



The Federal Budget and Appropriations for Fiscal Year 2010

DEMOCRACY, GOVERNANCE, AND HUMAN RIGHTS
IN THE MIDDLE EAST

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THE PROJECT ON MIDDLE EAST DEMOCRACY is a non-partisan, nonprofit organization dedicated to examining the impact of American policy on political reform and democratization in the Middle East. Through dialogue, policy analysis, and advocacy, we aim to promote understanding of how genuine, authentic democracies can develop in the Middle East and how the U.S. can best support that process.

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Acronyms and Abbreviations

BBG	<i>Broadcasting Board of Governors</i>
BMENA	<i>Broader Middle East and North Africa</i>
CBJ	<i>Congressional Budget Justification</i>
DA	<i>Development Assistance</i>
DCHA	<i>Bureau for Democracy, Conflict, and Humanitarian Assistance (USAID)</i>
DOD	<i>Department of Defense</i>
DRL	<i>Bureau for Democracy, Human Rights, and Labor, U.S. Department of State</i>
ESF	<i>Economic Support Funds</i>
FMF	<i>Foreign Military Financing</i>
GJD	<i>Governing Justly and Democratically</i>
MCA	<i>Millennium Challenge Account</i>
MCC	<i>Millennium Challenge Corporation</i>
MENA	<i>Middle East and North Africa</i>
MEPI	<i>Middle East Partnership Initiative</i>
NEA	<i>Bureau of Near Eastern Affairs, U.S. Department of State</i>
NED	<i>National Endowment for Democracy</i>
TI	<i>Transition Initiatives</i>
UNDEF	<i>United Nations Democracy Fund</i>
USAID	<i>United States Agency for International Development</i>
VOA	<i>Voice of America</i>

Executive Summary

In May, President Obama submitted to Congress the full details of his first budget request, for Fiscal Year 2010. Since then, the House and Senate Appropriations Committees have produced two similar versions of the FY2010 appropriations bill for State and Foreign Operations. Each is based on the President's request and comes close to granting funding as requested for international affairs, with only a few notable exceptions. As this report goes to print, the full Senate is preparing to consider its appropriations bill. In September, the House and Senate will convene a conference committee to resolve differences between their respective bills.

President Obama's budget for FY10 is important because it represents a broader demonstration of the priorities of his administration than we had seen previously. While the new president has made several trips abroad and given a number of high-profile speeches to set the tone for the foreign policy of his new administration, the budget is a substantive indicator of policy priorities.

In general, the President's first annual budget demonstrates that the Obama administration does take seriously the role of the U.S. in supporting democracy, governance, and human rights in the Broader Middle East and North Africa (BMENA). The new administration has requested large increases in funding for programs to support democracy, governance, and human rights. However, it has also shifted funds in the Arab world away from partnerships with local civil society actors and toward other initiatives, including rule of law and governance programs. Whether this strategy ultimately pays dividends, either for U.S. interests in the region or in supporting the democratic aspirations of the people of the Middle East, remains to be seen.

For the most part, the President's request for international affairs is expected to be approved by Congress. The Democrat-controlled Congress appears far more willing to grant increases in foreign affairs funding to the Obama administration than they were to the Bush administration. Perhaps the most pressing remaining question is whether Congress will grant funding for the Millennium Challenge Corporation as requested. While the House version of the bill contains only slightly less than the administration's request, the Senate version currently contains far deeper cuts.

Key findings:

- **Total foreign assistance is up.** The Obama administration has worked to considerably increase overall foreign assistance for the Broader Middle East and North Africa, first through the FY09 supplemental appropriations process, and later through its FY10 budget request. At \$11.0 billion, the request represents a 48% increase over President Bush's annual request for total aid to the region a year ago.

- **Requested funding for democracy and governance is doubled.** For the entire BMENA region, the administration has requested \$1.54 billion for democracy and governance programs – more than double the amount in President Bush’s annual request for FY09. This is 14% of the total foreign assistance requested for the region; prior to 2009, this fraction had never exceeded 5.7%.
- **However, most of this aid – and most of the increase – is for Afghanistan, Pakistan, and Iraq.** The vast majority of democracy and governance funding for the region accompanies U.S. military efforts in Afghanistan, Pakistan, and Iraq. Of the total \$1.54 billion requested, 86% is designated for these three countries. Aside from these countries, funding for democracy and governance programs in the remainder of the region is increased, but far more modestly – up 14% from \$190 million allocated in FY09.
- **The Obama budget strongly supports MEPI and MCC.** President Obama’s budget sends a clear signal of support for two important assistance tools established during the Bush administration – the Middle East Partnership Initiative (MEPI) and the Millennium Challenge Corporation (MCC) – by requesting increases in funding of more than 70% for each of the two initiatives.
- **Aid to Morocco and Yemen is up.** The administration’s budget requests sharp increases in overall assistance, as well as democracy and governance aid, for Morocco and Yemen.
- **Aid to Arab civil society groups is down.** The administration reduced its support for civil society through bilateral foreign assistance in the Arab world, while adding funding to State Department tools specifically designed for such work, including MEPI and the Middle East programming within the Bureau of Democracy, Human Rights and Labor (DRL). However, the cuts to civil society are far greater than the new increases. Compared to current levels of funding, the FY10 request represents a 29% cut for Arab civil society programs.
- **This includes especially big cuts in Egypt and Jordan.** Overall bilateral democracy and governance aid to key Arab allies Egypt and Jordan is cut by more than 40%, with even sharper cuts to funding allocated for civil society organizations. Some of this funding may be replaced by new programming through other accounts. However, the extent of this new funding remains to be seen.
- **Congress is supportive.** Whereas Congressional support for a variety of foreign assistance programs, including MEPI and MCC, faded during the last few years of the Bush administration, the Democrat-controlled Congress appears to be much more comfortable granting funds for similar requests to the new President and administration, at least in its first year.

Introduction: Setting the Tone for the New Administration

During the first six months of his administration, President Obama spoke repeatedly of the need to forge a new relationship with the Arab and Muslim world, based on “mutual interest and mutual respect.” Many reformers across the region expressed concern that this “respect” might be directed primarily toward the region’s governments rather than its people, as the new President seemed to avoid use of the word “democracy” or any criticism of the human rights abuses of America’s autocratic allies. President Obama sought to alleviate these concerns by engaging directly with the people of the Arab and Muslim world through a long-awaited high-profile speech delivered in Cairo on June 4.

In this address President Obama highlighted seven key challenges and sources of tension between the West and the Muslim world. The fourth of these issues was democracy, and while distancing his administration from the approach of the Bush administration on democracy promotion, particularly the war in Iraq, the speech contained expressions of clear support for democratic principles in the region:

I do have an unyielding belief that all people yearn for certain things: the ability to speak your mind and have a say in how you are governed; confidence in the rule of law and the equal administration of justice; government that is transparent and doesn’t steal from the people; the freedom to live as you choose. Those are not just American ideas, they are human rights, and that is why we will support them everywhere.¹

While many supporters of democracy and human rights in the region were pleased with the content and tone of the speech, they stressed the need for this rhetoric to be followed up by policy. President Obama’s first annual budget request is a tangible demonstration of the administration’s priorities and approach to issues of democracy and human rights in the Middle East. Certainly, budget

numbers and funding levels alone do not tell the full story, and any funding for programs must be supported by diplomacy and other policy tools in order to be successful. Yet examining budget numbers does provide insight into one aspect of what should be a broad, multifaceted effort to support democracy in the Middle East.

In this first year of a new administration that is still formulating its policy towards the region, the signals sent by this budget proposal have added importance in solidifying the new policy priorities of the U.S. government. In the spring, the Obama administration demonstrated some of its priorities – most notably an increased emphasis on Afghanistan and Pakistan – by working with Congress on the FY09 omnibus appropriations act and by requesting FY09 supplemental appropriations that were granted by Congress in June. However, the annual budget request for FY10 is a broader representation of the administration’s priorities than those preliminary steps.

