately \$19.5 million plus a cash grant from the Mission of \$7.9 million.

We also provide grants to the poorest Palestinians in the form of food baskets, water, and children's summer camps. We are improving the quality of and increasing access to primary and secondary education in the West Bank by building and rehabilitating schools and kindergartens. These projects use local labor, help provide educational facilities, and empower Palestinians to take ownership of their own progress and future.

Media Outreach

We are starting a new aggressive media and public awareness campaign which will feature local TV and radio spots, billboards all around the West Bank, and ads in three Palestinian newspapers that carefully highlight the accomplishments supported by American assistance. The campaign follows last year's "In Support of Your Ambitions" ads with a new, USG-funded campaign theme "Realizing Your Ambitions" which focuses on recent work particularly in agriculture, economic development and infrastructure building. The campaign also uses press releases, press interviews, and video news releases broadcast on local TV. We know from the surveys conducted on

the effectiveness of our campaigns and public outreach, in general, that outreach activities have a direct impact on increasing the public awareness and acceptance of American assistance in the Palestinian communities.

International Donor Community

Since last July, donor coordination mechanisms have been revitalized, and the US is taking a strong leadership role. We continue to work closely with the PA, other donors and multi-laterals such as UNRWA and the World Bank to ensure increased coordination of assistance to the Palestinians.

We are closely involved in the Ad Hoc Liaison Working Groups, especially infrastructure, where the USG is the lead donor. The Donors Conference in Paris will be a signal event to coordinate assistance to the Palestinians.

We are also working in coordination with Middle East envoy Tony Blair to revive the Palestinian economy and to improve Palestinian living standards. The Blair team, in conjunction with PM Fayyad and Defense Minister Ehud Barak, recently agreed to move forward on a series of donor projects that will demonstrate tangible benefits for the Palestinian people and bolster momentum for a peace process.

Looking Ahead

My colleague from the State Department, Rob Danin, has already outlined the President's overall supplemental request. The request includes \$350 million in Economic Support Funds (ESF): \$200 million in projectized assistance and a \$150 million cash transfer. The overall request meets a critical and immediate need to support a new PA government that can deliver on its promises to improve the lives of the Palestinian people. We have worked in tandem with the PA to ensure that the supplemental is consistent with the priorities of PM Fayyad and those outlined in the PRDP.

Our project assistance would provide demonstrable improvements in the lives of Palestinians in the West Bank and Gaza by supporting the PA's efforts to develop infrastructure and create jobs, deliver improved public services, extend the rule of law, achieve economic revival, and improve governance. In particular, the infrastructure projects will provide immediate jobs and create long-term essential infrastructure in the areas of water and wastewater management, schools, roads, and community centers. We are also providing on-the-job training in business development, trade and investment, and agribusiness.

Vetting and other Anti-Terror Safeguards

As always, the United States has no contact with Hamas, a designated foreign terrorist organization, and our programs in Gaza are limited. However, we will continue to support moderate institutions and elements of Palestinian society - the private sector, moderate municipalities, independent institutions and those under President Abbas' control, civil society, and independent media - which counterbalance and confront extremist views and positions.

One of the most important aspects of our responsibility to the U.S. taxpayer is to ensure that the funds entrusted to USAID are not inadvertently diverted to terrorists, supporters of terrorists or organizations and individuals aligned or affiliated with terrorists. USAID has a comprehensive and systematic anti-terrorist vetting program in West Bank and Gaza. Over time, antiterrorism procedures instituted in the West Bank and Gaza have been continually strengthened. They have been strengthened in part due to recommendations made by the GAO in September of last year and those made in two USAID Regional Inspector General audits during 2007.

Gaza Programs

Following the collapse of the National Unity Government in June 2007 and Hamas' subsequent takeover in Gaza, the Secretary of State stated that the USG is "not going to abandon the Palestinians who are living in Gaza" (June 18, 2007) and will continue to help Palestinians meet their basic human needs. While activities to meet basic human needs will continue, no new activities or programs are planned for Gaza. All assistance we provide is carefully scrutinized for security concerns to ensure no foreign terrorist organization involvement.

Time for Hope

There is reason to be cautiously optimistic for the Palestinians. Our assistance is playing a vital role in providing quick impact to generate employment and develop infrastructure. Our longer-term development assistance will work towards capacity building that supports a Road Map to peace: a two-state solution between the Israelis and Palestinians.

USAID is continuing to work with other international actors to provide vital support for the PA and help establish Prime Fayyad's government as functional and responsive to the needs of the Palestinians.

Mr. Chairman, thank you for allowing me this opportunity to share information about USAID's role in supporting US foreign policy goals with respect to the West Bank and Gaza. I would be happy to address any questions you might have.