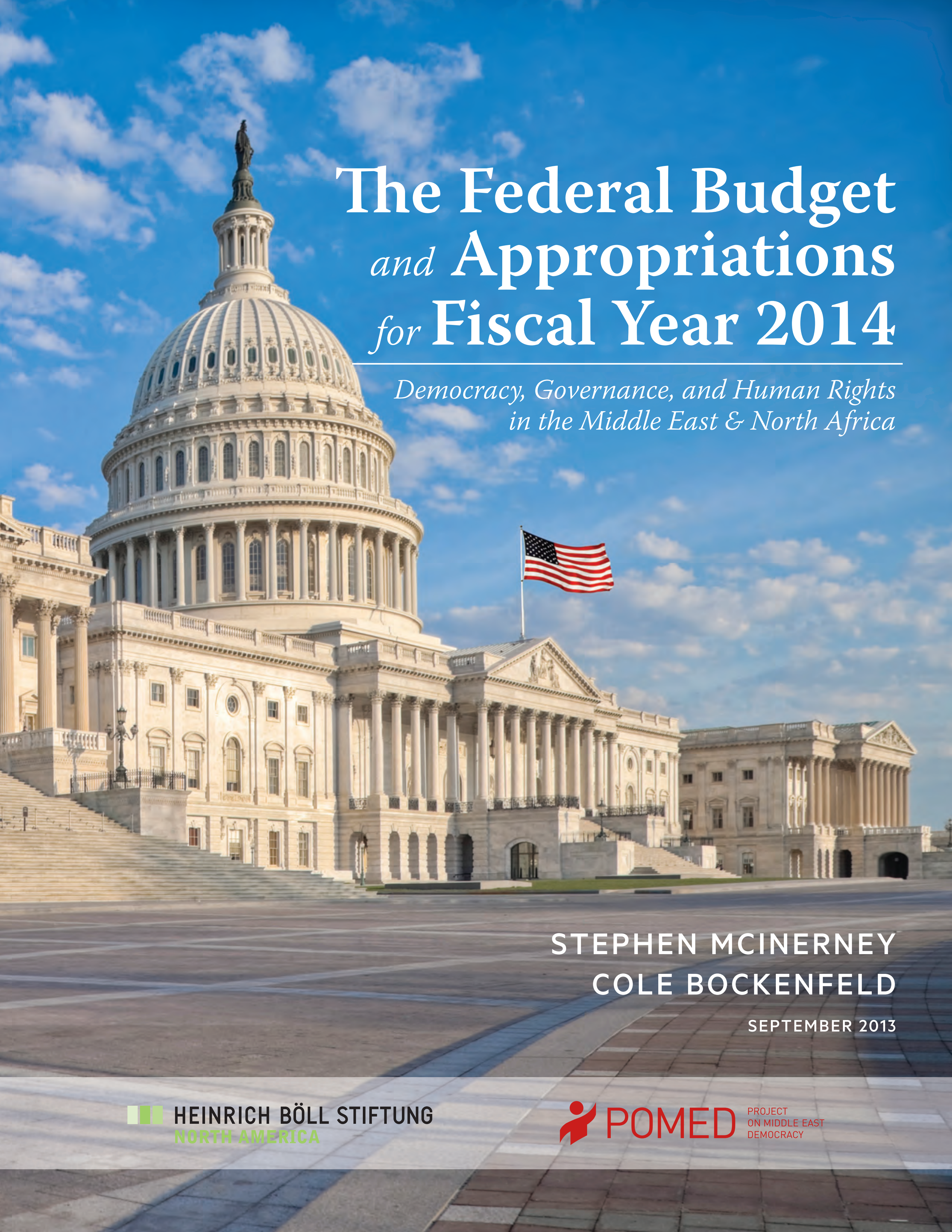

The Federal Budget *and* Appropriations *for* Fiscal Year 2014

Democracy, Governance, and Human Rights in the Middle East & North Africa

STEPHEN MCINERNEY
COLE BOCKENFELD

SEPTEMBER 2013

HEINRICH BÖLL STIFTUNG NORTH AMERICA

POMED PROJECT ON MIDDLE EAST DEMOCRACY

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THE PROJECT ON MIDDLE EAST DEMOCRACY is a nonpartisan, nonprofit organization dedicated to examining how genuine democracies can develop in the Middle East and how the U.S. can best support that process. Through research, dialogue, and advocacy, we aim to strengthen the constituency for U.S. policies that peacefully support democratic reform in the Middle East.

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Acronyms and Abbreviations

CBJ	*Congressional Budget Justification*
CFCF	*Complex Foreign Crises Fund*
DRL	*Bureau for Democracy, Human Rights, and Labor, U.S. Department of State*
ESF	*Economic Support Funds*
FMF	*Foreign Military Financing*
GJD	*Governing Justly and Democratically*
MCC	*Millennium Challenge Corporation*
MENA	*Middle East and North Africa*
MENA IF	*Middle East and North Africa Incentive Fund*
MEPI	*Middle East Partnership Initiative, U.S. Department of State*
MERF	*Middle East Response Funds*
MET	*Office of Middle East Transitions, U.S. Department of State*
MOU	*Memorandum of Understanding*
NEA	*Bureau of Near Eastern Affairs, U.S. Department of State*
NED	*National Endowment for Democracy*
NERD	*Near East Regional Democracy*
OPIC	*Overseas Private Investment Corporation*
OTI	*Office of Transition Initiatives (USAID)*
USAID	*United States Agency for International Development*

Executive Summary

As we examine the Fiscal Year 2014 budget and appropriations for the Middle East and North Africa, the challenges are daunting. The political transitions underway in the region have encountered considerable difficulties that threaten the democratic progress made since 2011. And in the United States, any discussion of appropriations must consider the extraordinarily tight budget climate that has resulted from sizable cuts across the board due to the federal sequester.

In this environment, the Obama administration has admirably worked to prioritize, maintain, and increase funding to the region. But support for democracy in the Middle East is not only about budget numbers. If programming to support democracy, governance, and human rights is to be successful, it must be accompanied by clear political support and be integrated with policy. President Obama articulated this in May 2011, when he committed to supporting democratic principles in the Middle East with "all of the diplomatic, economic and strategic tools at our disposal." Regrettably, the administration's policies have not reflected that approach. While maintaining levels of funding, the administration has failed to develop effective strategies for supporting democracy in transitioning countries and has failed to meaningfully push for reform in countries where authoritarian allies remain in place.

Key findings:

- **The U.S. administration deserves credit for marshaling considerable resources for the Middle East and North Africa amid a very difficult budget environment.** In spite of a restricted budget climate due to sequestration, the administration was also able to pull together large-scale resources over the past two years, including efforts to respond to the political transition in Tunisia (more than $350 million), a humanitarian crisis in Yemen (more than $600 million), and humanitarian and refugee crises in Syria and neighboring countries (more than $1.3 billion).

- **The U.S. administration lacks a clear vision or strategy for supporting democracy, governance, and human rights in the region.** While the U.S. has been able to garner large assistance packages for countries in transition, the goals of those packages are not clearly developed, and are generally reactive in nature. Democracy and governance programs are widely perceived to be more divorced than ever from U.S. policy goals in the region, and support of funding independent civil society organizations in the region is inconsistent. Surprisingly, the administration appears to be even more unwilling to take actions that may antagonize allied governments in the region than was the case before the 2011 uprisings.

- **The Middle East Partnership Initiative (MEPI) has rapidly lost its institutional identity and voice.** Over the past two years, MEPI has become viewed as excessively cautious, conservative, and bureaucratic. Its weakening pro-reform voice on policy debates within the State Department is likely to diminish further as it is integrated into the Office of Middle East Transitions. Overall, these moves are expected to reduce MEPI's comparative advantage in the view of Congressional appropriators.

- **The U.S. assistance relationship with Egypt is outdated and no longer effective in serving U.S. interests, but Congress appears willing to assert itself and attempt to rectify this.** Despite the $1.55 billion in annual aid to Egypt, the U.S. administration has simply been unable and unwilling to use aid as leverage to influence actors in Egypt. In addition, the makeup of U.S. aid to Egypt is a relic from another era. The U.S. aid package has simply not adapted to meet the country's new economic, political, and security challenges. In the absence of leadership from the administration, Congress will likely seek to impose its own strategy in Egypt.

- **U.S. support for the political transitions in Tunisia and Libya has been severely undermined by the fallout from attacks on the U.S. Embassy in Tunis and the U.S. Consulate in Benghazi in September 2012.** Those attacks had an immediate chilling effect on U.S. engagement with both countries. Embassy staff and personnel evacuations out of both countries left respective embassies short-staffed for most of the past year. Frustration with the responses of the Libyan and Tunisian governments to the attacks has eroded Congressional support for and threatened long-term assistance programs to those countries.

- **The Middle East and North Africa Incentive Fund (MENA IF) has not been funded, and is unlikely to resurface in next year's budget request from the administration.** After two years of failed budget requests for MENA IF, many Hill staffers argue that the State Department was never effective in explaining the details of the Fund, the reasons why it was needed, or why it was a priority. Furthermore, some appropriators prefer the case-by-case oversight involved in reprogramming excess funds from existing accounts rather than creating a large, new "slush fund" for the State Department.

- **The administration has initiated important shifts in assistance in Yemen, but those efforts are undermined by U.S. security and counterterrorism policy.** Since the beginning of Yemen's transition in November 2011, U.S. aid to Yemen has totaled over $600 million. However, this admirable effort is undermined by the persistent, widespread perception in Yemen that U.S. policy in the country is dominated by security concerns. The increasing frequency of drone strikes seriously damages perceptions of the U.S. within Yemen, and by extension, undermines the credibility and legitimacy of President Hadi and of the entire transition process.

Introduction:

Two years after dramatic uprisings began to sweep the Arab world in 2011, the political changes sparked by those uprisings have encountered considerable difficulty. Mohamed Morsi, Egypt's first democratically elected president, was removed by the military in July following massive street protests. Sharp political polarization threatens Tunisia's transition, while Yemen's efforts to undertake a national dialogue have encountered frequent delays and obstacles. More than one hundred thousand Syrians have been killed in the large-scale military conflict that continues between government forces and a fragmented, disparate array of opposition fighting forces. In Libya, the elected General National Congress has struggled without a clear mandate, while government security forces have struggled to assert control over much of the country's territory. In Bahrain, repeated attempts at national dialogue have yielded no real progress, while numerous opposition leaders languish in prison.

In considering the budget and appropriations process, there are numerous daunting challenges and obstacles on the U.S. side as well. The failure by Congress to reach a budget compromise resulted in across-the-board budget cuts known as the sequester. Soon thereafter, Congress failed to reach an agreement on appropriations bills for Fiscal Year 2013, electing instead to carry over funding levels from the previous year. And as we now approach the end of the current fiscal year on September 30, compromise is needed yet again to avoid a federal government shutdown. Such a budget environment only complicates the already difficult task of appropriating funds to meet challenges abroad.

Nonetheless, U.S. support for democracy, governance, and human rights in the Middle East and North Africa is needed now as much as ever. This report aims to examine the degree and nature of that support, by way of the federal budget and appropriations process. It aims to analyze and assess the approach of the U.S. administration and Congress to budgets, spending, and foreign assistance, and to draw conclusions regarding broader priorities and thinking in terms of U.S. policy against the backdrop of dramatic political changes across the Arab world.

To that end, this report includes an overview of relevant aspects of the U.S. administration's budget request for Fiscal Year 2014 as well as the appropriations bills proposed in the House and the Senate this summer. While budget numbers and funding levels are revealing, it is more important to consider the types of programming supported and any changes in programming that may reveal the thinking and priorities of U.S. officials. For that reason, an examination of various budget documents is complemented by substantive discussion with a wide spectrum of relevant actors: current and former administration officials, congressional staff, independent experts and analysts, democracy promotion practitioners, and Middle Eastern civil society activists and democracy advocates.

Despite the difficult budget environment due to cuts to the global international affairs budget, including those triggered in 2013 by the federal budget sequester, the U.S. administration has managed to maintain relatively constant levels of foreign assistance to the region, including to support democracy, governance, and human rights in the Middle East and North Africa. On the other hand, there are many signs that the administration's political support for such programming has diminished and that support for democracy and governance is no higher a priority than was the case prior to the 2011 uprisings, despite President Obama's declaration that support for democratic principles would be a top priority for U.S. policy in the region.

Overall, the administration has mostly continued to provide foreign assistance to the MENA region at relatively consistent levels. The total amount of foreign assistance requested for the region in FY14 is $7.36 billion, which would represent a 9 percent decrease of $730.9 million from the current levels granted for FY12 and FY13. Nearly all of this decrease, however, can be attributed to the $697.2 million cut in requested funding for Iraq, which is no surprise, as the U.S. administration has been steadily decreasing foreign aid to Iraq in conjunction with the decreased U.S. presence in that country.

Of this amount, $298.3 million has been requested for support democracy and governance programming across the region. This would represent a cut of $160.9 million in funding for the Governing Justly and Democratically (GJD) heading for the region, but once again, this cut can entirely be accounted for by large decreases in the budget line items for democracy and governance funding in Iraq and Syria. GJD funding for Iraq would be reduced by $140 million, and GJD funding for Syria would be reduced by $52.5 million under the administration's FY14 budget request. It is also worth noting that the decreasein the budget line item for Syria is not meaningful, as the FY12 GJD funds for Syria were not requested as such, but were shifted from other accounts in reaction to events in Syria, and it is almost certain that this same type of shift will occur in FY14.

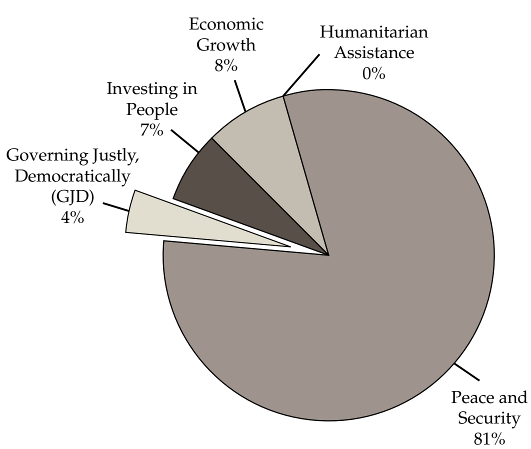
Omitting these two countries, GJD funding in the FY14 budget request would actually represent an increase of $31 million. It should also be cautioned that these numbers are in some sense neither as accurate nor as meaningful as had been the case prior to 2011. The administration is continuing to move funds between accounts in order to respond to events in the region, and although the budgets are better taking this planning into account each year, this will inevitably continue to some degree in 2014.

In general, the administration's budget request for FY14 demonstrates more continuity in funding levels than any such request since 2008. The overall funding levels across the region and across strategic objectives and program area are remarkably consistent with the existing levels of funding granted for FY12 (and carried over to FY13 by the continuing resolution passed in March). Of course it is impossible to know exactly where the final levels of funding will stand. But for FY12 and FY13, the administration has done an admirable job in maintaining relatively consistent levels of funding in the region, in spite of the top-line cuts mandated by the sequester.

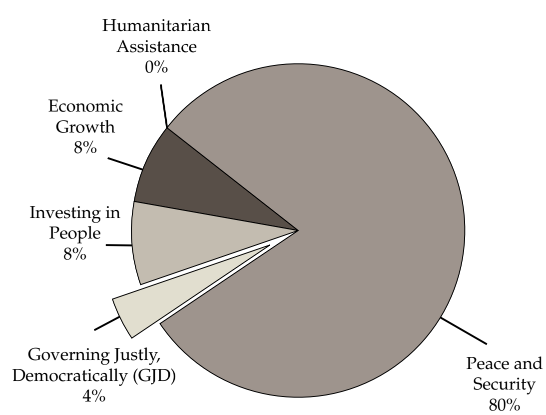
Taking a longer view, while the administration deserves credit for maintaining spending levels in the region in a difficult budget environment, it is interesting to compare the breakdown of funding to the region with that of FY08 (the first year for which such breakdowns were made publicly available). As shown in the charts below, the most significant change in the breakdown of foreign assistance to the region according to strategic objective over the past six years is that the "Peace and Security" heading that includes all military and security assistance to the region has actually increased from 69 percent of all foreign aid to the region in FY08 up to 80 percent in the budget request for FY14. Meanwhile, democracy and governance funding under the GJD heading has actually decreased from 9 percent in FY08 to 4 percent now. Or, excluding funding to Iraq, then GJD funding has increased very modestly from 3 percent of all assistance up to 4 percent.

In the context of the dramatic political changes and transitions underway in the region, these numbers are surprising. The graphs below largely confirm a widespread perception that U.S. aid to the MENA region has essentially been on "autopilot" over the past several years, and that the upheaval sparked by the uprisings of 2011 has not significantly changed U.S. engagement with the region through foreign assistance. It should also be noted that despite the continuity in funding levels for democracy and governance programming, the administration does appear to have grown increasingly cautious in its support for democracy in the region, and is widely perceived to be even more unwilling to support democracy and governance programs that may antagonize allied governments.

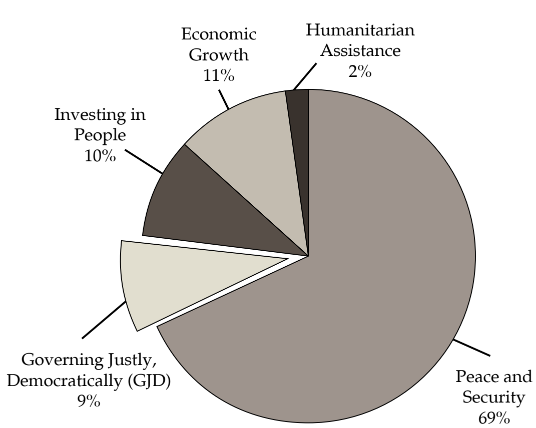
FY14 Request by Objective, Near East



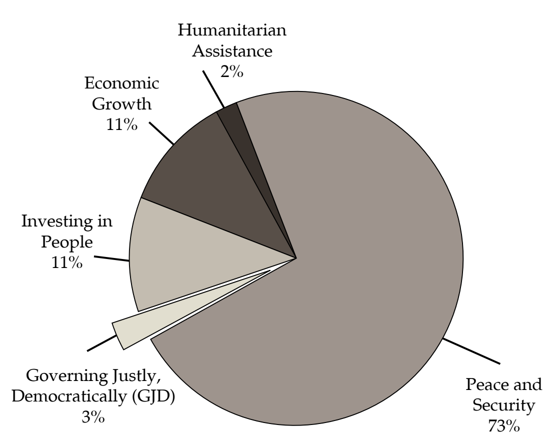
FY14 Funding by Objective, Near East Less Iraq



FY08 Funding by Objective, Near East



FY08 Funding by Objective, Near East Less Iraq



I. Middle East Partnership Initiative

The Middle East Partnership Initiative (MEPI), established in 2003 within the State Department, has been a leading tool of the United States to support reform through independent civil society organizations across the region. Ten years after its founding, however, MEPI's influence within the State Department appears to be diminishing, and its reputation among pro-democracy actors both in the United States and in the Arab world is deteriorating. The levels of funding for MEPI have been decreasing slightly over the past two years, but of greater concern are fears that MEPI is losing its identity as an agile, politically independent supporter of civil society and as a strong pro-reform voice within the State Department's Bureau of Near East Affairs.