This report aims to examine the most important aspects of the Obama administration’s budget for foreign affairs for FY10 from the perspective of democracy, governance, and human rights in the Broader Middle East and North Africa. It highlights trends and changes in funding levels over the past several years and breaks down the budget request by strategic objective, by program area, and by country. There is particular emphasis on funding requested for programs designated under the State Department’s strategic objective of Governing Justly and Democratically (GJD). Finally, it examines the preliminary reactions of Congress to various portions of the request and draws conclusions regarding the reasons for proposed funding changes and potential consequences of the budget for the prospects of democratic reform in the region.

¹ President Barack Obama. “Remarks by the President on a New Beginning,” Speech. Cairo, Egypt, June 4, 2009..

The Big Picture: Total Assistance for the Broader Middle East and North Africa

The President's budget request for Fiscal Year 2010 (FY10)² includes \$53.9 billion for international affairs, a \$4.4 billion (9%) increase over the FY09 international affairs budget.³

Within this total for international affairs, the President's budget requests \$24.9 billion in bilateral foreign assistance, which is an increase of 1.4% over the total amount allocated for bilateral foreign aid in FY09, through annual appropriations in the FY09 Consolidated Appropriations Act passed in March 2009, bridge funds included in the FY08 Emergency Supplemental Appropriations Act, and the FY09 Emergency Supplemental Appropriations Act passed by Congress in June 2009.

For the countries in the State Department's Near East region,⁴ the FY10 budget requests a total of \$6.61 billion. This figure is 4.0% less than the total amount granted for FY 2009. However, it should be remembered that the funds granted in FY09 include funding from two supplemental bills, and that the total funding granted to the region in FY09 turned out to be a full 25% more than

requested by President Bush in his FY09 budget request. So President Obama's first budget request does in fact represent a 20% increase in funding for the Near East over President Bush's final budget request for FY09, which was itself an 11% increase over the funding granted for the previous year. The Obama administration also played a role in leading Congress to grant considerably more funding for the region than requested in the appropriations bills passed in March and June of this year. So, before getting into the details of the budget request, it is fair to say the Obama administration has made the Near East a clear priority in its international affairs budget.

Moreover, two key countries that are technically outside the Near East region but are intimately tied to developments there and to U.S. efforts to support democracy in the region – Afghanistan and Pakistan – are the two countries in the world for which the administration has requested the largest increases in assistance. Consequently, for the expanded Broader Middle East and North Africa (BMENA)⁵ regional classification, which includes the 18 countries of the

² Office of Management and Budget, Fiscal Year 2010 Budget of the U.S. Government, March 2009.

³ All figures cited for previous years are the levels provided through appropriations acts, including any funding provided in emergency supplemental appropriations bills. The Congressional Budget Justification documents for FY10 from the Obama administration have departed from the practice of previous years, by including all funding from supplemental spending bills in previous years in its budget tables and data. This is apparently part of the attempt by the new Obama administration to move away from the practice of including large amounts of various spending in "emergency" supplemental bills each year. However, some amounts of foreign assistance have been included in the FY09 supplemental bill passed in June 2009, and it is as of yet unclear whether this practice will be eliminated entirely in FY10. Until the practice of allocating foreign aid through supplemental spending bills is entirely eliminated, the result of this change in accounting procedure is that comparisons of budget amounts to previous years are more conservative, making budget increases to some countries seem considerably smaller than they would have under the old procedure. In addition, the figures given for FY08 and all prior years are the actual amounts spent on programs in those years, which may deviate slightly from the amounts enacted by Congress; for FY09, all figures represent the State Department's most recent estimates, as cited in the Congressional Budget Justification, Foreign Operations, Fiscal Year 2010, with some changes made to account for deviations in the FY09 Supplemental appropriations act, passed in June 2009, from the figures presented in the CBJ in May.

⁴ The eighteen countries handled by the State Department's Bureau of Near Eastern Affairs are Algeria, Bahrain, Egypt, Iran, Iraq, Israel and the Palestinian territories, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates, and Yemen.

⁵ The use of the BMENA classification is not intended to refer specifically to the G8 BMENA Initiative or the Forum for the Future – it is simply used as a convenient term to refer to the 22 countries considered in this study.

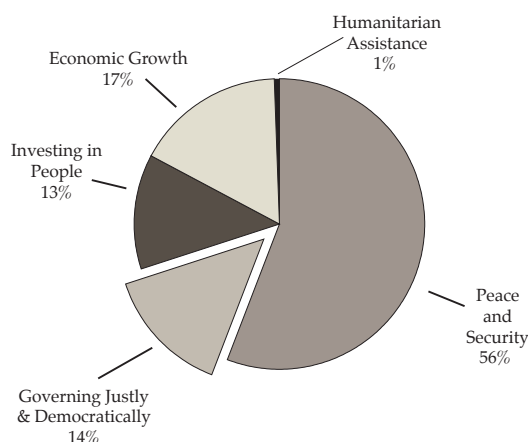
Near East along with Afghanistan, Pakistan, Turkey, and Mauritania, the request is \$11.0 billion, a 48% increase over President Bush's request for FY09.

These increases in overall funding are, on the surface, quite significant, but it is important to look more closely at what kinds of funding are increased and decreased and to what degree across the region. To this end, we can break the funding down according to the State Department's five strategic objectives for foreign assistance:

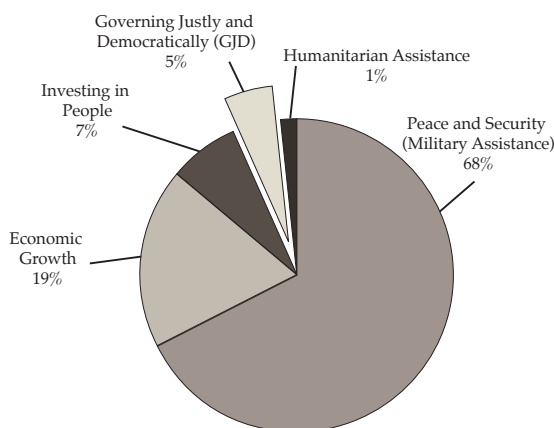
- **Peace and Security:** Provides various forms of military assistance within five program areas: Counter-Terrorism; Combating Weapons of Mass Destruction; Stabilization Operations and Security Sector Reform; Combating Transnational Crime; and Conflict Mitigation and Reconciliation.
- **Governing Justly and Democratically (GJD):** Consists of four strategic priorities and program areas: Rule of Law and Human Rights; Good Governance; Political Competition and Consensus Building; and Civil Society (more detail on each program area in the next section, on GJD).
- **Investing in People:** Focuses on ensuring good health, improving access to education and strengthening quality of education systems, and providing social services and protection to especially vulnerable populations.
- **Promoting Economic Growth and Prosperity:** Works to strengthen private markets, trade and investment, infrastructure, agriculture, the environment, economic opportunities, and the financial sector.

- **Humanitarian Assistance:** Provides protection, assistance, and solutions for civilians affected by conflict, disaster, and displacement from physical harm, persecution, exploitation, abuse, malnutrition and disease, family separation, gender-based violence, forcible recruitment, and other threats.⁶

FY10 Request by Objective, BMENA



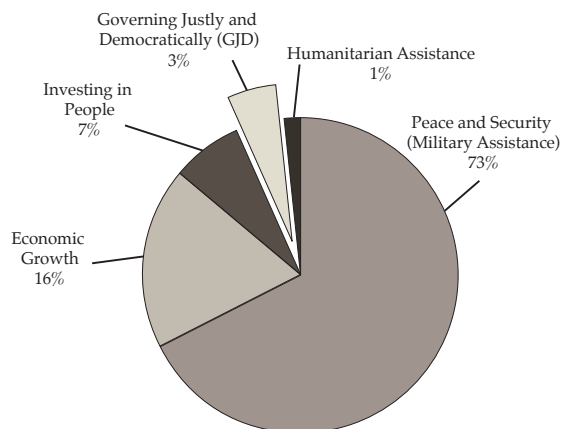
FY06 Funding by Objective, BMENA



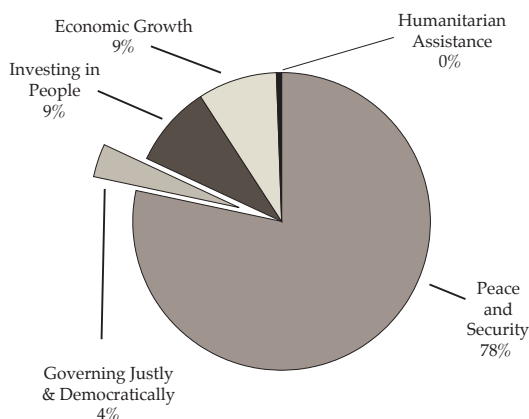
⁶ For more detailed descriptions of these five strategic objectives, see "U.S. Department of State, U.S. Agency for International Development. Strategic Plan, Fiscal Years 2007-2012."

