



# TESTIMONY

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## Statement of George Laudato Special Assistant to the Administrator for the Middle East

### Promoting Peace? Reexamining U.S. Aid to the Palestinian Authority

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**Before the Subcommittee on Middle East and South Asia  
Committee on Foreign Affairs  
U.S. House of Representatives  
July 12, 2011**

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Chairman Chabot, Ranking Member Ackerman, distinguished members of the Committee:

Thank you for inviting me to testify today on the U.S. Agency for International Development's (USAID) role in supporting the Administration's policy to achieve comprehensive regional peace in the Middle East that includes a negotiated Israeli-Palestinian peace agreement based on the core concept of two states for two peoples.

Our diplomats are working intensively with the parties to resolve the issues between them through direct negotiations. Simultaneously, we at USAID, with our colleagues throughout the U.S. Government, are supporting Palestinians in their efforts to create robust institutions and a viable economy that are essential to a future Palestinian state that is a responsible neighbor and will contribute to regional peace, security, and stability.

I will focus today on U.S. assistance in support of Palestinian capacity building. And I look forward to learning more about your concerns and priorities.

U.S. assistance efforts in the West Bank and Gaza are organized around several priority areas, consistent with President Abbas and Prime Minister Fayyad's vision for a future state, and that are also important for coordination and cooperation between Palestinians and Israelis, including:

1. Governance, and its component parts: fiscal stability; work in the security and justice sectors; democracy assistance and local governance efforts;
2. Health and Education;
3. Economic development;
4. Infrastructure, primarily extensive work in clean water access, and roads; and,
5. Humanitarian assistance in Gaza.

I will also highlight the safeguards and vetting procedures used by USAID in overseeing assistance programs.

USAID's work is intended to help build the foundation for a future Palestinian state that is stable, democratic, capable of providing law and order, economically viable, a responsible neighbor to Israel, and a source of moderation in the region. Our programs are helping the Palestinian Authority to become more responsive to citizen needs, and to be perceived by both Palestinians and Israelis as more effective and credible in its governance capabilities.

### Impact of Assistance

I have witnessed in the past several years real gains made by the current Palestinian leadership under President Abbas and Prime Minister Fayyad, with the support provided first by President Bush and then by President Obama, and from the Congress. Let me provide a few illustrative examples:

## 1. Governance

The direct budget support to the Palestinian Authority, initiated by President Bush, is possible because of the transparency and accountability introduced into the Palestinian Authority fiscal apparatus by Prime Minister Fayyad's administration and further enhanced by the work of the Palestinian Monetary Authority under the leadership of Jihad al-Wazir. Direct budget support from the U.S. and other donors allows the PA to pay debt it owes to Israel, Palestinian banks, local businesses and hospitals, with the objective of getting its economy on a more normalized and sustainable footing.

My colleagues from the Department of State, Jake Wallis and Mike Moeller, have given examples of the benefits of the security and justice assistance provided by the Bureau of International Narcotics and Law Enforcement Affairs (INL). USAID justice sector assistance works in complementary fashion for a fully coordinated rule of law effort – we provide training for judges, law clerks for courthouses, and we have supplemented, as needed, the technical staff within the PA Justice Ministry and the Office of the Attorney General.

## 2. Health and Education

In education and health, USAID projects help build both the infrastructure and the ability of Palestinian professionals to provide better services. For example, ten schools recently built by USAID provide modern learning facilities for over 7,000 students from the age of 6 to 18, while classrooms renovated by USAID benefit tens of thousands more students. To help improve the quality of education, USAID has trained more than 2,100 school, university and Ministry of Education teachers and staff on modern teaching and learning practices. USAID support to vocational schools, career counseling and internship programs is also helping to ensure that more students graduate with the skills they need to start their careers.

USAID assistance has helped the Palestinian healthcare system to meet the health needs of the population through emergency care and local health services. And USAID has provided \$17 million in modern medical equipment to significantly upgrade the quality and availability of clinical services throughout the West Bank and Gaza. A Health Information System, currently being rolled out, is leading to revolutionary improvements in the handling and accessibility of patient information, improving care treatment options and reducing time lost searching for information.

## 3. Economic Development

USAID assistance helps create jobs, increases the competitiveness of key enterprises and growth and opportunities across the region. For instance, USAID has provided on-the-job and formal training on lending to nine partner banks, facilitating over \$44 million in lending to Palestinian small and medium enterprises. The program complements an OPIC/MEI loan guarantee fund facility for Palestinian enterprises.