The administration's budget for FY14 requests $75 million for MEPI within the budget heading of the Middle East and North Africa Incentive Fund (MENA IF).[1] If fully granted, this $75 million would represent a slight increase over the $70 million budget allocated for FY12. Following the uprisings of 2011, MEPI played an especially strong role in supporting the transitions underway in Libya and Tunisia. Both of these countries – unlike Egypt or Yemen – lacked a USAID mission to take the lead on assistance. Moreover, one of MEPI's two regional offices had coincidentally been established at the U.S. Embassy in Tunis in 2004, despite the fact that MEPI programming in Tunisia was minimal before 2011. Libya and Tunisia remain priorities for MEPI's work, but its efforts in both were severely impeded following the attacks on the U.S. Embassy in Tunis and the U.S. Consulate in Benghazi in September 2012. These attacks resulted in an immediate evacuation of staff, leaving the embassies in both countries severely understaffed. An increase in security restrictions would also make it more difficult to engage with local activists and organizations.

MEPI was created in 2003 as an alternative to existing assistance mechanisms, with the aim that it would differ from other U.S. government aid institutions, particularly USAID, in three main ways. First, it is designed to be more agile, quicker to respond, and less encumbered by bureaucracy than larger institutions. Second, MEPI works in countries where USAID does not have missions, including the wealthy states of the Gulf that do not have basic economic development programming but are in dire need of support for reform initiatives. Finally, MEPI was intended to be insulated from political pressure from host governments. Because the majority of USAID's programming consists of development programming implemented in conjunction with the host government, USAID missions are often reluctant to engage in activities that could antagonize government interlocutors. As MEPI does not need to maintain a direct relationship with host governments, it is intended to be immune from such pressures.

Recent developments suggest a decline in MEPI's independence from host government pressure. As noted in previous editions of this report, local U.S. Embassy staff in the region have often discouraged MEPI from supporting civil society organizations that are likely to antagonize the host government. Unfortunately, this practice is becoming more common, compounded by MEPI's unwillingness to push back against such pressure.

One clear indicator of this trend is MEPI's increasing unwillingness to support organizations that have not been granted official registration by their host government. Very few countries in the MENA region have laws

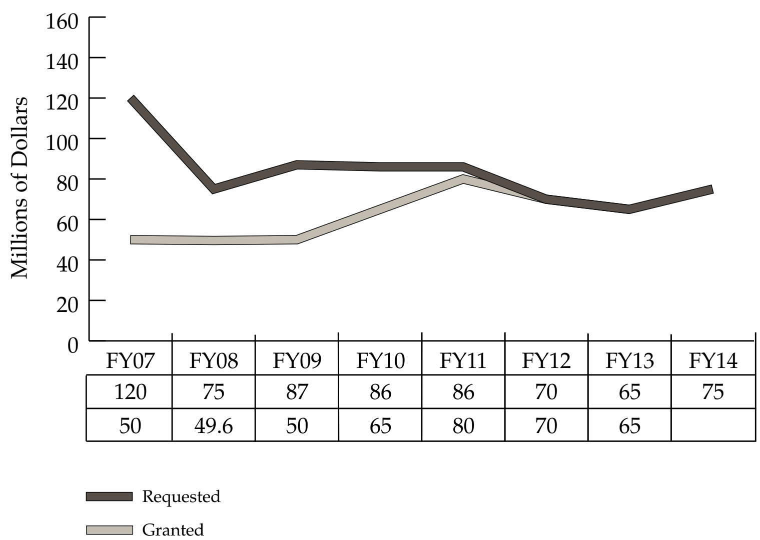
[1] The proposed MENA IF is discussed in detail in the following section.

governing the establishment and registration of NGOs that are in line with international standards, and it is routine for organizations that comply with all legal requirements to be denied their legal registration purely for political reasons. In recent years, Arab governments have used denial of registration as a tactic to undermine language in U.S. law asserting that the organizations implementing democracy, human rights, and governance programming "shall not be subject to the prior approval by the government of any foreign country." Rather than ask for the right to specifically approve funds for NGOs, Arab governments simply insist that only those organizations registered by the local government be eligible for foreign funding, effectively allowing them veto power in the grantmaking process.

As of a few years ago, MEPI's willingness to support organizations that had *not* been granted registration by the local government had been a defining characteristic of the institution. For example, following a controversial 2009 decision that USAID would no longer provide support to unregistered organizations in Egypt, the administration frequently and publicly asserted that this did not indicate a lack of support for such organizations, as MEPI would continue its support for such groups.

However, following the recent crackdowns against democracy promotion organizations in Egypt, the United Arab Emirates, and elsewhere, MEPI appears to have backed off of support for unregistered organizations. MEPI's requests for proposals over the past year have consistently included language such as "MEPI welcomes applications from any registered U.S. or foreign non-profit organizations" and "All applicants must be legally registered organizations prior to applying to this announcement."[2] Although there may still be instances of such funding being provided unsolicited, the administration no longer declares publicly that it is committed to supporting "unregistered" organizations, and such support has been drastically reduced, if not eliminated entirely.

MEPI Funds, Requested vs Granted, FY07 - FY14



FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
120	75	87	86	86	70	65	75
50	49.6	50	65	80	70	65	

This reflects a broader trend that democracy advocates in Washington and in the Middle East have observed, that MEPI has become a more cautious, conservative institution over the past two years. This is surprising, as the reverse may have been expected in light of the increased dynamism in the region. MEPI was established as a bold, new initiative willing to take risks and to support genuine reform in the region in ways that existing aid agencies were unable or unwilling to do. In addition, MEPI was meant to serve as an important pro-reform voice on policy within the State Department's Bureau of Near East Affairs (NEA) to counter a culture in which policy toward the region had for decades been too focused on protecting and preserving cozy bilateral relationships with the au-

[2] For example, see "Middle East Partnership Initiative: Expanding Citizen-Government Dialogue Request for Applications," February 23, 2013.

thoritarian regimes in place. Sadly, at a time when outside support for political reform in the region is needed more than ever, MEPI appears to be growing less bold, less willing to take risks, and less able to assert itself on policy questions within NEA.

Furthermore, several additional decisions regarding MEPI also threaten its independence and will likely further diminish its role within the State Department. In its budget requests for both FY13 and FY14, the administration requested funding for MEPI within a larger request for the new Middle East and North Africa Incentive Fund (MENA IF) rather than within the Economic Support Funds (ESF) account, where funding for MEPI had been included previously. Last year's edition of this report noted that this decision could "threaten MEPI funding, especially if Congress were to grant a much smaller amount than requested for the MENA IF fund, either this year or in the future, without earmarking a specific amount for MEPI." In some sense, that now appears to be the case.

Neither the Senate nor the House version of the FY14 appropriations bill for State and Foreign Operations includes funds for the MENA IF account. The Senate version allocates $575 million for a "Complex Foreign Crisis Fund," essentially replacing the proposed MENA IF account, while the House version includes no such allocation whatsoever. Consequently, neither version of the bill includes an explicit earmark for MEPI funds, as had been done previously. The report of the Senate Appropriations Committee that accompanies its version of the bill does recommend that MEPI be funded in line with the administration's request of $75 million, but the House Committee makes no such recommendation.

Instead, House appropriators have suggested that the administration would need to fund MEPI from undesignated ESF funds if it is seen as a priority. The FY14 House bill designates $1.6 billion for Economic Support Funds (ESF), which would be a 54 percent reduction from FY13 and would make prioritizing the more than 20 accounts excluded from earmarked funding in the FY14 bill entirely an extremely difficult task. State and Foreign Operations Subcommittee Chairwoman Kay Granger (R-TX) noted, "In order to meet the reduced subcommittee funding levels, some programs had to be terminated, scaled back, or put on 'pause' until the United States is in a better financial position."[3]

In addition to the possibility that its funding may be cut in the near future, MEPI's position within the State Department's bureaucracy is also being changed. Currently, MEPI is in the process of being integrated with the Office of the Special Coordinator for Middle East Transitions (MET), now headed by Elizabeth Richard. Though details of this restructuring have not been finalized, it appears that there will no longer be a Deputy Assistant Secretary heading MEPI – as there has been since its inception – and that Ms. Richard will become a Special Coordinator for foreign assistance beyond the countries now in transition. This move sparks fears that MEPI's identity as a key pro-reform entity within NEA will be further diminished.

Finally, MEPI's popularity on Capitol Hill now seems to be declining, following reasonably strong support from Congress from at least 2009 until 2012. Many legislators are beginning to see MEPI as redundant, with no clear comparative advantage over other aid institutions. Set up to be agile and able to respond quickly, MEPI is now seen by Congress as having become excessively bureaucratic. Launched to be bold, risk-taking, and unencumbered by political constraints, MEPI now appears cautious and restrained by the same fears seen as an impediment of USAID. Established to be firmly aligned with U.S. policy goals, MEPI has become more like an aid-implementing agency and less tied to policymaking within NEA. Ironically, congressional frustration with MEPI has led many on Capitol Hill to support its

[3] "Appropriations Committee Releases Fiscal Year 2014 State and Foreign Operations Bill" July 18, 2013.

absorption into the MET office, a move that seems likely to accelerate the changes currently frustrating Congress.

II. Middle East and North Africa Incentive Fund

In response to the Arab uprisings that began in 2011, one of the most innovative and far-reaching new policy tools proposed by the administration was the Middle East and North Africa Incentive Fund (MENA IF). The Fund would provide a new U.S. assistance mechanism with the flexibility needed to fund regional initiatives. The proposed fund was designed to serve three purposes: (i) most funds would be used to encourage both political and economic reforms by rewarding governments that propose specific reform initiatives, (ii) a smaller portion of funds would be used to provided needed short-term support to countries undergoing new political transitions, and (iii) the Fund would also be used to continue funding for two existing regional programs, MEPI and the USAID Office of Middle East Programs (OMEP).

When first proposed by the administration with $770 million requested for FY13, the Fund faced a divided reaction in Congress. The House provided no funding for the Middle East and North Africa Incentive Fund, and instead provided $200 million for the Middle East Response Fund (MERF). The MERF was created in early 2011 to provide a regional, flexible account from reallocated ESF funds. While both MENA IF and MERF are regional accounts, the MERF account is significantly smaller in size and is only reactive in nature, authorized only to provide funding to countries in transition. In contrast, the Senate bill surpassed the request, designating $1 billion to the Fund. Congressional concerns centered on the flexibility and ambiguity in the design of the Fund's purpose and administration. State and Foreign Operations Appropriations Subcommittee Chair Kay Granger (R-TX) said in February 2012, "The subcommittee needs to understand why the budget proposes such a significant increase without a clear plan for how the funds will help these new and emerging democracies."[4]

With Congress failing to pass an annual appropriations bill in FY13, debates over the scope and purpose of the Fund were not formally resolved between the House and Senate, and no account for MENA IF was created. In response, the State Department revised its approach in FY14, requesting $580 million for MENA IF and refining its structure, methodology, and procedures.

Two-thirds of the proposed fund would be designated to support long-term reforms in governance, security and justice sectors, and economics. One-third would be used for "short-term support for newly transitioning countries." The account also provides $75 million for MEPI and $30 million for USAID's Middle East Regional platform; these were previously funded through the Economic Support Fund account.[5]

The Incentive Fund would increase flexibility by requesting authorities that would allow the U.S. to respond to unanticipated needs quickly, through the most appropriate mechanisms and accounts, and by increasing the funds and resources available to address these needs as they arise. New authorities requested include consolidated account authorities, an extended time horizon of five years for programs, loan guarantee and debt relief authorities, Enterprise Funds, and multilateral efforts beyond traditional government-to-government mechanisms.

The administration argued that without the MENA IF, the demands of the transitions in the region would continue to erode existing programs and adversely affect the U.S.'s ability to respond to emergent needs around the world. In FY11 and FY12, more than $1.8 billion in funding was reallocated from other MENA programs to support transitioning countries in the region. Those reallocations were time-consuming and came with significant opportunity costs. In response to

[4] "House Appropriations Committee Budget Hearing" Rayburn House Office Building Wednesday, February 29, 2012.

[5] Congressional Budget Justification, Volume 2, Foreign Operations, Fiscal Year 2014.

congressional criticism of the Fund's open-ended authorities, the State Department argued that the existing reallocation process is intrinsically non-transparent to Congress, as appropriators and other members are only made aware of shifting costs through a Congressional Notification after funds have already been internally planned for reallocation.

Further, the MENA IF sought to take regional democracy assistance a step beyond more traditional accounts, such as MERF, by incentivizing democratic reform in countries that had not witnessed large-scale uprisings. MENA IF would provide the financial backing to President Obama's pronouncement in his speech to the governments of the region on May 19, 2011, that "if you take the risks that reform entails, you will have the full support of the United States" and that the U.S. would support reform with "all of the diplomatic, economic and strategic tools at our disposal."

In order to obtain access to additional funds through MENA IF, Arab governments would need to show a clear commitment to reform demonstrated by a plan that is country-owned, public, transparent, and responsive to local needs. U.S. officials behind the Fund acknowledged that real reform is dependent on host government political will. The MENA-IF model requires host governments to "put skin in the game" with a real reform plan, which would be supported by U.S. resources.

MENA IF reform initiatives would promote three main outcomes: "effective, democratic governance and vibrant civil societies," "inclusive, market-based economic growth," and "responsive and accountable security institutions and independent judiciaries." Metrics for MENA IF programs would be agreed upon by project stakeholders, publicly disclosed with the formation of a partnership, and "based as much as possible on publicly available sources of data and independent assessments."

Secretary Kerry described the Fund at a budget hearing in April 2013 as a "tiny down payment," which "can actually help people to make a better set of choices and to provide alternatives of governance and capacity building so that those countries move in a different direction."[6]

Despite these overtures to strengthen the administration's argument for the MENA IF, appropriators were not fully convinced and their approaches were divided. The FY14 House bill does not provide any funding for the State Department's $580 million request for the Middle East and North Africa Incentive Fund, nor did it include or prohibit funding for MEPI. Many appropriators pointed to the administration's inability to fully spend funds from previous years' regional allocations, and resistance to offering the State Department authorities five years in advance given the uncertain annual domestic budget climate. Furthermore, a lack of programmatic clarity regarding the parameters for the incentive component of MENA IF frustrated congressional offices seeking transparency and oversight of how the funds would be spent.

In a May 2014 hearing, Rep. Doug Collins (R-GA) captured skepticism around the MENA IF by asking administration officials:

> "[The] funds and the breadth of authority sought for this it would appear that this initiative is no different, you know, in all fairness, from a slush fund. What office within the department will provide oversight for the expenditures of these funds? Is it State or USAID? Which one is going to decide where the money—who has final authority? Who's going to say where the money goes? [...] how, one, will you inform Congress of funding decisions, implementation, progress or benchmarks but also have there been written guidelines to decide what we're going to use, here are the benchmarks we're going to use, you know, in determining how this

[6] "Budget Hearing - Department of State" U.S. House of Representatives Committee on Appropriations Wednesday, April 17, 2013.

is made? Have there been—has that actually been written down or is it just assuming we're just going to have oversight?"[7]

In contrast, the Senate did not provide funding for MENA IF but instead designated $575 million for a new account, Complex Foreign Crises Fund (CFCF). Some members still expressed pervasive concerns about a flexible account for the region, with Senator Bob Corker (R-TN) suggesting the MENA IF budget request represented a "vague request for open-ended authority rather than a request for funds tied to clear priorities."[8] By adopting some of the programs requested in the MENA IF proposal, Senate appropriators sought to capture some of the intent of the Fund with a level of continuity by expanding the scope and authority of the existing Complex Crises Fund.

$535 million of the CFCF funding is included "for the extraordinary costs of responding to humanitarian and security crises and political transitions globally, including in the Middle East and North Africa," $200 million of which is designated for Jordan. CFCF funds will also finance enterprise funds and loan guarantees for Egypt, Tunisia, and Jordan. $40 million is designated "to prevent or respond to emerging or unforeseen complex crises, support political transitions in the Middle East and North Africa, and address instability caused by conflict in Syria." Notably, the Senate's CFCF – while providing a pool of funding to be used flexibly for the region – is only responsive in nature, is not limited to the Middle East and North Africa, and does not include an incentive component as was sought under the MENA IF heading.

It is difficult to know how this issue will be resolved by Congress in conference committee. It is likely that appropriators will come to a compromise agreement by 1) supporting a smaller version of the CFCF; 2) reverting back to the FY13 approach by providing funding to a regional Middle East Response Fund (MERF); or 3) fail to come to any compromise bill at all, and essentially continue funding accounts at the same levels as FY12. As with MEPI funding, House appropriators have suggested that the administration would need to fund MENA IF or a comparable flexible regional account from undesignated ESF funds if it is seen as a priority. In any event, the MENA IF is perceived by many circles on the Hill as essentially dead and unlikely to resurface in next year's budget request from the administration. After two years of failed budget requests for the new Fund, many Hill staffers argue that the State Department was never effective in explaining the details of the Fund, the reasons why it was needed, or why it was a priority. Furthermore, funding cycles and events in the region over the last two years have led to a preference by some appropriators to continue working with existing transfer authorities to reprogram excess funds from accounts such as "War on Terrorism"-related funding for Iraq and Pakistan.

III. Bureau of Democracy, Human Rights, and Labor at the Department of State

The Bureau of Democracy, Human Rights, and Labor (DRL) is the State Department's functional bureau designated with supporting democracy and human rights worldwide. Perhaps best known for producing the Department's annual Country Reports on Human Rights Practices, DRL has also steadily increased its capacity for both supporting the democracy and human rights work of other bureaus within the State Department and USAID as well as administering its own programming. DRL has long focused much of its work on the most closed countries in the region, often filling a void in those nations where USAID may be less active on democracy issues. DRL's Assistant Secretary and senior staff also contribute to U.S. diplomatic engagement with priority countries. The FY14 Congressional Budget

[7] "The Middle East and North Africa FY 2014 Budget: Priorities and Challenges" United States House Committee on Foreign Affairs Subcommittee on the Middle East and North Africa Wednesday, May 22, 2013.