The breakdown of the \$11 billion requested for the BMENA region is shown in the chart above. The budget requests \$1.54 billion in assistance to the region within the Governing Justly and Democratically objective. This is more than double the amount requested by President Bush for FY09 (\$741 million), and 8% more than the total granted for FY09 by Congress, including the supplemental spending bills. It was noted in last year's edition of this report, for FY09, that not only does the Department of Defense spend enormous quantities of U.S. government funds in the broader Middle East region, far exceeding funds in the international affairs account, but in fact the majority of U.S. expenditures in the region through that international affairs account—often thought of as the “soft power” counterpart to the DoD budget—are also military expenditures, in the form of military assistance through five accounts. It is worth noting that the portion of foreign assistance to the region dedicated to military and security aid is lower in President Obama's budget than in any previous budget request, at 56%, as compared with 69% in President Bush's budget request for FY09. In addition, President Obama's request for FY10 designates 14% of assistance to the region within the Governing Justly and Democratically objective, which, if granted, would be an unprecedented portion of the overall assistance to the Middle East.

**FY06 Request by Objective, BMENA
Less Afghanistan, Pakistan, Iraq**



**FY10 Request by Objective, BMENA
Less Afghanistan, Pakistan, Iraq**



Breaking Down Democracy and Governance Requests:

Rule of Law and Human Rights, Political Competition, Good Governance, and Civil Society

As previously mentioned, the Department of State breaks down the budget for international affairs into five broad strategic objectives: Governing Justly and Democratically (GJD), Peace and Security, Investing in People, Economic Growth, and Humanitarian Assistance. These are clearly interconnected, as promoting peace, security, and economic development can be seen as fostering democracy. Nonetheless, the GJD objective is the best, if imperfect, measure of funding for supporting democracy and human rights. The broad GJD objective is further divided into four program areas:

- **Rule of Law and Human Rights:** Assists constitutional and legal reform, judicial independence and reform, the administration of and access to justice, protection of human rights, prevention of crime, and community-based efforts to improve security.
- **Good Governance:** Strengthens executive, legislative, and local government capabilities and improves transparency and accountability for government institutions; also strengthens anticorruption programs.
- **Political Competition and Consensus Building:** Promotes free, fair, and transparent multiparty elections, and promotes representative and accountable political parties committed to democracy.
- **Civil Society:** Strengthens independent media, nongovernmental organizations (particularly advocacy functions), think tanks, and labor unions.⁷

These four categories are used to classify all funds designated for GJD, whether through

bilateral assistance or multi-country programs like MEPI. Generally speaking, the FY09 budget requests significant increases for GJD programs across the Middle East, with clear increases to three of the four program areas and to most countries in the region. A few exceptions do stand out: funding for Civil Society programs in the Near East is actually cut 29%, from \$187.4 million allocated in FY09 to \$132.7 million requested for FY10. And although the budget requests increased GJD funding for many countries in the region, it calls for decreases in a few key countries, most notably Egypt and Jordan. Each of these key U.S. allies receive significant increases in overall foreign assistance under the FY10 budget request, but decreased funding to support democracy and governance goals.

It should be noted that one accomplishment of the Bush administration was the establishment of a more uniform set of definitions under which the State Department and USAID foreign assistance programs are classified, including a common definition of what constitute democracy and governance programs. This was undertaken with the creation of the Office of the Director of Foreign Assistance, which coordinated the creation of standard definitions for the five strategic objectives above, as well as for the narrower program areas, elements and sub-elements that fall under each objective. Previously, it was not uncommon for administrators to find that in-country infrastructure projects such as road-building and water treatment plants were classified as democracy programs in budget documents. While this may still exist, it appears that the establishment of consistent definitions and categories has reduced this effect significantly.

⁷ U.S. Agency for International Development, "A Democracy and Governance Strategic Framework," December 2005.

Major Initiatives: *Multi-Country Accounts and Programs*

There are a number of specific multi-country programs and accounts that conduct efforts focused on improving the state of human rights, democracy, and governance in the broader Middle East. These include: the Middle East Partnership Initiative (MEPI); the Bureau for Democracy, Human Rights, and Labor (DRL) at the Department of State; the USAID Office of Democracy and Governance within the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA); the newly-created Near East Regional Democracy program; institutions outside of the government like the National Endowment for Democracy (NED); and multilateral institutions such as the UN Democracy Fund.

Some have argued that the existence of a wide array of institutions that distribute foreign assistance inevitably results in unnecessary duplication of programming, inefficiencies, and a lack of coherence and coordination.⁸ However, such arguments have focused more often than not on assistance for economic development, rather than specifically examining the needs of assistance for democracy and governance. The argument can also be made that support for democracy and governance requires a variety of different programs, for which different types of agencies, with varying roles inside the U.S. government and differing relationships with host governments, are needed. In any case, while there has been much discussion of possibilities for broad reform of the government apparatus for foreign assistance, including

the possible consolidation of existing agencies, for the short-term at least the Obama administration has demonstrated support for the existing range of institutions that administer foreign aid programs. This report will now examine the funding and budgets for several of these agencies and institutions, along with a look at their efforts to support democracy within the BMENA region.

I. Middle East Partnership Initiative

For FY10, the President has requested \$86 million for MEPI, which would represent a 72% increase over funding in recent years – which has hovered around \$50 million since FY07 – if fully granted by Congress. This request for increased funding is quite significant, as there had been widespread speculation over the future of MEPI under the new administration. Many observers wondered whether the initiative, widely perceived to be a signature program of the Bush administration, would even continue under the new Democratic administration, or whether it might be moved out of the State Department's Bureau of Near East Affairs (NEA).⁹ MEPI's funding for FY09 passed in March, in conjunction with this request for FY10, is a clear sign of support from the new administration. It is clear that, at least in the near term, President Obama intends to keep MEPI within NEA at the Department of State, to increase funding for the initiative, and to shift funding for some civil society and political competition programs to MEPI from bilateral assistance through USAID.

⁸ See Gerald F. Hyman, *A Cabinet-Level Agency: Right Problem, Wrong Solution*. Center for Strategic and International Studies, January 2009.

⁹ "What Will the Middle East Partnership Look Like in 2015?" Center for Strategic and International Studies, August 7, 2008.

Moreover, the majority of the increase in requested funding is designated for the Governing Justly and Democratically (GJD) objective, which receives \$48.5 million (up from \$25.9 million granted for 2009). Increases in funding are requested for all 4 program areas within the objective: with \$6 million for Rule of Law and Human Rights (up from \$3.5 million in FY09); \$4.5 million for Good Governance (from \$1.2 million); \$18.5 million for Political Competition and Consensus Building (from \$6.5 million); and \$19.5 million for Civil Society (from \$14.7 million).

It is worth noting that the distribution of democracy and governance funds within MEPI counters the trend in GJD funding via bilateral assistance distributed by USAID. While USAID funds across the Middle East have seen sharp cuts to funding for civil society and large increases for good governance and anticorruption programs – which now constitute the most heavily-funded program area in the region – the distribution of MEPI funds is nearly the reverse, with civil society receiving the largest share of funds and good governance programs the smallest.