USAID has provided assistance to help Palestinians develop the Information Communications Technology (ICT) sector so the youthful and tech-savvy work-force in the West Bank and Gaza can be linked with the rapidly growing and global ICT sector. USAID has been helping to create and support partnerships between Palestinian and multinational information technology firms, leveraging the advantages of technology unconstrained by physical borders. Working in partnership with the Israeli offices of companies such as Google, Apple, Cisco, Microsoft, Intel, Hewlett Packard, we are helping small and start-up IT firms to integrate into the global IT community as developers of new cutting edge software. Partnerships established in just the past few years have resulted in more than \$12 million in investments and contracts with Palestinian counterparts, and training opportunities for more than 2,500 software engineers in advanced software development.

The USAID Trade Facilitation Program is an excellent example of providing win-win opportunities for Palestinians and Israelis on means for facilitating movement of Palestinian goods at border crossings, while safeguarding all aspects of secure logistics transit. For example, with the coordination of the Israeli Government - the Crossing Points Authority - last year we invested nearly \$2 million to upgrade and reopen the Jalameh crossing between Israel and the northern West Bank, adding new lanes and inspection sites. As a result, the number of vehicles able to cross has steadily increased from zero to roughly around 7,500 cars and buses per week. This has had an impact: Arab Israeli shoppers will spend an estimated \$12 million in Jenin, West Bank this quarter. The markets are full, the streets are crowded, and there's even a new movie theater.

## 4. Infrastructure – water/roads

Water is a precious resource in this part of the world, for Palestinians and Israelis alike. Over the past 12 years, USAID has supported the Palestinian Water Authority (PWA) development of water supply networks throughout the drought-prone and severely water-deficient West Bank. And we are working now on efforts agreed upon between Palestinian and Israeli Water Authorities to measure and assess sustainability of these resources into the future.

Between 2008 and 2010, we focused on water supply to address acute water shortages. Projects carried out through this partnership included the construction of deep water wells, pump stations, storage reservoirs and distribution pipelines. These projects have helped provide 1.2 million Palestinians with more reliable and cleaner water supplies. In FY 2011, we began

expanding our assistance to develop PWA capacity to sustainably manage scarce and fragile water resources. Projects underway include wastewater treatment plants, a metering system, and tools for planning to meet future demand. To protect several years of investment in the water sector, we plan to help the PWA and municipalities develop the critical function of operation and maintenance. Israelis also share our concern about and support for these efforts and will benefit directly from more sustainable management of scarce resources.

Over the last 9 years, USAID has refurbished more than 450 km of roads in the West Bank that have made travel safer, reduced commercial transportation costs and provided safer and faster access to health, education and other services. At the same time, USAID provided training and equipment to help revive non-functioning road repair units that can maintain these roads throughout the West Bank.

## **5. Humanitarian assistance to Gaza**

USAID is currently implementing more than \$77 million worth of humanitarian and recovery assistance in Gaza. With the approval of Israeli authorities, USAID provides a range of critical support to Gazan families, which includes agriculture, education, health, small-scale infrastructure, and economic recovery programs. USAID assistance also provides urgent health and humanitarian commodities to targeted populations. And finally, USAID supports the distribution of food assistance in Gaza through the U.N. World Food Program.

## **Oversight of USAID Programs**

First, to ensure that USAID programs reach the intended beneficiaries, USAID has designed stringent oversight procedures that prevent inadvertent support going to Foreign Terrorist Organizations (FTOs). USAID and its partners take vetting procedures very seriously. The United States Government does not provide assistance to Hamas or other FTOs.

In addition to careful vetting of beneficiaries in accordance with long established procedures, USAID also requires an anti-terrorism certification from all partners receiving grants from USAID, and mandatory clauses reminding contractors and grantees of their legal duty to comply with applicable anti-terrorism laws and regulations; and conducts regular audits of programs.

Before making an award of either a contract or a grant to a local NGO, USAID checks the organization against lists maintained by the Office of Foreign Assets Control (OFAC) within the U.S. Department of Treasury. USAID checks each organization and the organization's principal officer, officers of its governing board of directors and other key individuals through law enforcement and intelligence community systems accessed by USAID's Office of Security. All NGOs applying for grants from USAID are required to certify, before award of the grant will be made, that they do not provide material support to terrorists.

In Gaza, USAID assistance is provided through international organizations and U.S. NGOs and goes directly to the people of Gaza. No assistance is provided to the Hamas-controlled de facto government in Gaza.

Mr. Chairman. I appreciate the opportunity to share with the Committee USAID's engagement in helping to build the capacity of the Palestinian Authority and in so doing, lay the foundation for a future Palestinian state that hopefully will result from the negotiated outcome the U.S. Government is working to facilitate.

I am eager to hear your advice and counsel. Thank you again for inviting me to represent USAID today. I welcome any questions you may have.