[8] "National Security and Foreign Policy Priorities in the FY2014 International Affairs Budget" Senate Foreign Relations Committee Thursday, April 18, 2013.

Justification identifies five such priority countries for DRL's diplomatic engagement, two of which are in the MENA region: Bahrain and Egypt.[9]

The administration's budget request for FY14 includes $64 million for DRL's programming and $26.8 million for its staffing and operational costs. In total, this would represent a modest (approximately $7 million) decrease in the level of funding for DRL granted in FY12. For the sake of comparison, MEPI—which operates only in the MENA region—has an FY14 request of $75 million, and USAID funding greatly exceeds either of these amounts, with approximately $400 million in democracy and governance funding requested to be delivered through USAID in the MENA region alone.

Unlike MEPI, DRL does not provide direct grants to local NGOs, although it does support many such groups through subgrants. DRL primarily funds U.S.-based 501(c)(3) organizations, although it has also established criteria to fund the equivalent of 501(c)(3) nonprofit organizations based in Europe or elsewhere. DRL has led the State Department's efforts to support the development of democratic government institutions and civil society organizations in Iraq. Although funding for those programs has been steadily decreasing over the past couple of years, DRL is still administering about $18 million in such programs in Iraq. Following the 2011 uprising and the ouster of Egyptian President Hosni Mubarak, DRL dramatically increased its support for international organizations working to support Egypt's transition. This included support for labor unions, independent journalists and media outlets, political party development, civil society, and election observation. Many of these programs in Egypt are now on hold, following the arrest and conviction of 43 individuals who worked for American and German organizations working on these issues in Egypt. DRL has also been particularly active in other countries in the MENA region, including Jordan, Lebanon, and Morocco.

Support for Internet freedom has increasingly become a top priority for DRL's programming, and $18 million (or 28%) of the FY14 programming budget requested for DRL is designated for its Global Internet Freedom (GIF) programs. There are four main areas of programming: 1) using technology to expand open and uncensored access to information and communication; 2) helping users protect themselves from the interference of repressive governments by enabling them to safely share content with each other and the outside world through digital training and support; 3) supporting policy and advocacy projects that target countries at risk of moving in the wrong direction on Internet freedom; and 4) research on the state of Internet freedom and evaluations of existing Internet freedom initiatives.[10] Support for Internet freedom has also been strong in the Senate, which designated in its FY14 bill $44.6 million to promote Internet freedom, as well as $5 million for the State Department's Office of the Coordinator for Cyber Issues.

Another priority of DRL has been its support to the "Lifeline: Embattled Civil Society Organizations Assistance Fund." In response to the increasing threat to and steady decrease of space for civil society organizations (CSOs) globally:

> "Lifeline provides small, targeted, short-term emergency grants for medical expenses, legal representation, prison visits, trial monitoring, temporary relocation, security, equipment replacement, and other types of urgently needed expenses to help address immediate needs. In addition, Lifeline makes support available to CSOs for short-term advocacy initiatives that aim to raise domestic and international awareness of a specific threat or restriction on civil society. Since Lifeline was launched in

[9] The other three countries identified as priorities are Burma, China, and Russia.

[10] Congressional Budget Justification for Fiscal Year 2014, Volume 2, Foreign Operations.

July 2011, assistance has been provided to 218 CSOs operating in 64 countries."[11]

IV. Near East Regional Democracy Program

The Near East Regional Democracy (NERD) program was established in March 2009 to support democracy and human rights in the region, primarily in Iran. Of course, democracy and governance programming cannot be conducted inside Iran, as it is in most other countries in the region. The Iranian government does not permit any U.S. funded activities in support of democracy and governance to take place legally. As a result, the NERD program focuses primarily on activities that don't require an in-country presence. This includes a strong focus on support for media, technology, and Internet freedom, as well as conferences and trainings for Iranian activists that may take place outside Iran.

The establishment of the NERD program was widely viewed as a recognition by the Obama administration of the need to support democratic reform in Iran, while at the same time reacting to criticisms of the Bush administration's approach. Funding under the NERD heading is not legally required to be spent in Iran or any other specific country, which should in theory give the administration greater flexibility in programming the funds.

Many influential members of Congress, however, feel very strongly that the NERD program's entire budget be committed to supporting democracy in Iran. When the Arab uprisings erupted in early 2011 amid Congressional debates on cutting funds for FY11, some observers wondered whether the NERD program might be a source of funds to support democracy in Arab countries such as Tunisia, Libya, or Syria. It quickly became clear, however, that shifting any funds from the NERD program to countries other than Iran would likely spark a significant backlash from Congress. The level of funding for the NERD program has modestly decreased, from $40 million in FY10 to $35 million in FY11 and FY12, and the administration requested $30 million for FY13 and has again requested $30 million for FY14. Of that $30 million, $7 million is designated "to support cutting edge tools and requisite training that promote Internet freedom and enhance the safe, effective use of communication technologies." More broadly, it seems that the programming funded under the NERD heading is being shifted even more toward a wide variety of programs designed to support free expression.

V. National Endowment for Democracy

The National Endowment for Democracy (NED) is a nongovernmental institution that was originally created by Congress in 1983 to strengthen democratic institutions around the world. Although the NED is not part of the U.S. government, it nonetheless receives nearly all of its funding in an annual congressional appropriation. The NED has generally enjoyed consistent bipartisan support from both Congress and the administration, with Congress routinely granting the NED more funds than requested in the administration's budget. In spite of this support from Congress, the NED has experienced cuts to its Middle East programming over the past year, largely as a result of across-the-board cuts due to the federal budget sequester.

In the last appropriations act passed by Congress, the NED was granted $118 million for FY12 (and this amount was extended to FY13). This exceeded the administration's budget request by $14 million, and this was the fifth consecutive year in which Congress exceeded the administration's budget for the NED. From FY06 to FY09, the President's budget request for the NED had remained constant at $80 million, before increasing to $100 million in FY10 and $105 million in FY11. Congress, however, has exceeded the President's request each year, granting $99.2 million in FY08, $115 million in FY09 and FY10, and $118 million in FY11 and FY12.

[11] "Lifeline: Embattled Civil Society Organizations Assistance Fund," September 23, 2013.

For FY14, the administration has requested $103.5 million, and Congress has once again indicated a willingness to grant the NED funds well in excess of the administration's request. Indeed, the House has included $117.8 million in its version of the appropriations bill for FY14, though this is $5 million less than the amount the House designated in FY13. In the FY14 Senate committee report, appropriators included $135 million for the NED, a nearly 15 percent increase above the FY13 enacted level. Furthermore, the Committee specifies recommended additional funds above the budget request be allocated for eight countries, including $1.5 million for Egypt and $3.5 million for Iraq.

A 2012 Strategy Document for the NED notes that "it is too early to tell what the outcome of the Arab Spring will be, much less how it will affect the broader global trajectory of democracy. We still do not know whether the democratic recession of 2007 to 2010 has been brought to an end and we are on the cusp of a global recovery, or if we are merely enjoying a moment of democratic exhilaration in a continuing period of overall decline."[12] That characterization of the uncertain trajectory in the region remains true today. The 2012 document also outlines four primary strategic objectives for the NED: supporting democrats in highly repressive societies; assisting democratic transitions; aiding democrats in semi-authoritarian countries; and helping new democracies succeed. All four of those strategic objectives are clearly relevant to the MENA region today, in a way that they had not been prior to 2011.

The NED does face several key challenges in its work in the region. First, sequester-induced budget cuts have put pressure on its programming at a time when demand for the NED's support is increasing. Secondly, the kind of independent, pro-democracy organizations with whom the NED partners are exactly the kind of organizations that have been targeted in the escalating crackdown against civil society organizations that we have seen in Egypt, the United Arab Emirates, and elsewhere. Such efforts by governments and intelligence services threaten to shut down current and potential NED partners or to make it difficult or impossible for them to receive external support.

[12] National Endowment for Democracy: 2012 Strategy Document, January 2012.

Bahrain

Since protests erupted in Bahrain more than two years ago, the Government of Bahrain has largely failed to act on its commitment to implement much-needed reforms, including those recommended by the Bahrain Independent Commission of Inquiry (BICI) in November 2011. Although the country has not witnessed popular protests of the size seen in February and March 2011, and the number of reports of torture and deaths due to excessive force has decreased, the political situation continues to slowly but steadily deteriorate. Protests and skirmishes with police are nearly a daily occurrence, and National Dialogue talks between the government and the opposition have come to an almost complete standstill, with no significant progress. Following the September 2013 arrest of leading opposition Khalil al-Marzooq, the opposition has begun to boycott the talks altogether.

Bahrain, like the other energy-rich Gulf states, has not been a large recipient of U.S. aid, receiving only limited amounts of bilateral security assistance. Nonetheless, the United States has been a key external ally to the Government of Bahrain, consistently providing it with military training, arms, and weaponry – primarily through sales and transfers rather than through foreign assistance. Security cooperation and logistical support to confront regional threats have been at the heart of the U.S.-Bahrain relationship, underscored by the presence of the U.S. Navy's Fifth Fleet in Manama. Recently, however, a small but growing number of congressional offices have increasingly sought ways to improve the political and human rights situation in Bahrain. They have done so by seeking to include conditionality on Bahrain's small bilateral assistance package, enforce labor standards in Bahrain's Free Trade Agreement, impose restrictions on the sale of arms and military equipment, and impose individual sanctions on members of the Bahraini government and security forces responsible for gross human rights abuses. In response to a congressional mandate included in the FY13 National Defense and Authorization Act (NDAA), the State Department conducted its own assessment of Bahrain's implementation of the 26 recommendations of the BICI report. The assessment concluded that only five of the 26 recommendations have been "fully implemented" and urged additional progress, specifically on transparently investigating claims of torture and cases that resulted in deaths, as well as ensuring that individuals are not detained for peaceful political expression and free speech.

Many of the human rights violations that were highlighted in the BICI report continue to be perpetrated with impunity in Bahrain — a fact confirmed by several U.S. Government bodies over the past year. The State Department concluded that the most serious human rights problems persist, including "citizens' inability to change their government peacefully; arrest and detention of protesters on vague charges, in some cases leading to their torture in detention; and lack of due process in trials of political and human rights activists, medical personnel, teachers, and students, with some resulting in harsh sentences."[13] The U.S. Commission on International Religious Freedom has also expressed concern with "the government's ongoing lack of accountability for abuses against the Shi'i community since 2011" and noted that "[s]ince the 2011 unrest,

[13] Bureau of Democracy, Human Rights and Labor, Country Reports on Human Rights Practices for 2012: Bahrain.

sectarian tension and polarization has risen dramatically."[14]

The U.S. Department of Labor noted in December 2012 that "important components of the government's response to the unrest that began in February 2011 appear to be inconsistent with Bahrain's labor commitments under the [Free Trade Agreement] related to freedom of association and non-discrimination."[15] In an August 2012 hearing, Senator Ron Wyden (D-OR) also noted, "As the regime continues its pattern of abuse, violence and foot-dragging on democratic reforms, I think the United States needs to use all of its levers of influence with the Bahrainis. As the Chairman of the Senate Subcommittee on International Trade, I believe that one of these levers available is to ensure that Bahrain's labor commitments pursuant to the U.S. Bahrain Free Trade Agreement are fully implemented."[16]

State and Foreign Operations Appropriations Subcommittee Chairman Patrick Leahy (D-VT) has been an advocate for improving the human rights situation in Bahrain since the outbreak of protests two years ago. In 2011, Leahy requested an official State Department investigation into potential violations of the "Leahy Law," which prohibits assistance if the Secretary of State has credible information that a foreign security unit has committed a gross violation of human rights. Leahy and other appropriators' focus on Bahrain is reflected in the FY14 Senate bill, which recommends that at least $3 million be spent "to support democracy and governance activities in Bahrain."

This $3 million figure for FY14 is consistent with the size of current programs in Bahrain, nearly all of which are administered by MEPI. Those include programs working with the Government of Bahrain to encourage reforms in various ministries, including regulatory reform within the Department of Commerce, reforming the legal environment for nongovernmental organizations, and educating Ministry of Justice staff on the rights of detainees. In general, the Government of Bahrain has been receptive to some of the technical advice provided through these programs but reluctant to enact and implement some of the key reforms which they encourage.

The Senate committee report also notes:

> "The Committee is concerned that actions by the Government of Bahrain to limit freedom of expression, association and assembly, and reports of excessive force, unfair trials, and mistreatment of prisoners could have negative consequences for U.S. interests in Bahrain. The Committee is also concerned with acts of violence against the government by some protestors. The Committee notes that some of the most important reforms recommended by the Bahrain Independent Commission of Inquiry have not been implemented. The Committee intends that no crowd control items shall be provided to Bahrain during fiscal year 2014, and notes that none are included in the President's budget request. The Committee directs that the report required by section 7010 of this act [on the uses of FMF, IMET, and peacekeeping operations funds] shall include a description of any such items provided to foreign security forces."

Due to concerns with Bahrain's record on reform and human rights, a number of security assistance items remain on hold, including armored Humvees and anti-tank missiles worth $53 million, lethal and non-lethal crowd control weapons and equipment, and other dual-use security items. The Bahraini government has recently detained leading opposition figure Khalil al-Marzooq

[14] US Commission on International Religious Freedom, Annual Report 2013.

[15] Public Report of Review of U.S. Submission 2011-01 (Bahrain), Office of Trade and Labor Affairs, Bureau of Labor Affairs, U.S. Department of Labor, December 20, 2012.

[16] Implementation of the Bahrain Independent Commission of Inquiry Report, Tom Lantos Human Rights Commission Hearing, August 1, 2012.

and issued decrees restricting the rights and abilities of political groups to assemble, associate, and express themselves freely, primarily by regulating their communications with foreign governments and international organizations.[17] Given these developments and the lack of meaningful progress on reform, efforts to restrict security assistance and crowd control items will likely persist in the coming year.

Egypt

For several years now, no country's bilateral assistance package has received more attention or been more hotly debated than Egypt's. On the surface, U.S. aid to Egypt has been marked by more continuity than the assistance provided to any other Arab country. While the levels of aid to other countries have fluctuated dramatically, Egypt's military aid package has remained constant at $1.3 billion annually since the 1980s, accompanied by a large-scale annual economic aid package that has stood at $250 million since 2009. But beneath the continuity on the surface, the U.S.-Egypt aid relationship has become increasingly contentious and strained. A number of key debates regarding U.S. assistance globally – such as the effectiveness of conditioning military aid and the right of the U.S. government to support independent civil society organizations without the explicit approval of the host government – have their roots in U.S. aid to Egypt. Events in Egypt since 2011 have strained the aid relationship on numerous occasions – the mass protests of January 2011, the crackdown and prosecution of democracy promotion organizations, the use of violence by security forces, and anti-American propaganda campaigns. Now, in the wake of the Egyptian military's removal of Egypt's first democratically elected president from power in July, that longstanding aid relationship is being put to the test once again.

Following the 2011 revolution that ousted former President Mubarak, debates on how and when to use aid as leverage have peaked at key moments in Egypt's transition. Many observers note that the U.S. communicated clearly to the Egyptian military in February 2011 – a time when many Arab militaries were employing brute force against protesters – that such actions against protesters in Egypt would negatively impact the U.S. aid relationship. Again in early 2012, pressure against the military government in Egypt surrounding the detainment of American NGO workers inside Egypt included a serious threat of a military aid suspension by administration and congressional voices.

In Congress, three main camps have emerged on the issue of Egypt's aid. Senator Rand Paul (R-KY) has been a leading voice in one camp (which also includes a number of vocal House Republicans) that argues that the U.S. should immediately reduce or even eliminate all foreign aid to any country or leader that is not "an unwavering ally of the United States," including Egypt, Pakistan and Libya.[18] Emboldened by a constrained domestic budget environment and the populist appeal of foreign aid cuts, this group feels that their position is the most favorable in terms of U.S. domestic politics.

The second group has favored maintaining the status quo, avoiding any real changes to the aid relationship – especially the military aid – in order to maintain a close relationship with the Egyptian military. This has essentially been the position of the administration and leading members of both parties, including House Majority Leader Eric Cantor (R-VA) and the Ranking Member of the House Foreign Affairs Committee Eliot Engel (D-NY). This group sees recent events in Egypt, during which the U.S. relationship with both the Muslim Brotherhood and the secular/liberal political opposition to the Brotherhood has deteriorated sharply, as only underscoring the importance of preserving a strong relationship with the mili-

[17] "Political Situation in Bahrain," U.S. State Department, September 19, 2013.