The Political Competition and Consensus Building program area would have its funding nearly tripled under this request, placing it alongside Civil Society as the most heavily-funded priorities within MEPI. This program area is often regarded as the one which most directly challenges the political status quo in countries where such programs are run, and is often opposed by the host government. For this reason, it seems to make sense for such programs to be more heavily funded by MEPI, as opposed to including the funds in bilateral aid packages to the region.

MEPI was established in December 2002 within NEA at the Department of State to “provide a framework and funding for the U.S. to work together with governments and people in the Arab world to expand eco-

nomic, political and educational opportunities for all.”¹⁰ MEPI’s programs fall into four pillars: political reform, economic reform, educational reform, and women’s empowerment. The MEPI political reform pillar has four stated goal areas: Elections and Political Processes, Civil Society and Reform Advocacy, Media, and Rule of Law. In addition to the political pillar, most of MEPI’s programs in the women’s empowerment pillar can also be categorized under GJD. These include programs to train female candidates in basic skills needed to wage credible campaigns for political office at the national, regional, and local levels.

As compared with USAID’s programs in the Middle East, MEPI programs are generally shorter-term and more focused on addressing specific political challenges that must be overcome in order for USAID’s longer-term development programs to succeed. In the six years since its inception, MEPI has grown considerably and begun to evolve as an institution. For example, MEPI was initially dependent on USAID missions and support, as it lacked office capacity and staff.

In the past several years, this has changed. MEPI now has growing offices in Washington DC, Tunis, and Abu Dhabi, and its staff has expanded considerably, allowing it more freedom of operations. In this context, MEPI has steadily increased its work in countries that lack a USAID presence – such as Libya, Syria, and the Persian Gulf states – while also administering programs in countries such as Egypt where USAID has a large presence, but that have seen significant cuts in reform-oriented assistance. In addition, MEPI’s initial focus on programs and strategies that could be applied across the region has steadily shifted toward more individualized, country-specific strategies and programs.

Early on, MEPI drew criticism for lacking a coherent strategy and for not living up to initial promises to work directly with activ-

¹⁰ “The Middle East Partnership Initiative,” U.S. Department of State, December 12, 2002.

ists and civil society actors, instead focusing its programs on Arab government agencies.¹¹ On each of these points, MEPI seems to have made significant progress, as it has expanded its capacity, become less reliant on USAID staff and resources, developed country-specific strategies, and launched a successful small grants program for civil society actors. The small grants program has fostered interaction between political officers at U.S. Embassies and democracy activists across the region, which has helped integrate concerns for democracy and human rights into those Embassies' daily diplomatic efforts.¹²

MEPI programs provide technical and material assistance to activists and reformers in legislatures and municipal councils, political parties, the judiciary, and NGOs. MEPI funds also provide support for civil society programs including initiatives like the G8 BMENA Foundation for the Future program, as well as support for free and independent media. MEPI programs for political reform have included youth advocacy initiatives in Yemen and Lebanon, voter education and election official training in Algeria, training for par-

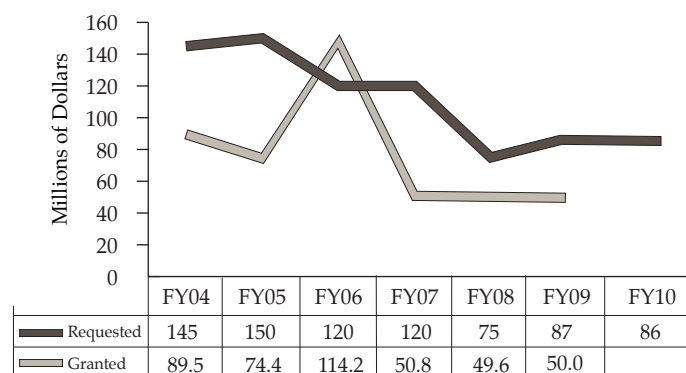
liamentary candidates in Morocco, and support for student civil society organizations in Bahrain, Qatar, and Oman.

During the last few years of the Bush administration, particularly after the Democratic Party gained a majority of seats in Congress in the November 2006 elections, MEPI encountered increasing resistance in obtaining Congressional funding. Congressional skepticism toward MEPI came not only from Democrats hesitant to embrace what is widely viewed as a signature program of the Bush

administration, but also from senior Republican members of Congress. A November 2007 report released by Senator Richard Lugar (R-IN) and the Republican staff of the Senate Foreign Relations Committee described MEPI as

unevenly managed and lacking consistent coordination with embassies across the region.¹³ Funding for MEPI peaked in FY06 at \$114.2 million. Since then, the President's budget request was gradually scaled back, with Congress reluctant to grant the full amounts requested.

MEPI Funds, Requested vs Granted, FY04 - FY10¹⁴



¹¹ Sarah Yerkes and Tamara Cofman Wittes, "The Middle East Partnership Initiative: Progress, Problems, and Prospects," Brookings Institution, November 29, 2004.

¹² Tamara Cofman Wittes and Andrew Masloski, "Democracy Promotion Under Obama: Lessons from the Middle East Partnership Initiative," Brookings Institution, May 2009.

¹³ Senator Richard Lugar, "Embassies Grapple to Guide Foreign Aid: A Report to Members of the Committee on Foreign Relations," United States Senate, November 16, 2007.

¹⁴ Please note that the figure for FY06 may be somewhat misleading – in the State and Foreign Operations Appropriations Act for FY06, Congress "granted" \$114.2 million for the account then designated for MEPI. However, MEPI was later tasked by the administration with programming more than \$20 million in additional ESF funds and earmarked for Iran and the Palestinian territories, inflating the total above the level that Congress aimed to "grant".

However, it seems that these trends are being reversed by the Obama administration and its improved relations with the Democrat-controlled Congress. The House version of the FY10 appropriations bill passed in July includes \$70 million designated for MEPI, which would represent a 40% increase over annual funding for MEPI from 2007-2009. This would also be only the second time since 2004 that Congress did not grant funding for MEPI at a level at least one-third below the President's request. Moreover, the draft bill marked up by the Senate Appropriations Committee for State and Foreign Operations departs from previous bills in electing not to include an earmark for MEPI, essentially aiming to leave the program's funding up to the discretion of the administration. Thus it appears that funding for MEPI for FY10 will be at least \$70 million, the highest level since FY06, and an increase of at least 40% over funding in recent years.

II. Millennium Challenge Corporation

The President's request for FY10 includes \$1.425 billion for the MCC. This is 63% more than the \$875 million granted by Congress in the FY09 Consolidated Appropriations Act, and it would restore MCC funding to the level granted by Congress for FY08, prior to a sharp cut in funding for FY09. While it is also true that the \$1.425 billion request is the lowest level of funding *requested* for MCC since the first year of the program in 2004, the fact that President Obama is requesting a funding increase of more than 70% over expenditures in the current fiscal year sends a clear signal of support for the initiative. Much like MEPI, MCC is a key assistance program established by the Bush administration whose future was considered by many observers to be very much in doubt under the new Democratic administration. In addition, although Congress had slashed funding for MCC during the last 3 years of

the Bush administration, it is likely that the Democrat-controlled Congress will grant funding for MCC at or very near the levels requested by President Obama.

MCC was established in January 2004 "based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people." It manages the distribution of funds through the Millennium Challenge Account (MCA), which receives funding from Congress through annual appropriations. MCC has been somewhat controversial, with some observers criticizing the MCC as soft on its democratic criteria,¹⁵ while others urge wider application of the MCC 'positive conditionality' model to other U.S. assistance programs.¹⁶ Currently, three Arab countries – Jordan, Morocco and Yemen – have assistance agreements with MCC.

The MCC gives an annual scorecard to each of the 128 countries in the world classified as "Lower Income Countries" or "Lower Middle Income Countries." The scorecard measures each country on seventeen indicators in three categories: Ruling Justly, Investing in People, and Economic Freedom. The MCC then awards multiyear compacts to those countries deemed eligible based on performance on the seventeen indicators and the opportunities for reducing poverty and stimulating economic growth.

In addition, countries may earn eligibility for the MCC Threshold Program, designed to assist countries that are on the "threshold" of MCA eligibility for longer-term compact aid agreements. Through the threshold program, countries may be awarded smaller, shorter-term grants than those awarded through MCC compacts. The assistance provided through threshold agreements typically focuses more on political reform efforts that are targeted to enable countries to make

¹⁵ "Millennium Challenge Corporation Should Hold Countries to Higher Standards of Democratic Governance," Freedom House Press Release, November 2, 2006.

¹⁶ E.g. Larry Diamond in "The Democratic Rollback," Foreign Affairs, March 2008

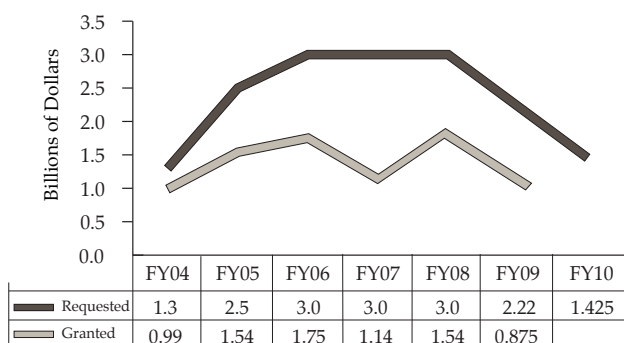
improvements on specific indicators that are preventing them from being eligible for an MCC compact.

Although the programs funded through the longer-term compacts focus primarily on economic growth and private sector development, rather than political reform, the goal is to continue providing incentives for political reform through annual scorecards and benchmarks. The seventeen indicators used in the annual country scorecards include six indicators under the objective of “Ruling Justly” – the Freedom House scores for civil liberties and political rights along with World Bank Institute indicators for corruption, rule of law, government effectiveness, and voice and accountability. In theory, the use of such indicators provides an incentive for countries to make progress on political reforms in order to receive valuable economic assistance.

However, MCC has drawn criticism in some quarters for granting compacts to countries with very low performance in areas of democratic reform. Freedom House has called for a strict requirement disqualifying any country scoring worse than a 4 (on a 1 to 7 scale) on the Freedom House ratings for political rights and civil liberties from receiving an MCC compact. Unofficially, this rule seems to be adhered to for most countries, except those in the Middle East. The Arab countries that

currently have MCC compacts – Jordan, Morocco, and Yemen – all have failing, below-median scores on both of these indicators. Another common criticism of MCC, particularly from members of Congress, has been that the Bush administration is perceived to have broken its promise that MCC assistance would be an additive program that does not draw funds away from existing USAID programs. Many commentators believe that bilateral aid to many MCC recipients has declined as a result of MCC compact funding.¹⁷ The status of MCC agreements with Jordan, Morocco, and Yemen are described in the subsections for each of those countries below.

MCC Funds, Requested vs Granted, FY04 - FY10



In July, the House granted \$1.4 billion for MCC, only \$25 million below President Obama’s request and \$525 million more than granted in FY09. However, the Senate version coming out of the committee markup recommends only \$950 million for MCC, \$475 less than the President’s

request for FY10. This represents one of the largest discrepancies between the House and draft Senate versions of the FY10 spending bill, and the level of support for MCC will be a key question to keep an eye on at the stage of reconciling the two bills by a joint conference committee, expected to take place in September. But it should be remembered that even if the lower figure granted by the Senate is adhered to by the conference committee, this would still represent an 8.6%

¹⁷ See, e.g. “U.S. Foreign Assistance under the Microscope at Senate Hearing” Office of Senator Robert Menendez (D-NJ), June 12, 2007. Congressman Adam Schiff (D-CA) has also raised this concern with regard to the significant reduction in USAID funds requested for Armenia in FY08, following the establishment of a MCC compact with Armenia.

increase over the current allocation for FY09, and the first increase in funding for MCC since FY06.

III. Near East Regional Democracy Program

When Congress passed the Consolidated Appropriations Act for FY09 in March 2009, the act contained \$25 million allocated under a new category of funding: the Near East Regional Democracy (NERD) program. This program was not included in any of the budget requests from the Bush administration, including that for FY09, and it seems as though it was developed by the appropriations committee staff in conjunction with the incoming Obama administration during its first few weeks in office. Now, in President Obama's first annual budget request, he has requested that the program's budget increase to \$40 million. This is quite a large sum to be allocated under a new, relatively unknown designation.

Appropriations committee members, their staff, and administration officials have declined to give any public information about the specific intended use of these funds, and several members of the State and Foreign Operations appropriations subcommittees seem to be unaware of any details of the program. Numerous sources within the administration have confirmed that the NERD program in large part aims to replace funding designated for Iran as Economic Support Funds (ESF) under the Bush administration.¹⁸

The majority of funding for this program aims to support civil society – in its first year (FY09), \$14.9 million of the \$25 million allocated for this program has been designated as such. For FY10, \$25 million of the \$40 million requested is designated for civil society.

The FY10 Congressional Budget Justification (CBJ) declares that funding within the NERD classification will “reinforce civil society, promote youth development, provide greater access to alternative sources of information, support greater understanding of and respect for universal human rights and fundamental freedoms, and support the rule of law and good governance.” It also notes that NERD “projects may include cross-border and multi-country initiatives.”

While the former statement is not very different from many general statements on the objectives of U.S. democracy programs in the Middle East, the latter – taken in conjunction with the fact that the NERD program is now being used to support Iranian democracy through soft power initiatives – suggests that some of those initiatives will work with members of civil society and NGOs from numerous countries in the region together. This may be a major motivation for the creation of a new designation for supporting democracy in the region, as most funds designated for supporting civil society through bilateral USAID programs would be less flexible and could not be used for such multi-country initiatives. Another advantage of this designation over allocating funds via bilateral ESF allocations is its ability to reprogram funds for other countries in the region in reaction to developments on the ground.

The House and Senate versions of the bill each fully grant the President's request of \$40 million for the NERD program. In addition, the Senate Committee Report accompanying the markup of the bill recommends that \$40 million be spent “under the ESF heading for programs and activities to support reforms in Iran, and to counter Iranian influence in the region.” It also notes that “The Committee underscores its support for the aspirations of the people of Iran for representative gov-

¹⁸ See section on Iran under country-by-country discussions of bilateral assistance to the region below for a more detailed discussion of U.S. funding to support Iranian democracy in recent years, and potential consequences of shifting such funding into a new multi-country program.

¹⁹ 111th Congress of the United States, “Senate Report 111-044, Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2010.”

ernance, and notes the growing illegitimacy of the ruling clerics and incumbent officials in Iran and abroad.”¹⁹ This Senate earmark is generally understood to be recommending that the entire \$40 million allocated for the NERD fund be spent on programs to support reform in Iran [see section on Iran below]. In addition, the Senate Committee Report also recommends that of the \$40 million for the NERD programs, “not less than \$30,000,000 to expand access to information and communications through the Internet ... The Committee further expects that awards of the funds will be based on a showing that the applicant will, within 1 year of the date of the award, be able to generate sufficient capacity to provide Internet access to tens of millions of closed society residents in acutely hostile Internet environments.”²⁰ This clause is also understood to be directed at Iran, particularly in light of the perceived role of the internet in the widespread opposition protests following June’s Presidential election.

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

The State Department describes DRL as the “lead bureau in the broad effort to support human rights and democracy worldwide.” DRL places particular focus on “priority countries where egregious human rights violations occur, [and] where democracy and human rights advocates are under pressure.” DRL works with USAID and efforts include support for “innovative” programming for democracy and human rights by American NGOs to respond to unexpected developments such as political crises and sudden crackdowns against human rights activists, including through the Global Human Rights Defenders Emergency Fund, which disburses emergency financial assistance to human rights defenders and their families when targeted by repressive regimes. For FY10, China is singled out in the CBJ for

foreign operations as a priority country for DRL’s programming, whereas Pakistan was similarly singled out in FY09.