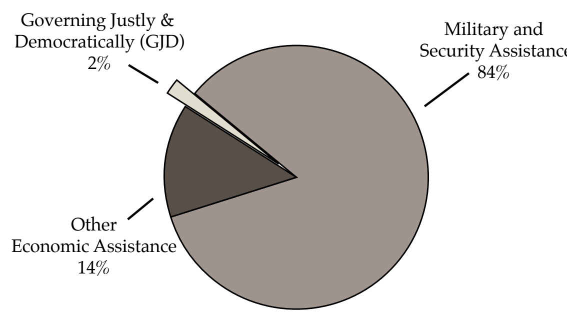
[18] "Sen. Paul Issues Dear Colleague Letters Urging Members to Join His Push to Cut Foreign Aid," September 18, 2012.

tary. As former U.S. Ambassador to Egypt Daniel Kurtzer testified to the Senate Foreign Relations Committee in July 2013, "It would make no sense for the United States to cut off aid to the Egyptian military, the one group in Egypt that continues to share our interests and the only group ultimately capable of assuring domestic stability."[19]

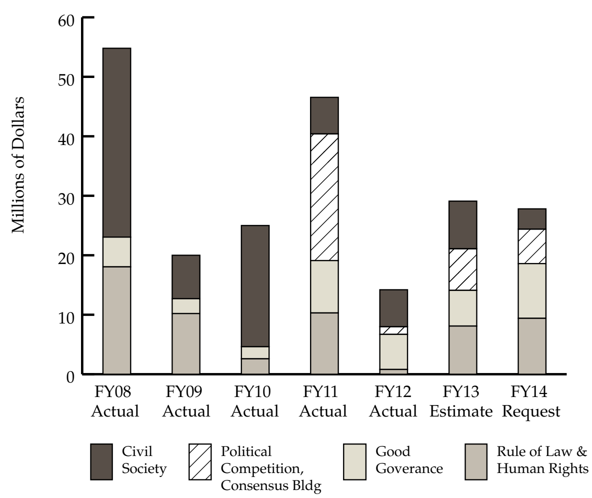
The third group strongly values the long-standing relationship with the Egyptian military, but believes that the bilateral relationship – including foreign assistance – must be updated or modernized to adapt to new political realities. In March 2013, five Senators introduced different Egypt-related amendments to a continuing resolution on funding the government in FY13. Senator Rubio (R-FL) took the most forward-leaning approach of this group and declared the "era of blank checks" over, asserting,

> "The U.S.-Egypt relationship has been a critical one for decades, but it must be adapted to reflect the new political reality the Arab Spring has created. That adaptation process must begin with how our money is being spent and conditioning our assistance on Egypt's adoption of economic reforms and a serious effort to protect the rights of religious minorities, women, a free press and the ability of Egyptian and foreign NGOs to promote civil society, governance and democracy."[20]

Egypt: Total FY14 Request



Egypt: GJD Funding, FY08-14



At the time of their introduction in March 2013, these amendments did not receive widespread backing in the U.S. Senate and were eventually tabled. But with the military coup against former President Morsi in July 2013 and the brutal crackdown against his supporters in August in which more than a thousand Egyptians were killed, aid to Egypt has again become a hot-button issue in Congress. In President Obama's statement on Egypt on July 3, 2013, he declared, "Given today's developments, I have also directed the relevant departments and agencies to review the implications under U.S. law for our assistance to the Government of Egypt."[21]

At that time, several senators called openly for an immediate suspension of direct assistance to Egypt, as required by Section 7008 of the FY12 appropriations bill. Under that section, U.S. law requires the suspension of direct foreign assistance to "the government of any country whose duly elected head of government is deposed by military coup d'état or … decree in which the military

[19] "Crisis in Egypt," Senate Foreign Relations Committee, July 25, 2013.

[20] "Rubio To Introduce Measure To Block Aid To Egypt Absent Economic & Human Rights Reforms," March 12, 2013.

[21] "Statement by President Barack Obama on Egypt," The White House, July 3, 2013.

plays a decisive role." Senator Pat Leahy (D-VT) stated on July 3, 2013, "Egypt's military leaders say they have no intent or desire to govern, and I hope they make good on their promise. In the meantime, our law is clear: U.S. aid is cut off when a democratically elected government is deposed by military coup or decree."[22] Traveling in Egypt in early August 2013, Senator John McCain (R-AZ) said, "The circumstances of the former government's president's removal were a coup, and we have said that we cannot expect Egypt or any other country to abide by its laws if we do not abide by ours in the United States."[23] Senator Paul again called for a suspension of aid: "Today we will vote on whether or not they [Congress] will obey the law or whether they will openly flout the law and disobey. When a military coup overturns a democratically elected government, all military aid must end. That's the law. There is no presidential waiver."[24]

In reaction to resurgent demands that the U.S. respond more strongly following the military's violent crackdown that began on August 14, calls for an aid suspension increased, but White House officials have so far refused to make any public determination. White House Spokesman Josh Earnest noted only: "So when I say 'hold them accountable' I mean we're going to remind them that they made that promise and encourage them to keep it."[25] Although the administration has not yet declared publicly whether they will officially suspend direct assistance to Egypt under Section 7008 – arguing they are not bound by that law to make such a determination one way or the other – it appears that they have nonetheless unofficially suspended the delivery of military assistance at least for the moment. Since July 2013, the White House has suspended the delivery of four F-16s to Egypt, canceled joint Bright Star exercises in the region, and is considering suspending the delivery of 10 Apache helicopters to Egypt in September as well. In her September 2013 confirmation hearing as Assistant Secretary to the State Department's Bureau of Near Eastern Affairs, former U.S. Ambassador to Egypt Anne Patterson said, "Over the past weeks, at the President's direction, we have undertaken a major review of our economic and our military assistance programs. As Egypt changes, so too must our bilateral relationship evolve. As we consider how to best recalibrate our assistance, we must take account all of the events that have taken place in Egypt, including the last two months."[26]

Due to the long-term, sizable military assistance package that Egypt receives, a number of structural elements make changes to the relationship incredibly complex and difficult. As one observer has pointed out, "Along with Israel, Egypt is one of only two FMF recipients provided the courtesy of 'early disbursement' — at the beginning of the year, U.S. funding is deposited in an account at the New York Federal Reserve, and Cairo is allowed to use the interest accrued on these deposits to purchase additional equipment." In addition, "Another special provision allows Cairo to 'cash-flow finance' its purchases from American defense contractors. Unlike most other FMF recipients, the Egyptian government does not have to pay in advance for its expensive U.S.-contracted weapons systems; instead, it can make financial commitments that are covered by projected future FMF grants. Typically, Cairo will have more than $2.5 billion in outstanding commitments to purchase weapons and support services from American companies at any given time."[27]

Furthermore, many in Washington have expressed fears about the potential financial penalties that may be incurred by the U.S.

[22] "Comment Of Senator Patrick Leahy (D-Vt., Chairman Of The Budget Committee For The State Department And Foreign Assistance) On The Military Takeover In Egypt," July 3, 2013.

[23] "2 Senators Visit Egypt With Threat on U.S. Aid," *New York Times*, August 6, 2013.

[24] "Senate Votes on Paul Egypt Aid Amendment," July 31, 2013.

[25] Press Briefing by Principal Deputy Press Secretary Josh Earnest, August 14, 2013.

[26] "Statement of Anne W. Patterson: Nominee to be Assistant Secretary of State for Near Eastern Affairs," Senate Foreign Relations Committee, September 19, 2013.

[27] Inside the Complex World of U.S. Military Assistance to Egypt, David Schenker, The Washington Institute for Near East Policy, September 4, 2013.

government if military aid to Egypt were suspended. As the bulk of Egypt's FMF is spent on procurements from U.S. defense contractors through several large, multi-year agreements, some fear that a suspension of FMF could lead to non-payment of those contracts. Moreover, there are fears that such a move could trigger large financial penalties for which the U.S. government would be responsible.

But if assistance to Egypt were to be terminated or suspended, Section 617 of the Foreign Assistance Act of 1961 states:

> "[T]he President is authorized to adopt as a contract (in whole or in part) any liabilities arising thereunder, any contract with a United States or third-country contractor that has been funded with assistance under such Acts."

In addition, the same section of the law also gives the President the authority to reobligate unspent funds "to meet any necessary expenses arising from the termination of such assistance." That is to say, the U.S. government is able to make payments to contracts even in the event that aid is suspended or terminated.

Congressional concerns about suspending Egypt's annual assistance package have also centered on the perception that the U.S. is obligated by the Camp David Accords to provide such aid. In reality, although the large-scale aid package to Egypt was initially established in conjunction with the accords, there is no legal or official connection between today's aid to Egypt and the accords or the Egypt-Israel Peace Treaty. Faced with this question in June 2013, the State Department clarified, "The United States is not obligated to provide assistance to Egypt. We provide assistance because it serves U.S. national interests in a crucial and volatile region."[28]

Dramatic political events in Egypt and a greater interest and willingness to explore restructuring Egypt aid in Washington have given new receptivity toward a more forward-leaning approach in Congress that would tie Egypt's annual assistance package to democratic progress and respect for human rights. Each chamber has reflected this with a number of new provisions in their FY14 State and Foreign Operations appropriations bills. Each of the two versions of the bill includes conditions on at least some portion of Egypt's aid without giving the administration the ability to waive those conditions on grounds of U.S. national security interests. The Senate also takes a new approach by dividing Egypt's military assistance into four tranches, giving appropriators and the administration distinct opportunities for the U.S. to use aid leverage with Egyptian authorities throughout the year, rather than a one-off decision as has been required in previous years.

Those four tranches in the Senate bill, subject to certifications by the Secretary of State, are as follows: (i) 25 percent of the military aid is provided immediately; (ii) 25 percent is conditioned on Secretary of State certification that the Government of Egypt is supporting inclusive political processes, allowing civil society organizations to operate freely, releasing political prisoners, and is not prosecuting political cases in military courts, with the bill providing a national security waiver of this condition; (iii) 25 percent is conditioned on credible elections taking place and a new, elected government is in place, with a provision for a national security waiver of this condition; and (iv) the final 25 percent is conditioned on that newly-elected government taking steps to govern democratically and protect human rights and the rule of law. The bill does not provide a waiver of this condition.

Beyond the Senate conditions required of the Government of Egypt, Senate appropriators also require a detailed, comprehensive and strategic review of military and economic assistance for Egypt. The presidential review must include the purpose of such assistance and specific goals and objectives of fur-

[28] "Taken Question: U.S. Assistance to Egypt," U.S. State Department, June 8, 2013.

thering reform in Egypt for: (i) supporting democratic and independent institutions, an inclusive political process, free and fair elections; (ii) promoting the rule of law; (iii) supporting economic reforms; (iv) fostering a vibrant civil society and an independent media; (v) supporting security sector reform; and (vi) combating terrorism.

Finally, the Senate bill renews a FY13 effort to reduce Egypt's ESF "by an amount the Secretary determines is equivalent to that expended by the United States Government for bail, and by nongovernmental organizations for legal and court fees, associated with democracy-related trials in Egypt." On June 4, 2013, an Egyptian court handed down guilty verdicts and sentences of up to five years in prison to the 43 NGO workers who had been on trial for their activities in Egypt. The State Department described the trial as "politically motivated" and a decision that "runs contrary to the universal principle of freedom of association and is incompatible with the transition to democracy."[29] The White House also called on the Government of Egypt "to protect the ability of these groups to operate freely, including by ensuring that the civil society law under consideration by the Shura Council conforms with international standards, and by working with international and domestic civic organizations to ensure they can support Egypt's transition to democracy."[30] Months later, in her September 2013 confirmation hearing, former U.S. Ambassador to Egypt Anne Patterson surprisingly did not mention the NGO trials when addressing Egypt.[31]

The House bill conditions economic and military assistance to the Government of Egypt on: (i) demonstrating a commitment to a pluralistic and inclusive democracy, including by: (I) planning for and conducting free and fair elections; (II) protecting freedom of expression, association, assembly, religion, and due process of law; and (III) respecting the rights of civil society organizations to operate without harassment or interference; and (ii) taking action to eliminate smuggling networks between Egypt and Gaza and to combat terrorism, including in the Sinai.

Most notably, the House bill does not include any specific earmark for economic assistance Egypt, as has been done for the past 30 years. Some Hill staffers point out that the bill does not specifically prohibit such funding, so the administration could provide this amount of economic aid from other sources. Finally, the bill does not include a national security waiver for any of these conditions — a departure from previous practice.

Given the trajectory of political events in Egypt, with the Egyptian security services' massacre of protesters in August, the suspension of the constitution and return of military rule, the systematic isolation of Muslim Brotherhood leaders and members from political processes, and the extreme anti-American sentiment across the political spectrum, many commentators dismiss U.S. leverage as being nearly non-existent, including through the $1.5 billion plus annual aid package. Others, while contending that the U.S. missed an extremely important opportunity to suspend aid on July 3, 2013, to send a signal that the Egyptian military urgently needs to restore a democratic transition, now argue that the U.S. cannot and should not be seen as funding and arming an autocratic, military-led government that is killing its own people and reestablishing a Mubarak-era police state.

As the administration delays a decision regarding suspension of aid to Egypt under Section 7008, it is clear that congressional appropriators have shown a new determination to assert control over Egypt's assistance package in an attempt to influence the political decisions of Egypt's generals and government, and they have demonstrated a

[29] "Egypt NGO Trial Verdicts and Sentences," U.S. State Department, June 4, 2013.

[30] "Statement by National Security Council Spokesperson Caitlin Hayden on Egypt NGO Trial Verdicts and Sentences," White House, June 4, 2013.

[31] "Statement of Anne W. Patterson: Nominee to be Assistant Secretary of State for Near Eastern Affairs," Senate Foreign Relations Committee, September 19, 2013.

willingness to remove the administration's national security waiver, which has been repeatedly used to override congressional conditions in the past.

In the coming months and fiscal year, Congress is likely to take some modest, yet meaningful steps toward untangling the 30-year knot that has become Egypt aid, including possibly: 1) eliminating in part or in whole the national security waiver for democratic conditions on Egypt's military aid; 2) eliminating Egypt's cash-flow financing benefits; 3) eliminating the "early disbursement" status of Egypt's military assistance; 4) forcibly redirecting Egypt's military assistance spending away from large equipment purchases to IMET and counterterrorism trainings, as well as increasing border security resources in the Sinai; and 5) introducing a "transfer provision" that would allow the administration to rebalance Egypt's military and economic aid balances, reducing military expenditures as leverage while doubling down on support to Egypt's economy, development projects, and civil society.

Beyond the structure and conditions tied to Egypt's assistance, congressional offices express frustration with what they perceive as a lack of a clear U.S. strategy in Egypt. In the absence of a new, publicly announced strategy from the administration, Congress will likely also seek to impose a strategy on the administration for its aid package with clear goals, benchmarks, and timelines.

Iraq

With the withdrawal of the last American troops in late 2011, Iraq has become increasingly polarized along sectarian divides. Prime Minister Nuri al-Maliki and his close allies have consolidated their power, while other key political actors have been sidelined. Analysts have suggested that the ruling by Iraq's Federal Supreme Court to overturn a law that would have imposed a maximum of two terms for the president, prime minister, and speaker of parliament clears the path "for a third prime ministerial campaign in 2014" for al-Maliki.[32]

During his trip to Iraq in March 2013, Secretary Kerry raised concerns about the delay of local elections in two of Iraq's provinces. The polls in these provinces were marred by low voter turnout and widespread violence during the campaign season. In order to limit public criticism, the Iraqi government also suspended the broadcasting licenses of ten satellite channels.

The most striking aspect of Iraq's bilateral assistance package is its dramatic decrease over the last few years. Indeed, the State Department's FY14 request for $573 million for Iraq represents a 53 percent decrease from FY12, in accordance with an "accelerated glide path" to reduce staffing and funding levels. The goal of the FY14 Iraq budget levels is to "reset assistance programs to a new enduring level commensurate with U.S. interests and Iraq's needs." USAID Acting Assistant Administrator for the Middle East Alina Romanowski testified in a congressional hearing in May 2013, "On Iraq, like other U.S. Government agencies, USAID is reducing our programs and presence. As such, we have not requested funding in FY14. Existing funds will continue programs that support vulnerable populations, strengthen civil society, improve governing institutions, and promote private sector development."[33]

The FY14 Senate bill echoes the desire to accelerate a drawdown of diplomatic presence and associated costs in Iraq, designating $15.3 million for USAID operations in Iraq to "be provided in a manner that accelerates the agency's departure from that country, currently scheduled for 2015." Criticism of the size and the cost of the U.S. diplomatic facilities in Iraq has also been consistent on the Hill. The Senate bill prohibits funding for Consulate Basrah until the Secretary of State

[32] Wicken, Stephen, "Maliki Eyes Third Term: 2013 Iraq Update #34," August 2013.

[33] "The Middle East and North Africa FY 2014 Budget: Priorities and Challenges" Subcommittee on the Middle East and North Africa of the House Committee on Foreign Affairs, May 22, 2013.

submits a report "assessing cost effective, operational alternatives for such facility, including closure of the Consulate and coverage of Basrah from Embassy Baghdad."

A secondary congressional concern with regard to Iraq has been the country's connection to the conflict in Syria, especially as PM al-Maliki is widely perceived to be facilitating the transport of Iranian material support to the Assad government through Iraqi airspace. The FY14 House bill contains new provisions to provide bilateral assistance to Iraq "only if such government is implementing policies to support international efforts to promote regional stability, including in Syria." During Secretary Kerry's trip to the country in March 2013, Kerry "made it very clear…that the overflights from Iran are, in fact, helping to sustain President Assad and his regime."[34]

During a Senate hearing in September 2012, then Senator Kerry raised these concerns with current Ambassador to Iraq Robert Beecroft, saying, "It just seems completely inappropriate that we're trying to help build their democracy, support them, put American lives on the line, money into the country and they're working against our interest so overtly — against their interests too, I might add." Kerry also stated that "maybe we should make some of our assistance or some of our support contingent on some kind of appropriate response."[35]

Iraqi bilateral assistance will continue to decline rapidly as the U.S. seeks to match a withdrawal of resources and diplomatic energy with the military withdrawal from the country nearly two years ago. This approach marks a shift from President Obama's declaration in October 2011 that with the troop drawdown, the U.S.-Iraq relationship would enter a new phase: "With our diplomats and civilian advisors in the lead, we'll help […] unleash the potential of the Iraqi people."[36] At the time of that speech, expectations of increased commitment to Iraq by the democracy promotion community to build democratic institutions and support democratic processes were high. Several years later, in a climate of scarce budget resources, competition from other countries in the region for assistance will continue to erode the much larger Iraq budget as regional appropriators seek to meet rising demands from Iraq's neighbors. As the power-consolidating tendencies of al-Maliki continue and frustration over Iraq's role in the ongoing conflict in Syria builds, it is likely that renewing high levels of assistance to Iraq will not be met by a receptive audience among appropriators.

Jordan

Although the government of Jordan has not experienced a large-scale revolution of the kind that has overturned neighboring governments, Jordan has nonetheless seen domestic criticism of and opposition to the ruling monarchy increase over the past few years, and many observers do not consider Jordan immune to the changes sweeping the region.

While the King of Jordan has accelerated a palace-led reform agenda in response to the Arab Spring, domestic demands regarding the pace of these reforms have simultaneously increased, particularly with regards to the economy and corruption. In addition to growing domestic discontent, the massive influx of Syrian refugees into the country has had a destabilizing impact. The U.S. has responded by allocating more than $150 million in humanitarian assistance to meet the needs of refugees living in Jordan, and bolstering Jordan's security forces through joint training exercises and the provision of F-16s, Patriot missile batteries, and American military planners in June 2013.

The U.S.-Jordan foreign assistance relation-

34 "Background Briefing on Secretary Kerry's Visit to Iraq," March 24, 2013.

35 "Nomination: U.S. Ambassador to Iraq," Senate Foreign Relations Committee, September 19, 2012.