When it was founded by Congress in the 1970s, DRL primarily observed conditions of human rights, made formal complaints to embassies – urging them to take action or make statements – and produced the State Department’s annual human rights reports. In recent years, DRL has become better funded and established, and it plays a much more active role in a variety of programs for supporting democracy and human rights abroad. In addition to supporting the democracy and human rights work of other bureaus within the State Department and USAID, DRL also receives funding to allocate itself, largely through small grants for NGOs and civil society organizations.

DRL’s programs are generally seen as more adaptive and more capable of reacting to changing circumstances and political developments than similar programs for distributing funds through USAID. DRL’s mission allows it to focus on democracy and governance issues, as opposed to both USAID and NEA, which must interact with the host government bilaterally on a range of issues. In this sense, DRL can be seen as playing the same kind of role for the State Department as a whole that MEPI seeks to play within the Bureau for Near Eastern Affairs; maintaining a consistent focus on democracy, governance, and human rights concerns rather than on other short-term strategic priorities. In addition, DRL operates across the region and much of its funding is not earmarked for specific countries, allowing it greater flexibility in programming than USAID.

DRL’s work has often focused on supporting democracy in challenging countries, including those where USAID has little or no on-the-ground presence and where a strong, historical assistance relationship is lacking.

²⁰ Ibid.

Such work in recent years has included the provision of support for independent media and judiciary in Libya, such as exchange programs that bring Libyan journalists, lawyers, and judges to the United States to witness American institutions and study the importance of judicial and media independence. In Syria, DRL assisted with efforts to promote religious freedom and interfaith dialogue and to provide Arabic-language materials on human rights and the rule of law to Syrian universities. In Tunisia, DRL provided support for a program to bring American law professors to teach as guest professors at Tunisian universities, as part of an effort to promote judicial competence, transparency, and independence.²¹ For FY10, assisting in meeting the challenges of governance in Iraq, Afghanistan, and Pakistan are all identified serious priorities for DRL.

In the President's FY10 budget request, the Foreign Operations line item for DRL is \$70 million. Last year, the Bush administration requested \$60 million for FY09, but Congress exceeded this amount by one-third, granting \$79 million. For FY10, these funds are requested as Economic Support Funds, which is the account under which the administration has traditionally requested these funds. Congress, since FY06, has appropriated funding for DRL under a separate "Democracy Fund" account. Of this requested \$70 million, the bulk is designated for the Civil Society (\$34.75 million) and Rule of Law and Human Rights (\$27.5 million) program areas, with much smaller amounts designated for Political Competition and Consensus Building (\$7 million) and Good Governance (\$750 thousand). This distribution of funds by program area is relatively unchanged from previous years.

In addition, DRL also receives funding for its operational expenses through an account in the Department of State Operations portion

of the bill, in which \$20.7 million is requested, a 16% increase from FY08. DRL uses its staff and resources to assist in programming some funds appropriated bilaterally and through other accounts, so DRL's own budget allocations should not be viewed as covering all of the bureau's activities.

V. USAID Bureau for Democracy, Conflict, and Humanitarian Assistance

The stated mission of DCHA at USAID is "to save lives; alleviate suffering; support democracy; and promote opportunities for people adversely affected by poverty, conflict, natural disasters and a breakdown of good governance." While the majority of funding administered by this bureau is for Humanitarian Assistance, DCHA also houses the USAID Office of Democracy and Governance. This office does administer some democracy programming, but more of its work is in providing key support to USAID country missions, regional bureaus, and U.S. embassies for programs to advance democracy, governance, and human rights.

The overall request for FY10 for DCHA's foreign assistance work worldwide is \$2.45 billion, a 12% reduction from FY09 funding of \$2.19 billion. However, the portion of the DCHA budget designated for the GJD objective is increased 13%, from \$76.5 million to \$86.4 million. Within this amount, the funding for the Good Governance program area – focusing largely on anticorruption efforts – is nearly tripled, from \$13.3 million in FY09 to \$37.6 million for FY10. The request includes a modest increase for Civil Society funding, from \$15.8 million to \$20.6 million, while reducing funding for Political Competition and Consensus Building (from \$32.3 million to \$23.8 million) and Rule of Law and Human Rights (from \$15.3 to \$4.3 million) programs. The significant overall increase in DCHA funding includes \$76

²¹ For more detail on these and other DRL efforts in the region, see the annual report entitled Supporting Human Rights and Democracy: The U.S. Record, publication of the U.S. Department of State, Bureau of Democracy, Human Rights, and Labor. Available online for download at <http://www.state.gov/g/drl/rls/shrd/>

million for a new Rapid Response Fund initiative, which is requested under the Transition Initiatives (TI) account. The new fund, like other TI-funded activities, will aim to use assistance in creative and unique ways to react to unforeseen developments and opportunities. Although the funds are not specifically programmed for democracy and governance (since they are deliberately designed to be applied in ways unknown in advance), many TI-funded programs do focus on supporting political reform. The addition of the Rapid Response Fund will increase TI funding from \$50 million in FY09 to \$126 million in FY10.

The USAID Office of Democracy and Governance has expressed concern that “The convergence of destabilizing factors related to economic crisis threatens otherwise stable democracies, and provides opportunity for more autocratic regimes to justify consolidation of power.”²²

DCHA funding for GJD in FY 2010 will especially focus on preventing fragile democracies from reversing recent progress on political reforms. The USAID Office of Democracy and Governance provides support for a variety of programs in nearly every country in the region, not only supporting bilateral GJD programs, but also working closely with initiatives such as MEPI and MCC’s threshold programs in Yemen and Jordan.

VI. National Endowment for Democracy

The President’s budget requests \$100 million for the NED in FY10. For four consecutive years, from FY06 to FY09, the President’s budget request for the NED had remained constant at \$80 million. Congress, however, has exceeded the President’s request the past two years, granting \$99.2 million in 2008 and \$115 million in 2009.

The NED is a private, nonprofit organization created in 1983 by the U.S. Congress to strengthen democratic institutions around the world through nongovernmental efforts. The Endowment is governed by an independent, nonpartisan board of directors. With its annual Congressional appropriation, the NED makes hundreds of grants each year to support pro-democracy groups in more than 100 countries. The NED has five primary strategic priorities: opening political space in authoritarian countries; aiding democrats and democratic processes in semiauthoritarian countries; helping new democracies succeed; building democracy after conflict; and aiding democracy in the Muslim world.²³

The NED has ongoing programs in nearly every country of the Middle East. These include: efforts to support journalists and independent media in Jordan, Morocco, Yemen, and Tunisia; programs to encourage electoral participation by political activists followed by election monitoring and post-election assessment in Egypt, Lebanon, and Kuwait; and activities to build and train civil society organizations and provide opportunities for building networks among political activists in closed political environments like Libya, Syria, Iran, and Saudi Arabia. Some argue that the NED is a more suitable institution for U.S. democracy promotion efforts than agencies within the Department of State, as it is less likely to instrumentalize democracy promotion in the pursuit of other U.S. policy goals.

Congress is generally supportive of the NED, and the President’s full request of \$100 million is expected to be granted or exceeded, as Congress has granted funds to the NED at levels exceeding the administration’s request in each of the past two years.

²² U.S. Department of State, Congressional Budget Justification: Foreign Operations Fiscal Year 2010, p 158.

²³ National Endowment for Democracy, “Strategy Document, January 2007.”