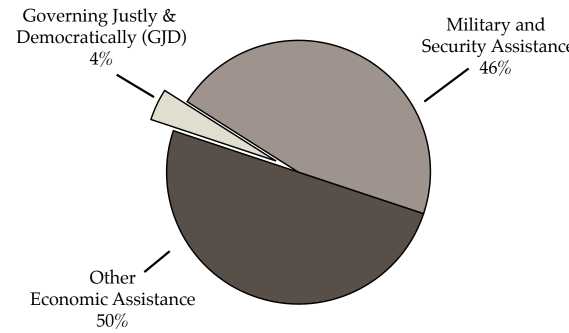
36 "Remarks by the President on Ending the War in Iraq," October 21, 2011.

ship is currently unique among Arab countries. A Memorandum of Understanding (MOU) signed in 2008 provides a sizable package of both economic and military assistance. The MOU commits the U.S. to provide at least $360 million in economic aid (ESF) and $300 million in military assistance (FMF) to Jordan annually until 2013. The MOU is due for renewal this year and will almost certainly be extended and perhaps even increased. In addition to the aid that Jordan receives through the MOU, the Kingdom signed a five-year, $275.1 million compact with the MCC in October 2010.

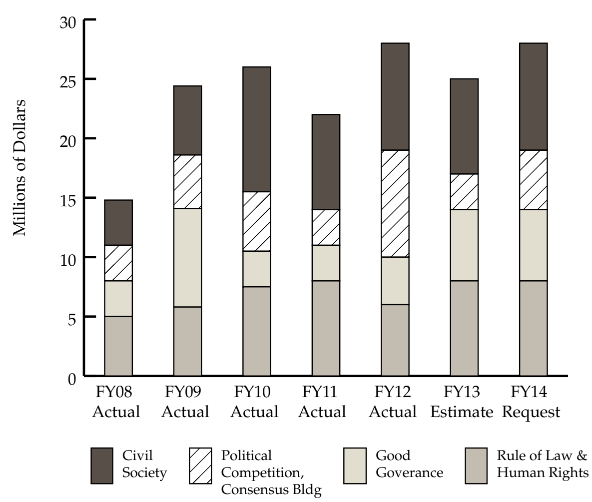
The King has implemented various elements of a wide-ranging reform agenda, including amendments to one-third of the articles of the constitution and the introduction of a new constitutional court and independent commission for elections. However, the Kingdom introduced a controversial new press and publications law blocking more than 300 websites in June 2013. In addition, amendments to the controversial election law fell far short of opposition demands, causing widespread boycotts of the January 2013 parliamentary elections. The new electoral law was meant to represent the apex of the reforms underway in the Kingdom, but domestic actors, including the boycotting Islamic Action Front party, asserted that those changes did little to alter the political status quo in Jordan, as the parliament still lacks any real power and is dominated by representatives of parochial interests.

In one of his first public appearances as Secretary of State, John Kerry gave strong public support to Jordan's democratic reforms: "This election is really the milestone – it represents a huge first step in this ongoing reform process, and I think we are all very proud of what they've accomplished."[37] During King Abdullah II's visit to the White House in April 2013, President Obama said the King has taken "some very important steps to further open democratization and entrepreneurship and economic development inside of Jordan." He added, "We think Jordan can be an extraordinary model

Jordan: Total FY14 Request



Jordan: GJD Funding, FY08-14



for effective governance in the region."[38]

This effusive praise has given undue credibility to a top-down process that has produced only superficial improvements to the political system. Even the administration's own budget request noted that the Jordanian monarchy is "under increased domestic demands to speed the pace of promised reforms that emanated from the Arab Spring to not only improve economic conditions, but also to strengthen democratic practices and reduce public corruption." After a trip to the country, Senator Marco Rubio (R-FL) echoed this sentiment, noting, "I'm concerned about

37 "Remarks With Jordanian Foreign Minister Nasser Judeh After Their Meeting" U.S. Department of State, February 13, 2013.

38 "Remarks by President Obama and His Majesty King Abdullah II before Bilateral Meeting," White House, April 26, 2013.

the pace of the democratic reforms, and I think we have a reason to be concerned about their economics, as well, and their long-term plan to develop the economy and create employment opportunities, which is largely at the heart of many of these Arab Spring revolts in the region."[39]

In addition to domestic political pressures, the 500,000-plus Syrian refugees in the country have created a host of other economic, security, and political challenges for the country. U.S. policymakers have pushed strongly for increased aid to bolster the King and prevent the influx of refugees from triggering political instability. Secretary Kerry testified in Congress in April 2013:

> "Jordan is *the* essential partner with respect to stability in the region, peace process, the West Bank. There are many, many ways in which every member knows Jordan steps up and tries to be helpful on things. And they're going through a difficult economic time as well as other challenges. The fourth largest city in Jordan today is a tent city. It's a city of refugees – fourth largest now. That has a profound impact on the rest of the country."[40]

Congress has been extremely supportive of King Abdullah II, and even in the current budget climate there has been no discussion of reducing the economic or military assistance to Jordan below the agreed-upon levels. On the contrary, there has been strong support for increasing Jordan's bilateral assistance package at a time when nearly all programs – even those with strong political support – are facing spending cuts. In addition to renewing funding levels of $360 million in ESF and $300 million in FMF, Congress has included new funding lines for Jordan in the FY14 bills. Out of the $575 million Complex Foreign Crises Fund included in the Senate bill, $200 million is designated to Jordan. Senate State and Foreign Operations Appropriations Ranking Member Senator Lindsey Graham (R-SC) has declared that U.S. assistance to Jordan "is indispensable to keeping the King in power."[41] In the FY14 House bill, appropriators included an additional $340 million in funds "for the extraordinary costs related to instability in the region" and authorized loan guarantees to the country. House State and Foreign Operations Appropriations Ranking Member Rep. Nita Lowey (D-NY) argued the bill's funding for Jordan "advances a critical national interest."[42]

In August 2013, the administration also announced that the U.S. would – for the first time – provide loan guarantees to Jordan. Pursuant to the loan guarantee agreement, the United States will guarantee up to a $1.25 billion, seven-year Jordanian sovereign bond. This is intended to facilitate the Government of Jordan's ability to borrow money from international capital markets, providing it with additional economic relief as it copes with the pressures of Syrian refugees in the country.[43]

Given strong, bipartisan congressional support for continuing and increasing assistance to Jordan, appropriators will likely renew the $660 million annual bilateral assistance package to Jordan, and could also increase assistance from other flexible accounts such as the CFCF. Coupled with the administration's agreement to provide $1.25 billion in loan guarantees to Jordan, Congress will also likely seek at least an additional $200 million to Jordan for refugee assistance in the coming year.

[39] "A Conversation on the Middle East Featuring Sen. Marco Rubio (R FL)" The Washington Institute for Near East Policy, February 27, 2013.

[40] "FY14 Department of State Budget Hearing" United States Senate Committee on Appropriations Thursday, April 18, 2013.

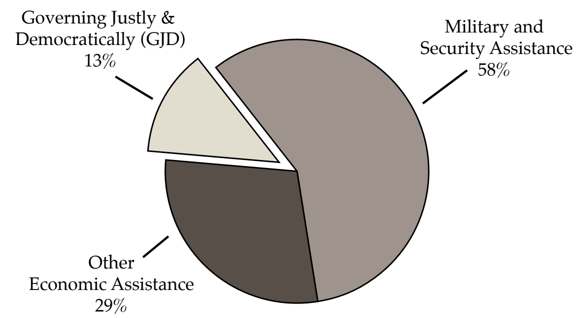
[41] "FY14 Department of State Budget Hearing" United States Senate Committee on Appropriations Thursday, April 18, 2013.

[42] "Full Committee Markup - FY 2014 State and Foreign Operations Appropriations Bill" U.S. House of Representatives Committee on Appropriations Wednesday, July 24, 2013.

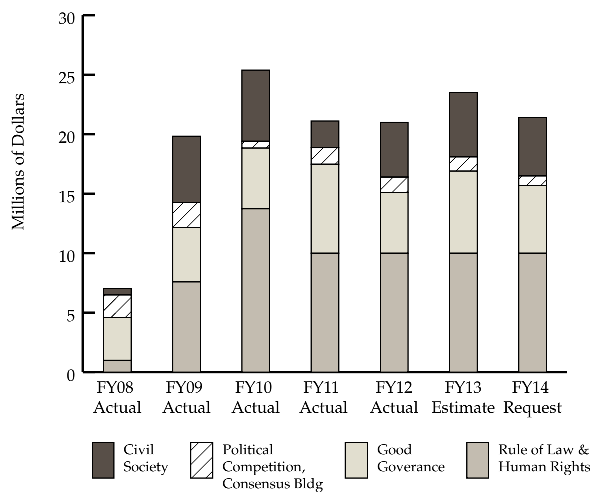
[43] "United States and Jordan Sign Loan Guarantee Agreement" U.S. Department of State, August 14, 2013.

Lebanon

Lebanon: Total FY14 Request



Lebanon: GJD Funding, FY08-14



Political stability has always been elusive in Lebanon, and over the past year in particular, the Lebanese government has faced a number of serious challenges. The inability to reach an agreement on a new election law, as well as internal divisions sharpened by the escalating conflict in Syria, resulted in the parliamentary elections scheduled for June 2013 to be delayed until November 2014. This is the first time that the parliament has extended its session since the end of the Lebanese civil war in 1990, heightening concerns that divisions over the conflict in Syria may be rendering political compromise in Lebanon impossible. Electoral reform is viewed as a zero-sum game in which opposing sides have clashed over a wide variety of issues, including proportional versus first-past-the-post voting, redistricting, lowering the voting age, regulations for out-of-country voting for Lebanon's vast diaspora, and discussions of a bicameral parliament.

Spillover from the conflict in Syria is not limited to political paralysis, but has also included bombings in Tripoli and Beirut, as well as Hezbollah's public acknowledgment of its direct military involvement in the Syrian conflict on behalf of the Assad government. The political situation became untenable for Prime Minister Mikati (who hails from Tripoli), leading to his resignation in March 2013. Since Mikati's resignation, Prime Minister-designate Tamam Salam has been unable to form a cabinet despite months of negotiations. Efforts to resolve the impasse continue, with numerous proposals put forth regarding the composition of the new cabinet and Speaker of the Parliament Nabih Berri and President Michel Sleiman calling for talks among all parties.

Beyond the polarizing political impact of Syria, the presence of more than 750,000 Syrian refugees has created enormous humanitarian and economic strains for Lebanon as well. In response, the U.S. has allocated more than $188 million in humanitarian assistance over the past two years, which is administered by international organizations in the country.

A primary focus of U.S. assistance to Lebanon has been bolstering the Lebanese Armed Forces (LAF) as a national, cross-sectarian army that can maintain stability and provide a counterweight to the armed elements of Hezbollah. In this year's budget request, the administration cited the LAF's inability to "carry out its mission to defend the sovereignty of the entire territory of Lebanon," and called for shifting funding towards building capacity for border control and interdicting "negative elements in Lebanon." The $75 million FMF program requested aims to enable the LAF to delegitimize Hezbollah and "to become the sole defender of Lebanon as an independent, non-denominational force."

Deputy Assistant Secretary of Defense for the Middle East Matthew Spence has contended, "The LAF can be a model of what can work." The $75 million FMF program provides training as well as weapons and is an important element to "underscore the US partnership" with Lebanon.[44] In her nomination hearing for Assistant Secretary of State to the Bureau of Near Eastern Affairs at the State Department, Ambassador Anne Patterson reiterated administration support for the FMF program to the LAF: "We support efforts by responsible Lebanese leaders to promote democratic practices and institutions that foster Lebanon's true national interests. That is why we will continue to support the Lebanese Armed Forces and Internal Security Forces with whom we work to confront the threats of terrorism and instability."[45]

Beyond military and security assistance to the LAF, U.S. development assistance has changed considerably over the past two years. Since Hezbollah and its March 8 coalition allies gained majority control of parliament, U.S. assistance has shifted away from direct work with the government and has been redirected towards municipalities, civil society and the private sector. Therefore, this year's request from the administration also includes plans for a new program that will bolster civil society's capacity to "play an active role in the Lebanese electoral process."

Libya

In July 2012, Libya held its first free and fair election in 40 years. Libyans turned out to elect a 200-person General National Congress, a body tasked with electing a prime minister, forming a government, and facilitating the formation of a new assembly to write the country's new constitution. Infighting and political gridlock, however, delayed passage of an election law by more than a year. Constituent assembly elections are now slated to take place in 2014, though an exact date has not been set, and worries persist that Libya's transition is not moving forward at the pace needed to confront the country's numerous challenges.

At the same time, security and economic challenges in Libya threaten to upend the country's fragile political transition. There is no trained army, and armed rebels outnumber security forces. Experts estimate that between 250,000 and one million armed militia fighters remain in the country. Libya SHIELD forces – pro-government militias that ostensibly work for the government – are not fully loyal and often harbor regional and tribal affiliations.

Moreover, for a country whose pre-revolution economy was highly dependent on oil, the transitional government's inability to keep oil flowing steadily has undermined economic and political stability. When the National Transitional Council (NTC) took over in 2011, the economy stabilized after the production of oil increased to pre-revolution output levels. But the lack of security and difficulty in reorganizing the national army and police force have plagued and paralyzed the government of Prime Minister Ali Zeidan, as has its inability to reform and diversify the economy. In the aftermath of the revolution, oil production is regularly disrupted by boycotts from both militias and the security forces ostensibly in charge of them.

Due to the presence of significant oil resources in Libya, the administration has not established a large-scale bilateral assistance program in Libya. Instead, the vast majority of assistance to the country has been allocated from multi-country programs and accounts including MEPI, the Middle East Response Fund (MERF), and the USAID Office of Transition Initiatives (OTI). During FY11 and FY12, a total of $187.9 million was spent

[44] Slavin, Barbara "Syria War Spurs US Military Aid To Lebanon" *Al-Monitor*, February 20, 2013.

[45] "Statement of Anne W. Patterson: Nominee to be Assistant Secretary of State for Near Eastern Affairs," Senate Foreign Relations Committee, September 19, 2013.

in Libya from such accounts. This year's federal budget request "pledges to continue to support Libya's democratic institutions, both to bolster the transition to democracy and ensure that the perpetrators in Benghazi are brought to justice."

Recognizing the importance of addressing Libya's security challenges, all of this year's modest $5.9 million request for bilateral assistance to Libya is allocated for various forms of security assistance, including support for counterterrorism efforts, border security and control, and reform of the police and security forces. More broadly, the administration's budget request describes the priorities of all assistance to Libya as "accounting for and securing conventional weapons; building niche military capacities to address specific threats to Libya's sovereignty; strengthening counterterrorism cooperation; enhancing border security; advancing civil society and democratic governance; providing election support; and strengthening judicial capacity and rule of law."

On Capitol Hill, the attack on the U.S. Consulate in Benghazi in September 2012 continues to dominate conversations on Libya. This focus is reflected in the Senate and House FY14 bills, both of which require the Government of Libya to cooperate with U.S. investigative efforts in Benghazi before funds are obligated. Further, the Senate bill prohibits all funds to Libya for infrastructure projects, "except on a loan basis with terms favorable to the United States."

Chair of the House State and Foreign Operations Appropriations Subcommittee Rep. Kay Granger (R-TX) said in the wake of the September 2012 attacks in Benghazi, "The Government of Libya should bring to justice the individuals who are responsible for this vicious attack. All foreign governments must fulfill their responsibilities to keep our diplomats safe and secure...This is exactly why I put $2.7 million of assistance to Libya on hold this week."[46]

In contrast, Chair of the Senate State and Foreign Operations Appropriations Subcommittee Senator Pat Leahy (D-VT) has defended continuing aid to Libya in spite of the attacks in Benghazi: "Do we really want to cut off aid to the Government of… Libya, which we helped to liberate, and which has just emerged from a bloody revolution to overthrow a tyrant who posed a real threat to regional peace and security?"[47] This view has been echoed by the administration, including Deputy Secretary of State William Burns, who noted in December 2012 that "a second element of American strategy across the region is continued support for political openness, democratic reforms, and successful post-revolutionary transitions…For all its obvious fragility, Libya's transition deserves our sustained support."[48]

Despite such rhetoric in support of Libya's transition, U.S. assistance for Libya remains limited, for two reasons: (1) there is a widespread perception that large-scale oil revenues render outside financial assistance unnecessary, and (2) concerns, particularly in Congress, regarding the Libyan government's response to the attacks in Benghazi and efforts to hold perpetrators accountable. Observers note that although Libya does indeed have large-scale oil resources, the steady production of oil has been extremely unreliable and the government does not yet have the kind of consistent, reliable flow of resources that would obviate the need for external support.

Morocco

In early 2011, youth protests in Morocco began under the banner of the February 20 Movement. In response, King Mohammed VI's government passed a new constitution in July 2011, ostensibly limiting the monarch's wide-ranging powers. Many Western observers have praised the "Moroccan model" of palace-initiated reform, arguing

46 "Weekly Enewsletter: Holding Egypt and Libya Accountable," Rep. Kay Granger, September 14, 2012.

47 "Statement Of Senator Patrick Leahy On The Amendment Of Senator Rand Paul," September 21, 2012.

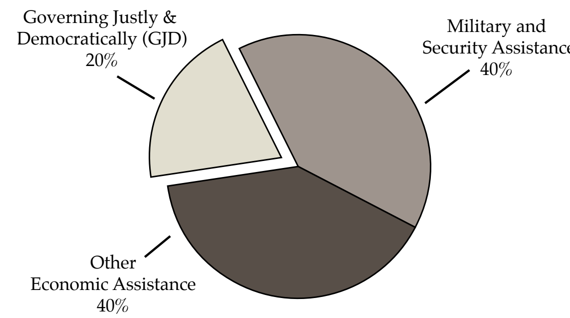
48 "Remarks at Manama Dialogue," December 8, 2012.

that the King's leadership has prevented the kind of large-scale uprisings other countries have witnessed.

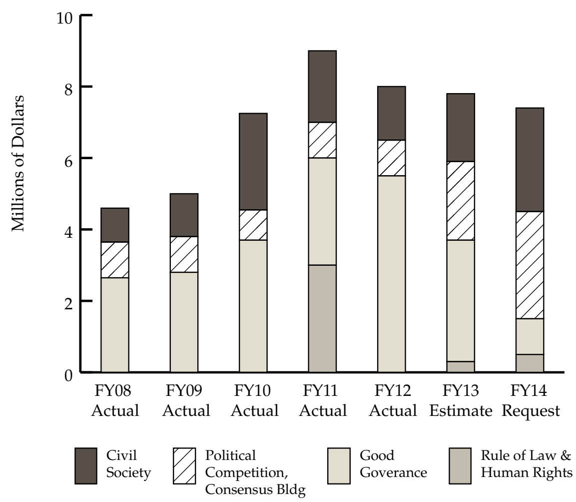
In contrast, Moroccan youth including the February 20 Movement have rejected this assessment, asserting that the constitutional amendments did not go far enough. Frustrations have persisted with the apparent lack of meaningful reform as a result of the new constitution and a new Islamist-led government taking power in parliament. Many attest that the Makhzen, a group of royals, unelected officials, and power brokers, essentially retain all genuine political power in the country, and reforms have only led to superficial improvements. It is unclear, however, whether the country's youth maintain the ability to rally mass support as they did in 2011. February 20 protesters planned anniversary protests in February 2013 calling for the release of political prisoners, but turnout was low. On the other hand, large protests against high unemployment re-emerged in April 2013, organized primarily by the country's trade unions.

This year's federal budget request notes that "despite a slower pace of change in 2012, Morocco continues to take steps forward in pursuit of political reform, and the country remains a stable and strategic ally of the United States in North Africa." The request notes:

Morocco: Total FY14 Request



Morocco: GJD Funding, FY08-14



> "Organized protests continue to highlight corruption, poor socioeconomic conditions, limitations on freedom of expression, and general distrust of traditional political parties as major sources of political tension…After the Moroccan Spring and the Monarchy's corresponding reforms, civil society is mobilized and constitutionally empowered, political parties are eager to shed their sclerotic past, and key parts of the government are keen to meaningfully engage citizens in policy-making."

The administration therefore plans to provide $1.5 million to increase engagement of political parties with citizens, $4.4 million to build the capacity of civil society, and $1 million to support the implementation of key reforms, including government accountability and the institutionalization of "constitutionally-mandated mechanisms for citizen participation in the policy process."

It has been noted, including in previous editions of this report, that Morocco appears to be one of the more promising locations for an increase in democracy and governance programming. The existing $7.4 million package is quite small, given the size of the country. In comparison with other governments of the region, the Moroccan government has shown willingness to both engage in reform and to permit space for civil society to operate. For several years, the administration has suggested that it hopes to increase democracy-related funding for Morocco. Any substantial increase in funding has yet to materialize, though it does appear that funding for political party development may begin to increase in FY14.

In addition to Morocco's bilateral assistance program, the country received the largest Millennium Challenge Corporation Compact to date in 2007, worth $698 million, which is due for completion in September 2013. In December 2012, the MCC selected Morocco as one of five countries eligible for a second compact "contingent on successful implementation of the first compact, continued good policy performance and development of proposals that have significant potential to promote economic growth and reduce poverty."[49] However, the FY14 House bill proposes to cut MCC dramatically - by $196 million, or nearly 25 percent of its budget. If this level of MCC funding were passed, it is unclear how the MCC would prioritize or reshape future compacts under such budget constraints.

In addition to national political reform and development, debate over Morocco's role in the Western Sahara has continued. In October 2012, the King expressed interest in discussing the Western Sahara as an autonomous region of Morocco, amid protests over Saharawi self-determination. Months later, Morocco rejected a UN plan to monitor human rights in Western Sahara.

In the FY14 House bill, new provisions for Morocco would allow ESF funds to "be made available for assistance for any region or territory administered by Morocco, including the Western Sahara." In this year's FY14 House bill markup, this language was a source of considerable debate. Rep. Betty McCollum (D-MN) argued that the bill's language on Western Sahara is "a dangerous departure from U.S. policy that serves no other purpose than to advance the interests of Morocco at the expense of the United States." Democracy advocates in the administration share McCollum's view that the bill's language would constitute a departure from current U.S. policy. Against opposition from other appropriators, McCollum said, "We are now putting funding that we normally distribute through the international community to support the people of the Western Sahara to determine their own self-determination in the hands of the Moroccan government, which leaves the people in the Western Sahara to feel that they are even being further, further controlled by the Moroccan government."[50]

Congressional debates over U.S. policy on bilateral assistance to Western Sahara – and whether that assistance is channeled through the government of Morocco rather than international institutions – will likely continue in both chambers. More broadly, support for Morocco's assistance package – both ESF and FMF – generally remains strong, and opportunities remain to increase democracy assistance funding to the country. Beyond bilateral assistance, it appears that Morocco is very likely to sign a second MCC compact in the coming year as well.

Syria

Since the outbreak of protests began in Syria, humanitarian assistance has been a primary tool of U.S. policy to mitigate the impact of the ongoing civil war on the region. With at least two million Syrian refugees now living in neighboring countries, the U.S. has expressed public concern with the destabilizing impact of the Syrian civil war on key U.S. allies in the region including Jordan, Lebanon, and Turkey. With limited success in facilitating a negotiated political solution, the administration has repeatedly publicly pointed to its status as the largest donor of humanitarian

[49] "MCC Board Selects Countries Eligible for Compacts and Threshold Programs," December 19, 2012.

[50] "Full Committee Markup - FY 2014 State and Foreign Operations Appropriations Bill," U.S. House of Representatives Committee on Appropriations, July 24, 2013.

support in Syria, with nearly $1.4 billion allocated through USAID, the State Department, and international agencies and organizations to provide "food, clean water, shelter, medical care, and relief supplies to over 4.2 million people inside Syria, as well as to the more than two million refugees across the region."[51]

The armed conflict in Syria between pro- and anti-Assad forces is widely viewed as a stalemate, with pockets of territory under the full control of one side or the other, and vast swaths of territory being contested. Many opposition forces have called for direct military support to tip the balance against what is widely perceived as Assad's dominance through air power. Opposition forces have gone through several iterations of leadership changes and reorganization. The National Coalition of Syrian Opposition and Revolutionary Forces now serves as the lead representative of the opposition outside of Syria, having been officially recognized by the United States and many other countries as the legitimate representative of the Syrian people. The opposition has also replaced the Assad government at the Arab League.

However, divisions among the anti-Assad forces have become more noticeable, with increasing levels of fighting between various rebel groups, all of whom are fighting against government forces. Moreover, Salafist and jihadist groups such as the al-Nusra Front and the Ahrar al-Sham Movement have emerged as the strongest fighting forces in the country. Due to security concerns and often locally-organized military operations, internal organization within Syria remains extremely fragmented and without a national leadership structure, with steadily shifting dynamics among newly emerging groups and coalitions.

As the administration seeks a negotiated political settlement through the UN, Congress has grown increasingly frustrated with the administration's Syria policy. From both sides of the aisle, many members of Congress have criticized the administration's approach as weak and unproductive, failing to adequately follow through on President Obama's declaration in August 2011 that "the time has come for President Assad to step aside."[52] Even among those members who do not support a more forceful policy in Syria, there is strong frustration with what most interpret as a policy bereft of a coherent strategy, complete with donor and interagency cooperation and coordination. Ranking Member of the Senate Foreign Relations Committee Senator Bob Corker (R-TN) said in April 2013:

> "[I]n this budget, we see a lack of structured funding for Syria. I fear this reflects the lack of a coherent strategy and a failure to plan ahead to invest in specific priorities, whether supporting the opposition inside Syria or better preparing neighboring states to weather the coming storm."[53]

Congressional proposals for Syria policy have included: calling for direct military intervention, a targeted bombing campaign, sharing intelligence with and arming elements of the opposition, imposing a no-fly zone, using Patriot missiles stationed in nearby countries to create "safe zones," creating a humanitarian corridor to deliver assistance to besieged territories within the country, and sanctioning "enablers" of the Syrian regime that sell weapons to the Assad government or buy Syrian oil. In contrast, many other members of Congress argue the U.S. should disengage entirely from the Syrian conflict. This camp has cited the presence of extremist and al-Qaeda elements among the opposition, potential repercussions against Israel and neighboring allies if the U.S. moves more forcefully against Assad, and a general reticence for military entanglement in the region.

This year's federal budget request calls for

[51] "U.S. Humanitarian Assistance in Response to the Syrian Crisis," The White House, September 24, 2013.

[52] "Statement by President Obama on the Situation in Syria," The White House, August 18, 2011.

[53] "Corker: President's FY 2014 State Department Budget Request 'Reflects Sense of Uncertainty' on Planning for Syria and Unanswered Questions on Benghazi," April 18, 2013.

$45.2 million in direct bilateral assistance, a 49% increase from current spending levels, and emphasizes the provision of "non-lethal support to the civilian opposition in Syria." MEPI activities based in Istanbul have also supported civil society, grassroots organizations, and opposition groups in Syria. Secretary Kerry noted in an April 2013 budget hearing that the U.S. humanitarian assistance to Syria "actually delivered flour to bakeries in Aleppo and provided food and sanitation in the Atmeh refugee camp, which is not inconsequential in terms of stability."[54]

A September 2013 fact sheet on assistance to Syria notes:

> "The United States is providing more than $1 billion in humanitarian assistance, more than any other nation, to help those affected by the conflict inside Syria and across the region. Aside from humanitarian assistance, the United States has committed $250 million in non-lethal transition support to the Syrian opposition. This assistance is helping the Syrian Coalition, local opposition councils and civil society groups provide essential services to their communities, extend the rule of law, and enhance stability inside liberated areas of Syria. These funds also provide nonlethal assistance to support the Supreme Military Council (SMC) of the Free Syrian Army."[55]

Although there is disagreement in Congress over the role of the U.S. in the conflict, there is a broadly shared concern about the impact of Syrian refugees on neighboring countries in particular, and thus support for humanitarian assistance to Syrians and neighboring host governments.

Senators Lindsey Graham (R-SC), John McCain (R-AZ), and Joe Lieberman (I-CT, retired) argued in December 2012 that the "failure to get American humanitarian assistance to the Syrian people has not only worsened the humanitarian crisis but has also created opportunities for extremist groups to provide relief services and thereby win even greater support from the Syrian people."[56] Senator Ben Cardin (D-MD) said in February 2013 that "there is still a tremendous need for the international community to contribute to the humanitarian needs of those who are affected in Syria." Ranking Member of the House Foreign Affairs Committee Rep. Eliot Engel (D-NY) argued in an April 2013 hearing that "the State Department and USAID have worked hard to address the humanitarian catastrophe, but I don't believe that this civil war can be won with only humanitarian assistance and diplomacy."[57]

Diverse congressional positions on Syria are reflected in the House and Senate versions of this year's foreign assistance bills. The House adopted a reactive approach given the uncertainty of events in Syria in FY14, articulating only in its FY14 bill that the Secretary of State must consult with the Appropriations Committees before funds are made available in regards to Syria. In contrast, Senate appropriators sought to impose a set of priorities and demand a strategy from the administration before authorizing assistance to Syria. The bill allows for economic and security assistance funds to be allocated to Syria, provided such programs seek to:

(A) establish governance in Syria that is representative, inclusive, and accountable;

(B) develop and implement political processes that are democratic, transparent, and adhere to the rule of law;

(C) further the legitimacy of the Syrian opposition through cross-border programs;

(D) develop civil society and an independent media in Syria;

(E) promote economic development in Syria;

[54] Secretary of State John F. Kerry, "FY 2014 International Affairs Budget," Opening Remarks Before the Senate Foreign Relations Committee, April 18, 2013.

[55] "U.S. Government Assistance to Syria," U.S. State Department, September 7, 2013.

[56] "Syria's Descent into Hell," *The Washington Post*, December 31, 2012.

[57] "Securing U.S. Interests Abroad: The FY 2014 Foreign Affairs Budget," House Foreign Affairs Committee, April 17, 2013.

(F) document, investigate, and prosecute human rights violations in Syria, including through transitional justice programs and support for nongovernmental organizations; and

(G) counter extremist ideologies.

Before any funds can be spent, the bill also requires the Secretary of State to submit a comprehensive strategy in Syria, including "a clear mission statement, achievable objectives and timelines, and a description of inter-agency and donor coordination and implementation of such strategy."

Another factor complicating assistance to Syria is the existence of a number of legal restrictions and U.S. sanctions on the country, many of which result from Syria's designation as a state sponsor of terror. However, congressional analysts have noted a number of provisions in the law that could make funds available, including funds for nonproliferation, anti-terrorism, and demining programs as well as unanticipated contingency funds and democracy promotion. The President also has additional authorities under various sections of the Foreign Assistance Act of 1961 that allow the administration to make up to $100 million in a given fiscal year available to Syria.[58] Using these various authorities, appropriators and budget specialists in the State Department have reprogrammed funds to provide humanitarian assistance and nonlethal support to Syrian initiatives over the past two years in compliance with current legal restrictions.

With the use of chemical weapons by President Assad in the suburbs of Damascus on August 21, 2013, the policy debate was almost completely consumed by President Obama's request for congressional authorization for the use of force in Syria. With congressional votes authorizing that use of force tabled, humanitarian assistance is again a primary focus for U.S. policy in Syria, with President Obama announcing an additional $339 million in humanitarian aid at the United Nations in September 2013.[59]

Debates over the broader administration strategy – including its objectives and relevant timelines – will continue well into the coming fiscal year. If Assad were to be removed from power, large-scale financial resources would likely be reallocated urgently in an attempt to mitigate violent reprisals, secure chemical and other destructive weapons, and support wide-ranging transitional justice and institution building programs. According to Congressional Research Service analysts, "In the event of regime change, the Obama Administration and Congress would need to reevaluate any successor government's policies with regard to support for international terrorism in order to determine Syria's potential eligibility for U.S. assistance."[60] To provide the kind of large-scale assistance effort required, successive layers of punitive sanctions toward the Syrian government would need to be reversed to provide direct assistance to a new government of Syria, though this would be a complex and politically sensitive task.

Tunisia

Of the post-revolution Arab countries that have entered a political transition, Tunisia has long been viewed as the best candidate for success in consolidating a transition to democracy. But in the past year, Tunisian politics have become dominated by a deepening secular-Islamist polarization, with severe political gridlock setting in between Ennahda and the secular/liberal opposition. This deep ideological divide, rooted in identity rather than political differences alone, has become entrenched not only in the political sphere, but also in civil society and other aspects of Tunisian society. In addition, the U.S. administration has been quite support-

[58] Jeremy Sharp and Christopher Blanchard, "Armed Conflict in Syria: Background and U.S. Response," Congressional Research Service, September 6, 2013.

[59] "U.S. Humanitarian Assistance in Response to the Syrian Crisis," U.S. State Department, September 24, 2013.

[60] Sharp, Blanchard, "Armed Conflict in Syria: Background and U.S. Response,"

ive of Tunisia's transition, but the bilateral relationship was seriously damaged by the September 2012 attacks on the U.S. Embassy in Tunis and the U.S. Consulate in Benghazi.

In 2013, escalating tensions turned violent, with the assassination of two outspoken opposition figures sparking the return of mass street protests and general strikes. Following the assassination of Chokri Belaid in February, Prime Minister Hamadi Jebali dissolved the Cabinet. He promised to assemble a new technocratic government, but then resigned when he failed to do so. His successor, Ali Larayedh, preserved an Ennahda-led coalition government, but divisions remained and impeded the progress of the National Constituent Assembly (NCA). Following the assassination of Mohamed Brahmi in July, 65 members of the opposition withdrew from the NCA, and its work was temporarily suspended. Negotiations continue over the formation of a new government, with many opposition figures denouncing the current process as illegitimate.

From an assistance standpoint, many U.S. government officials have boasted of the breadth and scope of programming and financial assistance marshaled to support the Tunisian democratic transition. In her nomination hearing for Assistant Secretary of State for Near Eastern Affairs at the State Department, Ambassador Anne Patterson noted, "Over the last two years, the United States has committed more than $350 million in assistance to Tunisia to support its democratic transition, economic stabilization and growth, as well as its efforts to enhance security in the country and along its borders."[61]

Tunisia was not the recipient of a significant bilateral assistance package from the United States prior to 2011. As a result, funds had to be mobilized from a variety of other accounts to support Tunisia's transition. The $350 million mentioned above was taken from numerous multi-country programs, including MERF, MEPI, and the Overseas Private Investment Corporation (OPIC). Unlike in Libya, however, the administration has been gradually increasing Tunisia's bilateral aid package so that it will not remain as reliant on multi-country sources of funds. USAID also plans to open an office in Tunis during FY14, which should facilitate the provision of future assistance.

The administration's bilateral FY14 request for Tunisia totals $61 million, representing a 69% increase over the level requested for FY13. A strong emphasis of U.S. assistance is providing support to Tunisia's fragile economy during its transition period. The federal budget request describes a priority for U.S. assistance in Tunisia as "increasing economic, income generation and employment opportunities, particularly for youth, women, and those living in the interior parts of the country where many feel socio-economically marginalized by the former regime." USAID programming describes Tunisia's ICT sector as a "catalyst for private sector growth and job creation," and OPIC will continue its work to develop Tunisia's franchising sector and provide Tunisians with access to credit. Funding to support Tunisian electoral processes and to empower women and youth has also been distributed through multilateral mechanisms, including MEPI and USAID's OMEP office.

However, all of these efforts have been impeded by the fallout from the September 2012 attacks on the U.S. Embassy in Tunis and the consulate in Benghazi. Following the attacks, most U.S. Embassy staff members were evacuated, and the embassy operated at a very limited capacity for most of the past year. In addition, the Tunisian government's response to those attacks was widely viewed in Washington as dissatisfactory, leading to some distrust in the bilateral relationship. Furthermore, a delegation of senior congressional staff visiting Tunis in the weeks following the attack came away very unimpressed with the seriousness of the Tunisian government's response, cooling congressional support for aid to Tunisia to

[61] "Statement of Anne W. Patterson: Nominee to be Assistant Secretary of State for Near Eastern Affairs," Senate Foreign Relations Committee, September 19, 2013.

some degree.

Nonetheless, many in Congress still view Tunisia as the best hope for a successful transition to democracy in the region and see a valuable role for the United States to play in supporting that transition. Senate appropriators endorsed the federal budget request for economic assistance to Tunisia in its version of the FY14 bill. Further, the committee report noted that the $575 million designated for a new Complex Foreign Crises Fund (CFCF, detailed in the section above on the MENA Incentive Fund) could include further financing of enterprise funds and loan guarantees for Tunisia.