VII. Multilateral International Organizations

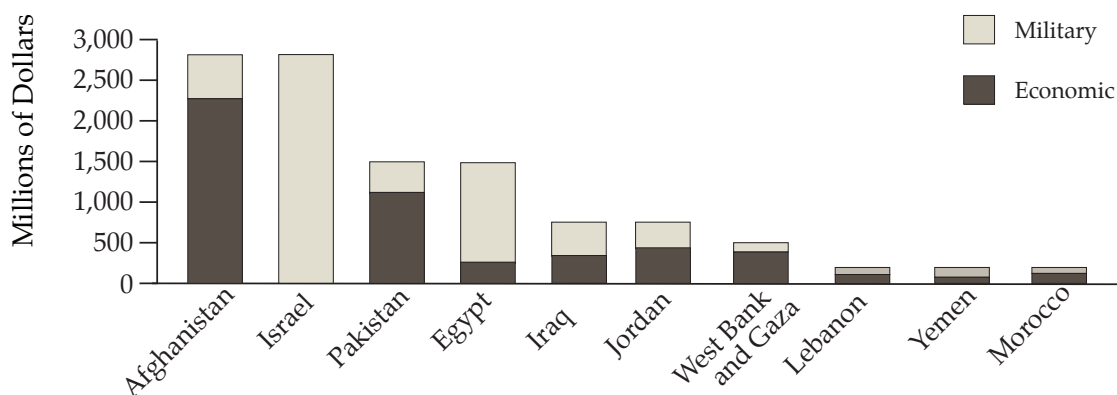
Overall funding for multilateral international organizations has essentially held steady in the President's request, at \$356.6 million – up very slightly from approximately \$352.5 million allocated for 2009. Within this amount, GJD programs see a requested increase in funding of 6%, to \$24.4 million, up from \$23 million being spent in FY09. More than half of the GJD budget for international organizations is requested for the United Nations Democracy Fund (UNDEF), which was included in the annual U.S. budget for the first time in FY09. The FY10 request of \$14 million for UNDEF matches President Bush's request for FY09, but Congress only granted \$3 million.

UNDEF was established by the UN Secretary-General in 2005 to complement existing UN efforts to promote democracy. In particular, UNDEF focuses on supporting the interface between civil society and the official government institutions of democracy (e.g. election commissions, parliaments, provincial and local councils, judiciaries, national human rights commissions, central and local governments). Civic education, voter registration, and improving access to information are key goals of the program.

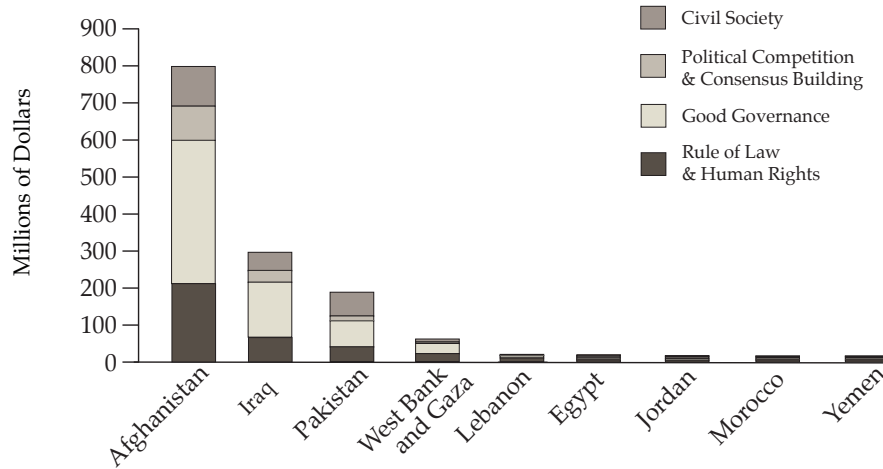
A Closer Look: Bilateral Assistance in the FY10 Request by Country

While the programs examined above receive much attention for their work on democracy and governance in the region, the majority of funding for democracy programs in the region is still provided through bilateral assistance. USAID operates seven country programs in the Middle East: Egypt, Iraq, Jordan, Lebanon, Morocco, the West Bank and Gaza, and Yemen. As compared with the total funding granted in FY 2009, the President's FY 2010 budget requests a significant increase in overall funding for Morocco and Yemen, with modest decreases in assistance to Egypt, Iraq, Jordan, and the West Bank and Gaza. However, Lebanon and the Palestinian territories each received dramatically increased assistance during 2009 to levels far in excess of the 2009 budget request, and the President's FY10 request for each represents a significant increase over FY08 levels and over President Bush's request for FY09. The funds specifically designated within the Governing Justly and Democratically strategic objective are increased for Iraq, Lebanon, Morocco, and Yemen. Governing Justly and Democratically (GJD) funding for both Egypt and Jordan are reduced in the request, and such funding for the West Bank and Gaza is reduced from FY09 levels back to those granted in FY08. Each of these seven countries will now be examined individually, along with discussions of three other key countries in the region: Afghanistan, Pakistan, and Iran.

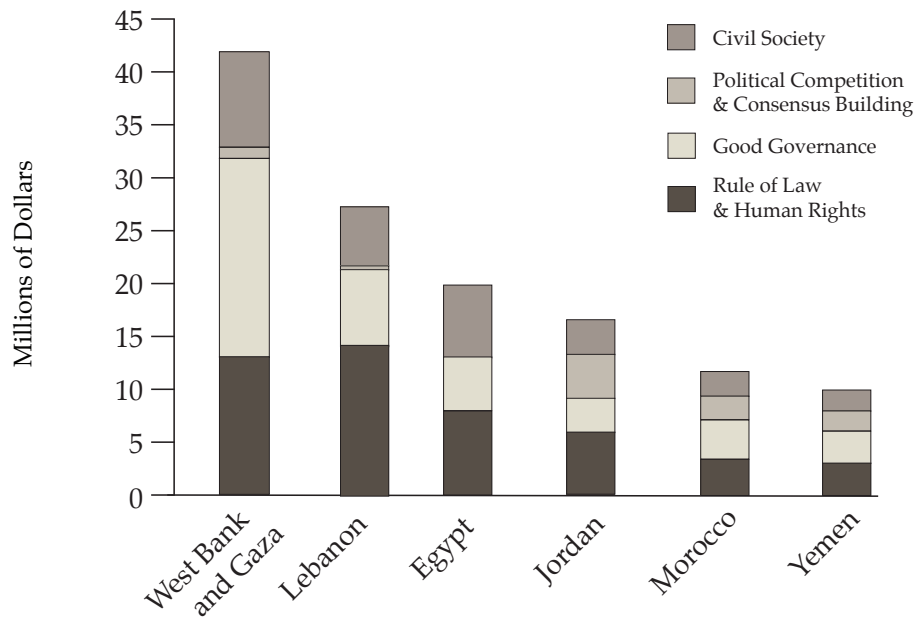
FY2010 Request for Economic and Military Assistance



**FY2010 Request for Governing Justly and Democratically (GJD)
By Country and Program Area**



**FY2010 Request for Governing Justly and Democratically (GJD) by Country
and Program Area: Omitting Afghanistan, Iraq, Pakistan**



Afghanistan

President Obama has made a renewed focus on Afghanistan a key part of his administration's foreign policy, and his budget request clearly reflects that priority. The budget includes a \$2.777 billion request for assistance to Afghanistan, which, if fully granted, would officially make Afghanistan the largest recipient of U.S. foreign assistance for 2010.²⁴ President Obama did not wait for the FY10 budget request to increase U.S. aid to Afghanistan, but instead requested enormous increases in funding in the FY09 supplemental appropriations bill, granted by Congress in June 2009.