The House bill does not contain any earmarks for Tunisia, though it explicitly prohibits any Millennium Challenge Corporation funding for assistance for Tunisia. In the fall of 2011, Tunisia became eligible for the Millennium Challenge Corporation's Threshold Program and completed the required constraints analysis in early 2013. This restriction is a preemptive move – the result of congressional concern regarding accountability for an alleged perpetrator of the Benghazi attack – as Tunisia has not yet finalized and signed any program agreement at this time. In December 2012, Congressman Frank Wolf (R-VA) sent a letter to Secretary Clinton and Appropriations Subcommittee Chair Kay Granger (R-TX) demanding aid be cut off from Tunisia for not allowing the FBI to interview the only detained suspect in the attack, a Tunisian named Ali Harzi:

> "I rise to ask that all U.S. aid to Tunisia be immediately cut off, in light of the country's blocking the FBI's attempt to investigate the attack and interview Harzi. Why are we giving any sort of aid to a country that has proven at this time it is no friend or ally of the United States? Why are we not doing everything in our power to investigate the events in Benghazi that killed four Americans? Should Secretary Clinton fail to cut off aid to Tunisia, I will take legislative action to cut off the aid."[62]

Harzi was questioned by the FBI after several months of negotiations, and he was later released from jail in Tunisia due to insufficient evidence that he was involved in the Benghazi attack. In response, Congressman Wolf reiterated:

> "Keep in mind that, since 2011, the American government has given $320 million in taxpayer dollars to the Tunisian government and [Tunisia] is being considered as a Millennium Challenge Corporation (MCC) candidate country. I find it morally wrong to support a country that has obstructed FBI efforts to bring these terrorists to justice. Last month, I asked the Obama Administration to cut off aid to Tunisia. I am very disappointed to learn that the State Department is once again ducking this issue and today refusing to comment on Harzi's release."[63]

As the appropriations process continued against a backdrop of ongoing frustration with the American, Libyan, and Tunisian governments' handling of the attack in Benghazi, Wolf's position gained traction among appropriators who eventually included the MCC restriction in the bill.

Overall, congressional support for assistance to Tunisia's transition is reasonably strong, and Hill offices and the administration alike generally regard the country as having the best prospects for success in the Arab Spring. But that support has certainly been tempered by the attacks in Tunis and Benghazi. Last year, Ranking Member on the Senate Appropriations Subcommittee on the Department of State and Foreign Operations Senator Lindsey Graham (R-SC) said that Tunisia was becoming a "very good news story if they stay on track."[64] But following

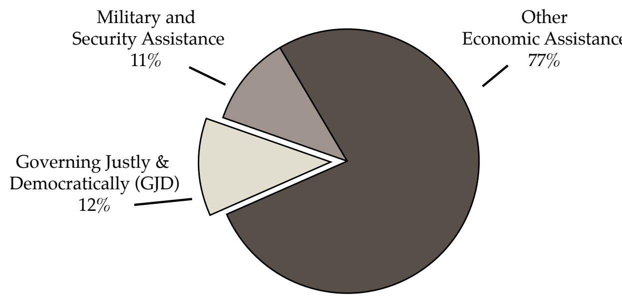
62 "Stop Foreign Aid to Tunisia," Rep. Frank Wolf, Congressional Record, December 12, 2012.

63 "Wolf Statement On Release Of Benghazi Attack Suspect: Tunisian Suspect Should Have Continued to be Detained" January 08, 2013.

64 Senate Appropriations Subcommittee on the Department of State,

the September attacks and the Tunisian government's refusal to make Harzi available for questioning, Senator Graham said, "If these reports are true, our partnership could be in serious jeopardy […] The Tunisian response to this situation is of the utmost importance and could have profound impacts on the relations between our two countries moving forward."

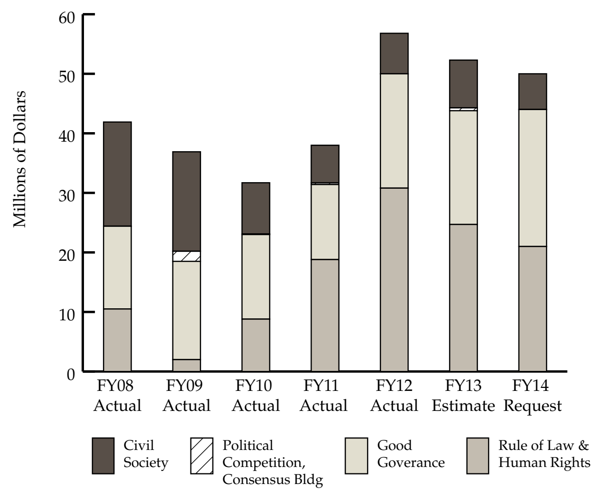
West Bank and Gaza: Total FY14 Request



West Bank & Gaza

Although the Palestinian Territories have not seen the kind of large-scale popular protests that have swept the region over the past two years, political conflict between Fatah and Hamas in their respective areas of control in the West Bank and Gaza has continued while the economy deteriorated. In September 2012, protests erupted in West Bank over rising prices, forcing Prime Minister Salam Fayyad to institute emergency economic measures and issue calls to international donors to increase aid amid growing criticism of corruption and economic mismanagement at home.

West Bank and Gaza: GJD Funding, FY08-14



In November 2012, a renewed outbreak of armed conflict erupted between Israel and militant forces in Gaza until former Egyptian President Morsi negotiated a ceasefire. Weeks later, diplomatic efforts of the Palestinians at the United Nations came to a head as the UN General Assembly voted to upgrade the Palestinian Authority to a non-member observer state, despite vocal opposition from the U.S. and Israel. Non-member observer status could enable the PA to join UN-affiliated agencies such as the International Criminal Court (ICC), which many U.S. observers fear could lead to cases filed against Israel in that body.

Following the Palestinian status upgrade at the UN, reconciliation efforts between Fatah and Hamas re-emerged, as both sides allowed the opposition party to hold rallies in the other's controlled area. After the Egyptian-brokered ceasefire in November 2012, former Egyptian President Morsi hosted Hamas leader Khaled Meshaal and PA President Mahmoud Abbas in Cairo in January 2013 to discuss national reconciliation.

The FY14 budget request for the West Bank and Gaza is for a total of $455 million, up slightly from the FY13 request of $440 million. Of this amount, $70 million is designated for security assistance including the reform of the security sector. The remaining $370 million is for development assistance, which will focus especially on "working

Foreign Operations and Related Programs markup of the fiscal year 2013 Department of State, Foreign Operations, and Related Programs Appropriations Bill, May 22, 2012.

with the Palestinian Authority (PA) to build the institutions of a future Palestinian state and deliver services to the Palestinian people." That development assistance will include $40 million to improve the use, sanitation, and hygiene in the management of water resources, as well as $9.5 million to support basic and higher education.

The budget request includes $50 million for democracy and governance programming, essentially holding steady at approximately the same level as in recent years. Democracy advocates have been disappointed since 2011 – not with the level of funding – but that funds designated to support democracy and governance have increasingly focused on enhancing the ability of the PA to provide services. The appetite of the U.S. and other international donors for programs to foster pluralism and political competition – which were common in the Palestinian territories ten years ago – has diminished in recent years.

Palestinian statehood has long been a hot-button issue in Congress, and the moves by the Palestinians to obtain observer status at the UN and then restart unity talks were met with extreme criticism by many members of Congress. Chair of the House Middle East and South Asia Subcommittee Ileana Ros-Lehtinen argued at a hearing opposing Palestinian reconciliation efforts, "I am disappointed that the administration continues to advocate for millions of taxpayer dollars to Palestinian programs and ignores existing U.S. law, which already prohibits funds to entities that recognize Palestine at the U.N."[65]

The Senate's FY14 bill does not fund the administration's request of $77.8 million for a U.S. contribution to the United Nations Educational, Scientific and Cultural Organization (UNESCO), as a consequence of Palestine becoming a member of that body. Furthermore, the bill renews limitations on ESF to the Palestinian Authority if the Palestinians obtain full membership as a state in the UN or any specialized agency, or if the Palestinians initiate or support an International Criminal Court investigation against Israelis for alleged crimes – though both provisions may be waived on the basis of national security. The House bill contains nearly identical restrictions, though it limits ESF funds to the Palestinian Authority if the Palestinians obtain "*the same standing as member states* [italics added for emphasis] or full membership as a state in the United Nations." That provision also contains a national security waiver.

In April 2013, PM Fayyad resigned, and many reports pointed to disagreements with President Abbas as the cause. For international donors, Fayyad's resignation was a major blow to channeling assistance to the Palestinians, as Western governments and aid agencies had channeled funding through the PA under Fayyad's direction since 2007. He has been widely credited with rejuvenating the economy and building state institutions with strong support from the West. Fayyad's replacement, Rami Hamdallah, resigned after just two weeks in office, and the office remains vacant.

Following the resignation of Fayyad, Secretary Kerry testified in Congress in April 2013 that "not strengthening the PA is to work against our own interests."[66] House State and Foreign Operations Appropriations Subcommittee Ranking Member Rep. Nita Lowey (D-NY) echoed this call, saying "funding for the Palestinian Authority helps build sound institutions so that the government can earn the trust of its people."[67]

Since Secretary Kerry was confirmed to lead the State Department in January 2013, he has exerted significant personal efforts to restart Israeli-Palestinian peace talks. After four years of being stalled, direct Israeli-Palestin-

[65] "The Fatah-Hamas Reconciliation: Threatening Peace Prospects," House of Representatives Subcommittee on the Middle East and North Africa, Committee on Foreign Affairs, February 5, 2013.

[66] "Securing U.S. Interests Abroad: The FY 2014 Foreign Affairs Budget" House Foreign Affairs Committee, April 17, 2013.

[67] "Full Committee Markup - FY 2014 State and Foreign Operations Appropriations Bill" U.S. House of Representatives Committee on Appropriations, July 24, 2013.

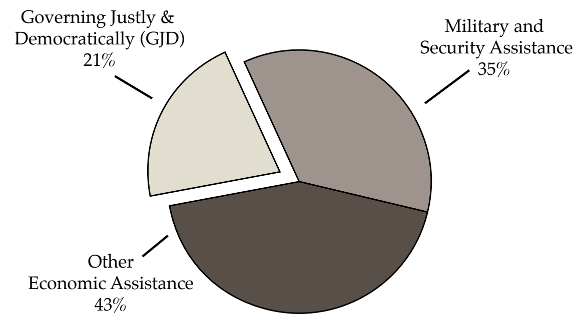
ian negotiations began anew in July 2013.

Acting Assistant USAID Administrator Alina Romanowski testified in Congress in May 2013:

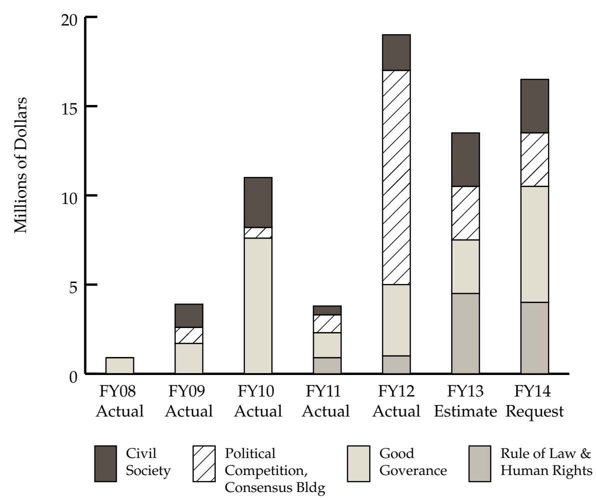
> "The United States' goal is to achieve a negotiated and sustained two-state solution to the Israeli-Palestinian conflict. We seek to operationalize this through two tracks: (1) negotiations between the state of Israel and the Palestinians to establish a Palestinian state, and (2) support for Palestinian institution building so that the new state has a capacity to govern, and to help ensure security, stability, and needed services. USAID's work is critical to the implementation of this second track, and we've requested $370 million in fiscal year 2014, which represents a $25.7 million reduction from the FY 2012 request."[68]

Congressional opposition to unilateral efforts to obtain Palestinian statehood is likely to remain strong, though there is no reason to anticipate appropriators will remove the national security waiver on such restrictions. With the lack of a prime minister in place, challenges to channel funding to effectively build institutions for a Palestinian state may persist, but in the context of renewed Israeli-Palestinian peace talks, such assistance is likely to remain a priority.

Yemen: Total FY14 Request



Yemen: GJD Funding, FY08-14



Yemen

Though protracted and not without significant levels of violence, Yemen is the only country in the Arab Spring to have seen a negotiated transfer of power. After former President Saleh finally ceded power in early 2012, former Vice President Abd Rabbuh Mansur Hadi became president following an election in which he was the sole candidate. According to the GCC-led Yemeni Transition Agreement, President Hadi is expected to govern until new national elections in 2014. The U.S. actively supported the transfer of power, which President Obama underscored by issuing an executive order in May 2012 giving the Treasury Department authority to freeze the U.S.-based assets of anyone who "obstructs" implementation of the political transition in Yemen.[69]

Since taking power, President Hadi has faced multiple challenges unique to Yemen's democratic transition, including widespread poverty and malnutrition, a strengthened Southern secessionist movement, and the

[68] "The Middle East and North Africa FY 2014 Budget: Priorities and Challenges" Subcommittee on the Middle East and North Africa of the House Committee on Foreign Affairs, May 22, 2013.

[69] "Statement by the Press Secretary on Today's Executive Order on Yemen's Peace, Security, and Stability," May 16, 2012.

presence of Islamist militants linked to al-Qaeda in the Arabian Peninsula. President Hadi has acted to remove several members of former President Ali Abdullah Saleh's family from key military positions, transferred military units from both Ahmed Ali Saleh and General Ali Mohsen al-Ahmar to a more neutral presidential guard, initiated the National Dialogue process, and composed a two-year economic plan for the transition.

The administration, U.S. Embassy in Sana'a, the State Department, and USAID have all undertaken significant efforts to support Yemen's humanitarian needs and long-term development and to shift funding allocations accordingly. U.S. bilateral assistance has supported the implementation of the country's transition agreement and the National Dialogue process. Largely delivered through USAID, the United States is the single largest contributor of humanitarian aid to Yemen. The United States has committed $256 million in assistance to Yemen thus far in FY13, in addition to the more than $356 million allocated in FY12. Since the beginning of Yemen's transition in November 2011, U.S. aid to Yemen has totaled over $600 million.[70]

USAID Acting Assistant Administrator for the Middle East Alina Romanowski testified in a congressional hearing in May 2013, "Yemen faces some of the biggest challenges including dire humanitarian conditions. Yet despite these obstacles, the country is progressing under an inclusive national dialogue which will lead to a constitutional review and culminate in national elections early next year."[71]

This year's federal budget request of $82.5 million in bilateral development aid to Yemen is designed to support a political transition process that "engages political parties and movements, civil society, youth and women in the determination of the country's post-transition political structure," constitutional reform, and nationwide elections in 2014.

The requested FMF budget for FY14 of $45 million will be allocated towards professionalizing the military "through depersonalizing military structures that have in the past permitted loyalties outside the national command structure." Over the last two fiscal years, the U.S. has set aside approximately $247 million "to build the counterterrorism capacity of Yemeni security forces, as well as to strengthen civilian law enforcement and judicial institutions," and support Yemen's security sector reorganization.[72]

However, these admirable efforts to shift attention to humanitarian needs, long-term development, and support for a democratic transition are undermined by the persistent, widespread perception in Yemen that U.S. policy in the country is dominated by security concerns and the fight against AQAP. Since the transition in Yemen has started, the U.S. has increased the number of drone strikes against extremist targets, granted the CIA enhanced authority to launch targeted killing attacks, and expanded the U.S. military's role in support of Yemeni military counterattacks against AQAP. Opposition to drone strikes has become a national rallying cry for those distrustful of the central government—from Ansar al-Sharia, to Houthis, to Southern secessionists.

The increasing frequency of drone strikes, coupled with Yemeni public outrage and the lack of transparency or openness from the U.S. government regarding their use, seriously damages perceptions of the U.S. within Yemen. And by extension, animosity to U.S. counterterrorism policy in the country appears to undermine the credibility and legitimacy of U.S.-backed President Hadi and, indeed, of the entire transition process.

The Senate Judiciary Committee held a rare public hearing on drones in April 2013 with witness testimony from Yemenis, who called

70 "U.S. Support for Yemen," U.S. State Department, August 20, 2013.

71 "The Middle East and North Africa FY 2014 Budget: Priorities and Challenges" Subcommittee on the Middle East and North Africa of the House Committee on Foreign Affairs, May 22, 2013.

72 "U.S. Support for Yemen," U.S. State Department, August 20, 2013.

on the United States "to critically reflect on using targeted strikes and the existing counterterrorism policy in Yemen and to see that, it is insecurity and not security that these are creating in my country, the region, the US, and the entire world."[73] In March, Senator Rand Paul (R-KY) led a 13-hour filibuster of the nomination of John Brennan to CIA Director in opposition to the U.S. drone policy, which garnered support from a number of his Senate colleagues as well.

The FY14 Senate bill includes funding for Yemen in international disaster assistance, transitional initiatives, and matches the federal budget request for economic assistance to Yemen at $45 million. The FY14 House bill conditions Yemen's FMF funds on a certification "that the Armed Forces of Yemen are not controlled by a foreign terrorist organization... and are cooperating with the United States on counterterrorism efforts against Al-Qaeda."

Congressional and administration support for security assistance to Yemen is likely to remain high, as the country remains one of the main theaters for confronting al-Qaeda. As President Hadi struggles to assert his government's control over the country against a range of extremist, secessionist, or tribal movements, the ungoverned areas in Yemen will continue to pose a security threat to his government and to U.S. security interests. Recent public debates over the use of drones may curtail or make covert methods and drone strikes more transparent. At the same time, Yemen continues to face a humanitarian crisis, as one of the world's poorest countries with massive health, education, and natural resource crises. The United States has emerged as the world's largest humanitarian donor to mitigate these disasters, and for Yemen's democratic transition to succeed, the U.S. will likely need to remain in that support position for several years to come as the country stabilizes. With the National Dialogue concluding in Yemen, important steps lay ahead for the transition — including the drafting of a new constitution and electoral law, and holding presidential and parliamentary elections in 2014. Support of the international community for these steps will be critical to continuing a process of national reconciliation and consolidating democracy in the face of Yemen's massive humanitarian and security challenges.

[73] "Written testimony of Ibrahim Mothana for the United States Senate Judiciary Committee Subcommittee on the Constitution, Civil Rights and Human Rights," April 23, 2013.

Conclusions

The U.S. administration deserves credit for marshaling considerable resources for the Middle East and North Africa amid a very difficult budget environment. Federal budget sequestration imposed painful across-the-board cuts on all federal programs, including an approximately five percent cut to the international affairs budget.[74] In spite of this restricted budget climate, the administration prioritized and managed to hold levels of funding for foreign assistance programs in the MENA region remarkably steady – with the exception of Iraq, where large cuts continued as planned. In addition to maintaining funding levels for ongoing programs, the administration was also able to pull together large-scale resources over the past two years, including efforts to respond to the political transition in Tunisia (more than $350 million), a humanitarian crisis in Yemen (more than $600 million), and humanitarian and refugee crises in Syria and neighboring countries (more than $1.3 billion).

The U.S. administration lacks a clear vision or strategy for supporting democracy, governance, and human rights in the region during this critical period. This is a consistent criticism from pro-democracy actors, and is true of the region as a whole and also on a country-by-country basis. While the U.S. has been able to garner large assistance packages for countries in transition, the goals of those packages are not clearly developed, and are generally reactive in nature. Moreover, democracy and governance programs are widely perceived to be more divorced than ever from U.S. policy goals in the region, and regularly undermined by U.S. security and counterterrorism policies. U.S. government policies regarding funding independent, often unregistered, civil society organizations in the region are inconsistent, providing little solid protection for NGOs to operate freely. Surprisingly, the administration appears to be even more unwilling to take actions that may antagonize allied governments in the region than was the case *before* the 2011 uprisings.

The Middle East Partnership Initiative (MEPI), which has been an essential tool for supporting independent civil society across the region, has rapidly lost its institutional identity and voice. MEPI was established to be agile and responsive to a dynamic region, and to be more bold and risk-taking than established aid agencies. But during the past two years, MEPI has become viewed as excessively cautious, conservative, and bureaucratic. In addition to its programming, MEPI was meant to serve as an important pro-reform voice on policy debates within State Department's Bureau of Near Affairs, a role that has diminished considerably. This process is likely to accelerate as MEPI is now in the process of being integrated into the Office of Middle East Transitions, a move likely to further diminish MEPI's unique attributes and reduce its comparative advantage in the view of Congressional appropriators.

The U.S. assistance relationship with Egypt is outdated and no longer effective in serving U.S. interests, but Congress appears willing to assert itself and attempt to rectify this. Despite the $1.55 billion in annual aid to Egypt, the U.S. administration has simply been unable to influence Egyptian government behavior at key moments in the past two years. The administration has consistently refused to use the aid as leverage to influence actors in Egypt, including

[74] Epstein, Susan B. "The Budget Control Act, Sequestration, and the Foreign Affairs Budget: Background and Possible Impacts," March 13, 2013.

the Egyptian military and government. In addition, the makeup of U.S. aid to Egypt is a relic from another era – more more than 83 percent of aid to Egypt is to its military, which is primarily spent on prestige items such as F-16s and M1 Abrams tanks. Egypt has undergone dramatic changes, and the economic, political, and security challenges that it faces today have also changed dramatically. But the U.S. aid package – and how the U.S. uses it to further its policy goals in Egypt – has simply not adapted to meet those challenges. In the absence of leadership from the administration to modernize and recalibrate Egypt's aid package, Congress has grown increasingly vocal and assertive in imposing its own strategy.

U.S. support for the political transitions in Tunisia and Libya has been severely undermined by the fallout from attacks on the U.S. Embassy in Tunis and the U.S. Consulate in Benghazi in September 2012. Prior to those attacks, the administration's support for the transitions in Tunisia and Libya was considerable and strongly backed by Congress. Unfortunately, the attacks had an immediate chilling effect on U.S. engagement with both countries. Embassy staff and personnel were evacuated out of both countries in the immediate aftermath of the attacks and most did not return, leaving respective embassies short-staffed for most of the past year. Moreover, the attacks and the responses to them introduced an element of distrust to the U.S.-Tunisia and U.S.-Libya bilateral relationships that persists a year later. The attack in Benghazi also resulted in widespread anger on Capitol Hill, producing at least 10 hearings on the subject and a number of Congressional holds on funding to either country. Furthermore, frustration with the responses of the Libyan and Tunisian governments to the attacks has eroded Congressional support for and threatened long-term assistance programs to those countries.

Appendix: Data Tables

Table 1: Total Assistance by Strategic Objective, FY09-FY14 (in millions of dollars)

Near East Total	FY09 Actual	%	FY10 Actual	%	FY11 Actual	%	FY12 Actual	%	FY13 Estimate	%	FY14 Request	%
Peace and Security	4857.4	68.6	4890.7	73.4	5125.0	73.1	6321.5	78.5	6701.3	74.5	5531.9	75.1
Governing Justly, Democratically (GJD)	483.5	6.8	495.1	7.4	422.0	6.0	458.9	5.7	457.0	5.1	298.3	4.1
Investing in People	939.9	13.3	602.5	9.0	603.5	8.6	600.7	7.5	462.6	5.1	485.6	6.6
Economic Growth	679.7	9.6	614.0	9.2	643.7	9.2	559.8	7.0	633.9	7.1	545.5	7.4
Humanitarian Assistance	118.8	1.7	64.1	1.0	84.1	1.2	37.1	0.5	36.3	0.4	25.5	0.4
TOTAL*	**7079.3**	**100**	**6666.4**	**100**	**7013.3**	**100**	**8053.0**	**99**	**8991.1**	**92***	**6886.8**	**93.6***
Near East Less Iraq	**FY09 Actual**	**%**	**FY10 Actual**	**%**	**FY11 Actual**	**%**	**FY12 Actual**	**%**	**FY13 Estimate**	**%**	**FY14 Request**	**%**
Peace and Security	4,708.8	72.7	4,510.7	77.5	4,809.1	75.9	6,005.6	82.5	6,390.7	76.8	4997.1	73.6
Governing Justly, Democratically (GJD)	164.8	2.5	469.1	8.1	400.0	6.3	430.9	5.9	432.0	5.2	261.5	3.9
Investing in People	922.2	14.2	428.0	7.3	492.2	7.8	507.7	7.0	370.6	4.5	485.6	7.2
Economic Growth	565.8	8.7	351.5	6.0	414.7	6.5	220.8	3.0	390.9	4.7	530.5	7.8
Humanitarian Assistance	118.8	1.8	64.1	1.1	84.1	1.3	37.1	0.5	36.3	0.4	25.5	0.4
TOTAL*	**6,480.4**	**100**	**5,823.4**	**100**	**6,335.1**	**98**	**7,276.1**	**99**	**8,320.5**	**92***	**6300.2**	**92.8***

*Note: These totals include a sixth component of assistance (which does not appear in this table) known in the Congressional Budget Justification as "Program Support."

Table 2: GJD Funds by Program Area in Various Middle East Regional Groupings, FY07-FY14 (in millions of dollars)

Near East	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Rule of Law and Human Rights	221.6	121.0	82.6	79.7	77.1	150.3	162.4	96.1
Good Governance	323.5	217.4	186.4	157.1	134.9	98.5	109.8	66.5
Political Competition, Consensus Building	184.3	16.6	59.3	70.2	70.9	51.7	39.2	40.9
Civil Society	266.9	183.3	155.3	188.1	139.1	158.4	145.6	94.6
GJD Total	**996.2**	**538.3**	**483.5**	**495.1**	**422.0**	**458.9**	**457.0**	**298.1**
Near East Less Iraq	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	34.3	42.4	36.0	46.4	65.1	81.5	72.5	77.3
Good Governance	51.8	33.2	42.7	39.7	45.3	54.0	48.2	66.5
Political Competition, Consensus Building	12.4	16.6	18.3	17.6	47.7	37.2	33.7	40.9
Civil Society	46.8	77.4	67.8	104.5	86.4	110.2	93.0	94.6
GJD Total	**145.3**	**169.5**	**164.8**	**208.2**	**244.5**	**282.9**	**247.4**	**279.3**

Table 3: Bilateral Foreign Assistance by Country and by Strategic Objective, FY06-FY14 (in millions of dollars)

Egypt	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Peace and Security	1290.5	1302.7	1293.6	1304.7	1305.7	1304.3	1308.5	1310.3	1308.2
Governing Justly, Democratically (GJD)	50.0	50.0	54.8	20.0	25.0	46.5	14.3	28.0	28.0
Investing in People	178.1	196.8	170.6	119.4	75.9	55.5	52.0	44.8	78.9
Economic Growth	260.6	208.2	186.2	110.6	149.1	147.4	181.6	180.2	144.3
Humanitarian Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**1779.2**	**1757.7**	**1705.2**	**1554.7**	**1555.7**	**1553.7**	**1556.4**	**1563.3**	**1559.4**
Iraq	**FY06 Actual**	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Peace and Security	0.0	1055.8	205.6	148.6	60.3	146.4	990.3	1717.7	534.9
Governing Justly, Democratically (GJD)	55.4	850.9	368.8	318.7	286.9	177.5	176.0	209.6	36.8
Investing in People	0.0	0.0	0.0	17.7	5.1	61.1	46.4	36.6	0.0
Economic Growth	0.0	204.5	35.0	113.9	62.5	86.8	57.5	81.3	1.5
Humanitarian Assistance	0.0	5.0	23.8	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**55.4**	**2116.2**	**633.2**	**598.9**	**414.8**	**471.8**	**1270.2**	**2045.2**	**573.2**
Jordan	**FY06 Actual**	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Peace and Security	213.4	283.9	376.4	358.3	380.0	315.9	315.9	310.6	310.5
Governing Justly, Democratically (GJD)	15.0	23.5	14.7	24.3	26.0	22.0	28.0	25.0	28.0
Investing in People	48.0	78.3	171.5	192.4	174.5	111.3	93.0	92.0	92.0
Economic Growth	184.5	152.2	330.2	296.9	262.5	229.0	339.0	243.0	240.0
Humanitarian Assistance	0.0	0.0	45.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**460.9**	**537.9**	**937.8**	**871.8**	**843.0**	**678.2**	**776.0**	**670.6**	**670.5**
Lebanon	**FY06 Actual**	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Peace and Security	7.4	296.5	13.2	172.6	129.3	101.6	106.4	97.5	95.9
Governing Justly, Democratically (GJD)	6.5	80.9	7.0	18.3	25.4	21.1	21.0	23.5	21.4
Investing in People	8.3	18.5	9.0	27.6	48.1	48.8	49.0	26.5	29.7
Economic Growth	12.9	268.2	16.1	16.6	35.5	14.8	14.7	19.9	18.9
Humanitarian Assistance	14.1	19.1	13.0	5.0	0.0	0.0	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**49.2**	**683.2**	**58.3**	**240.1**	**238.3**	**186.3**	**191.1**	**167.4**	**165.9**

Table 3 (continued)
(in millions of dollars)

Libya*	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Peace and Security	0.0	0.0	1.0	3.3	0.8	0.0	5.4	1.5	5.4
Governing Justly, Democratically (GJD)	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.5
Investing in People	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Economic Growth	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Humanitarian Assistance	0.0	0.0	0.0	0.0	0.0	5.7	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**0.0**	**0.0**	**1.0**	**5.8**	**0.8**	**5.7**	**5.4**	**1.5**	**5.9**
Morocco	**FY06 Actual**	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Peace and Security	16.0	16.3	7.0	7.2	15.7	15.1	21.6	15.1	13.7
Governing Justly, Democratically (GJD)	6.4	6.4	4.6	5.0	7.2	9.0	8.6	7.7	7.4
Investing in People	4.8	2.7	4.8	6.5	6.5	4.5	4.5	4.5	4.5
Economic Growth	8.0	9.5	10.1	6.5	5.8	5.5	6.5	5.3	7.0
Humanitarian Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**35.2**	**34.9**	**26.5**	**25.2**	**35.3**	**34.1**	**41.2**	**32.6**	**32.6**
Tunisia*	**FY06 Actual**	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Peace and Security	10.3	10.8	10.4	13.8	19.9	20.2	54.3	23.6	30.7
Governing Justly, Democratically (GJD)	0.0	0.0	0.6	0.3	0.5	2.0	1.6	6.4	3.2
Investing in People	0.0	0.0	0.0	0.0	0.5	1.6	11.6	1.6	1.6
Economic Growth	0.0	0.0	0.6	0.5	1.0	1.9	21.8	5.0	26.2
Humanitarian Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BILATERAL ASSISTANCE	**10.3**	**10.8**	**11.6**	**14.6**	**21.9**	**25.7**	**89.3**	**36.6**	**61.7**
West Bank and Gaza	**FY06 Actual**	**FY07 Actual**	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Peace and Security	95.8	0.0	26.4	233.5	100.7	133.5	60.4	40.2	45.0
Governing Justly, Democratically (GJD)	24.8	7.8	41.9	36.9	31.6	38.0	56.9	52.3	50.0
Investing in People	18.2	18.6	236.5	530.7	244.0	292.0	294.0	238.0	255.0
Economic Growth	7.8	9.8	82.7	121.9	74.5	38.9	62.6	78.7	70.0
Humanitarian Assistance	6.8	27.4	16.5	104.5	45.1	47.6	36.3	30.8	20.0
TOTAL BILATERAL ASSISTANCE	**153.4**	**63.6**	**404.0**	**1027.5**	**495.9**	**550.0**	**510.2**	**440.0**	**440.0**

Table 3 (continued)
(in millions of dollars)

Yemen	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Peace and Security	10.8	13.7	7.9	5.9	19.6	26.6	31.8	27.7	27.0
Governing Justly, Democratically (GJD)	1.1	2.0	0.9	4.0	11.0	3.8	23.0	13.5	16.5
Investing in People	5.7	7.5	8.4	26.0	22.5	21.7	16.0	15.5	15.5
Economic Growth	1.1	0.5	0.0	4.0	14.5	8.3	7.6	14.5	18.0
Humanitarian Assistance	0.0	0.0	2.2	2.4	12.7	22.6	56.8	5.5	5.5
TOTAL BILATERAL ASSISTANCE	**18.7**	**23.7**	**19.4**	**42.3**	**80.3**	**83.0**	**135.2**	**76.7**	**82.5**

**Note: Libya, Tunisia, and Yemen receive most assistance to support their political transitions through accounts other than traditional bilateral assistance. As a result, the data in these tables grossly underestimate the assistance received by these three countries; such assistance is described in the text of this report, but cannot easily be broken down into the strategic objectives used here.*

Table 4: Governing Justly and Democratically (GJD) Funding by Country, Program Area, FY08-FY14 (in millions of dollars)

Egypt	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Rule of Law and Human Rights	18.1	10.2	2.6	10.3	0.8	8.1	9.4
Good Governance	5.0	2.5	2.0	8.8	5.9	6.0	9.3
Political Competition, Consensus Building	0.0	0.0	0.0	21.3	1.3	7.0	5.8
Civil Society	31.8	7.3	20.4	6.1	6.2	8.0	3.4
GJD Total	**54.8**	**20.0**	**25.0**	**46.5**	**14.2**	**29.1**	**27.9**
Iraq	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	78.6	46.6	33.3	12.0	68.8	89.9	25.3
Good Governance	184.2	143.6	117.4	89.6	44.5	61.6	4.5
Political Competition, Consensus Building	0.0	41.0	52.6	23.2	14.5	5.5	4.5
Civil Society	106.0	87.5	83.6	52.7	48.2	52.6	2.5
GJD Total	**368.8**	**318.7**	**286.9**	**177.5**	**135.4**	**209.6**	**36.8**
Jordan	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	5.0	5.8	7.5	8.0	6.0	8.0	8.0
Good Governance	3.0	8.3	3.0	3.0	4.0	6.0	6.0
Political Competition, Consensus Building	3.0	4.5	5.0	3.0	10.0	3.0	5.0
Civil Society	3.8	5.8	10.5	8.0	8.0	8.0	9.0
GJD Total	**14.7**	**24.3**	**26.0**	**22.0**	**28.0**	**25.0**	**28.0**
Lebanon	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	1.0	7.6	13.7	10.0	10.0	10.0	10.0
Good Governance	3.6	4.6	5.1	7.5	5.1	6.9	5.7
Political Competition, Consensus Building	1.9	2.1	0.6	1.4	1.3	1.2	0.8
Civil Society	0.5	5.6	6.0	2.2	4.6	5.4	4.9
GJD Total	**7.0**	**19.8**	**25.4**	**21.1**	**21.0**	**23.5**	**21.4**

Table 4 (continued)
(in millions of dollars)

Libya	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Rule of Law and Human Rights	0.0	0.3	0.0	0.0	0.0	0.0	0.5
Good Governance	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Political Competition, Consensus Building	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Civil Society	0.0	0.2	0.0	0.0	0.0	0.0	0.0
GJD Total	**0.0**	**1.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**
Morocco	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	0.0	0.0	0.0	3.0	0.0	0.3	0.5
Good Governance	2.6	2.8	3.7	3.0	5.5	3.4	1.0
Political Competition, Consensus Building	1.0	1.0	0.8	1.0	1.0	2.2	3.0
Civil Society	1.0	1.2	2.7	2.0	1.5	1.9	2.9
GJD Total	**4.6**	**5.0**	**7.2**	**9.0**	**8.0**	**7.7**	**7.4**
Tunisia	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	0.0	0.2	0.2	0.8	0.4	4.5	1.6
Good Governance	0.3	0.2	0.2	0.5	0.5	0.9	0.9
Political Competition, Consensus Building	0.0	0.0	0.0	0.4	0.4	0.3	0.3
Civil Society	0.3	0.0	0.2	0.5	0.5	0.7	0.4
GJD Total	**0.6**	**0.3**	**0.5**	**2.0**	**1.7**	**6.4**	**3.2**
West Bank and Gaza	**FY08 Actual**	**FY09 Actual**	**FY10 Actual**	**FY11 Actual**	**FY12 Actual**	**FY13 Estimate**	**FY14 Request**
Rule of Law and Human Rights	10.5	2.0	8.8	18.8	30.8	24.7	21.0
Good Governance	13.9	16.5	14.2	12.6	19.2	19.1	23.0
Political Competition, Consensus Building	0.0	1.7	0.1	0.3	0.0	0.5	0.0
Civil Society	17.5	16.7	8.6	6.3	6.8	8.0	6.0
GJD Total	**41.9**	**36.9**	**31.6**	**38.0**	**56.9**	**52.3**	**50.0**

Table 4 (continued)
(in millions of dollars)

Yemen	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Estimate	FY14 Request
Rule of Law and Human Rights	0.0	0.0	0.0	0.9	1.0	4.5	4.0
Good Governance	0.9	1.7	7.6	1.4	4.0	3.0	6.5
Political Competition, Consensus Building	0.0	0.9	0.6	1.0	12.0	3.0	3.0
Civil Society	0.0	1.3	2.8	0.5	2.0	3.0	3.0
GJD Total	**0.9**	**4.0**	**11.0**	**3.8**	**19.0**	**13.5**	**16.5**