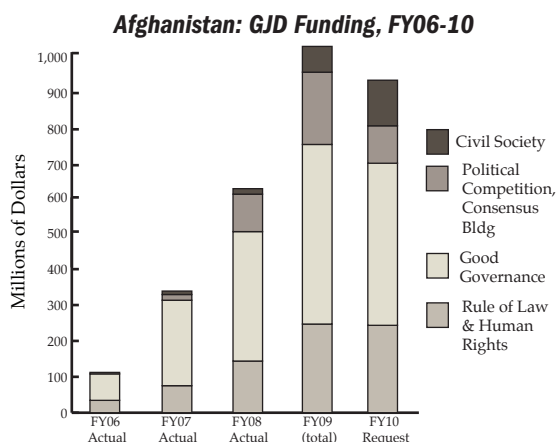
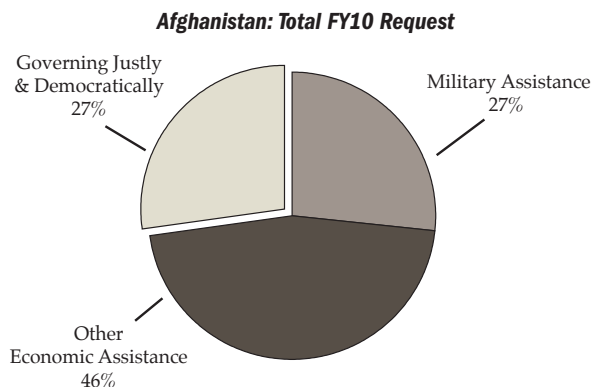
Within this amount, \$801 million is designated under the Governing Justly and Democratically objective, well over double the amount requested for democracy and governance for any other country in the world. In contrast to funding cuts for civil society across the Arab world, the FY10 budget request aims to nearly double funding for civil society in Afghanistan to \$110 million, up from \$62 million in FY09. Again, this is considerably more than requested to support civil society in any other country – Pakistan, the next largest recipient, receives \$65.2 million under the President's budget. The budget includes slight decreases in funding for other program areas within the GJD objective, and overall the \$801 million in democracy funding for Afghanistan would represent a slight reduction of the \$882 million being spent in 2009. It should be noted, however, that the GJD request is more than triple that requested by President Bush for FY09, and that the dramatic increases in funding granted by Congress in the FY09 omnibus and supplemental appropriations bills were at the behest of the Obama administration. Likewise, the overall request for

assistance to Afghanistan is nearly triple the \$1.05 billion requested by President Bush for FY09 – though at the urging of the new administration, Congress did grant funds far in excess of that request, totaling \$2.661 billion.

Given that the FY10 request is overall quite similar to the recent assistance package granted by Congress for FY09, and given the strong support within Congress for assisting the fragile democracy in Afghanistan, it appears that Congress will grant the full amount of the President's request. Chairman David Obey (D-WI) of the House Appropriations Committee has expressed support for the President's renewed focus on Afghanistan, while making clear that the support will not be open-ended or unconditional, and that the Congress will want to see real progress within one year in order to continue supporting such large expenditures in Afghanistan. This suggests that Congress is likely to grant the full amount of the President's request for FY10 and then reevaluate based on measurable progress before providing funding next year for FY11.

Indeed, the House version of the appropriations bill passed on July 9 includes \$2.695 billion for Afghanistan, only \$82 million below the President's request, and more than the considerably increased level of funding granted for 2009 including the FY09 supplemental appropriations act passed in June. Likewise, the Senate Appropriations Committee's version of the bill also includes approximately \$2.7 billion for assistance to Afghanistan.

²⁴ Israel is expected to receive \$2.775 billion in military assistance, or \$2 million less than the amount requested for Afghanistan.



Egypt

The President's budget request for 2010 sends mixed signals about the place of support for democracy and human rights in U.S. policy toward Egypt. On one hand, the section of the Congressional Budget Justification for FY10 regarding U.S. assistance to Egypt contains language explicitly expressing concern for reform and the rights of Egyptians:

To expand the scope of what has already begun, the United States will support programs to expand civil liberties, introduce transparency and accountability in government, and foster more democratic institutions. Despite some progress, achieving meaningful reform will continue to present challenges.²⁵

The U.S. will remain closely engaged with the Government of Egypt (GOE) on political and economic reforms, while encouraging Egypt's strong support for U.S. regional policies and efforts to combat terrorism. The U.S. Government supports the enactment of the political reforms outlined by President Mubarak during the 2005 Presidential campaign. Egypt has, however, been slow to implement these reforms. U.S. assistance programs will work with the Egyptians to advance these reforms apace.

Such language is quite unusual in the Congressional Budget Justification and seems to suggest that U.S. support for Egyptian democracy is a priority of the U.S.-Egypt assistance relationship. On the other hand, the numbers in the assistance budget for Egypt are seen by many as sending the opposite signal.²⁶

Overall assistance to Egypt in the President's request remains constant from FY09, at \$1.55 billion. This includes \$1.3 billion in FMF military assistance, and \$250 million in Economic Support Fund (ESF) civilian aid. This level of civilian economic aid matches the total of ESF aid granted in the FY09 annual appropriations act (\$200 million) and the FY09 emergency supplemental (\$50 million) passed by Congress in June 2009. In effect, the President's budget request reinforces the sharp cut in economic aid that was made in FY09, down from the \$415 million given to Egypt in FY08.

²⁵ U.S. Department of State, *Congressional Budget Justification, Foreign Operations, Fiscal Year 2010*, p. 413.

²⁶ See Scott Carpenter, "Ditching Democracy in Egypt?" Middle East Strategy at Harvard Blog, May 29, 2009; or Andrew Albertson and Stephen McNerney, "Don't Give Up on Egypt," *Foreign Policy*, June 2009.

Within this amount, the request also reinforces the severe reduction in democracy and governance funding enacted by Congress in the FY09 omnibus appropriations act in March, from \$54.8 million in 2008 to only \$20 million for 2009. This reduction sparked sharply negative reactions from the democracy promotion and human rights communities in both Egypt and the United States for a number of reasons. First, the cut was unexpectedly enacted by Congress in the FY09 omnibus appropriations act by placing an earmarked limit on the amount of Egypt's economic aid that could be spent on democracy and governance – the first time in history that Congress has limited democracy and governance expenditures in a specific country in this manner. Beyond the overall reduction in the level of democracy funding there has also been much concern over exactly which programs are being cut. Looking at the funding for each of the program areas within the GJD heading, it is clear that the reduction in funding came primarily from civil society groups, which received \$31.75 million in funding in FY08, before being cut to only \$7.3 million in 2009, with only \$7.0 million requested for 2010.

In addition, there is heightened concern that the few civil society groups that will continue to receive U.S. government funding are unlikely to be among the more independent groups working on issues of genuine political reform. There has been a proliferation of “nongovernmental” organizations with close ties to the Egyptian regime and the ruling National Democratic Party (NDP). Such groups, sometimes referred to as “government-organized NGOs,” or GONGOS, often aim to reinforce the political status quo, and may receive funding at the direction of the Egyptian regime as a form of patronage.

This is related to another particularly sensitive issue, which is the degree to which the Egyptian government has authority over which organizations in Egypt receive U.S. assistance. Prior to 2004, Egypt was the only country in the world with full discretion over the distribution of U.S. funds for de-

mocracy and governance. An amendment offered by Senator Sam Brownback (R-KS) and passed in December 2004 asserted the U.S. government's authority to distribute democracy assistance directly to independent organizations without the approval of the Egyptian government. Language from the Brownback amendment, stating that “with respect to the provision of assistance for Egypt for democracy, human rights and governance activities, the organizations implementing such assistance and the specific nature of that assistance shall not be subject to the prior approval by the Government of Egypt,” remained part of the text addressing Egypt in the annual appropriations act for State and Foreign Operations each year from 2005 to 2008. Some advocates of democracy in Egypt were alarmed when this language did not appear in the Egypt section of the FY09 omnibus appropriations act passed in March. However, this language is still present, but it is now listed under a section for special authorities and is framed globally rather than referring specifically to Egypt: “With respect to the provision of assistance for democracy, human rights and governance activities, the organizations implementing such assistance and the specific nature of that assistance shall not be subject to the prior approval by the government of any foreign country.”

A closely related area of concern is an apparent concession by the U.S. government to Egyptian government demands that the U.S. no longer provide bilateral assistance funds directly to civil society organizations that are not officially registered as NGOs with the Egyptian government. Many Egyptian civil society groups, fearing heavy-handed interference by the government in their affairs, choose not to register as an NGO, but instead register as a civil corporation, opting to forfeit tax-exempt status in order to be freer of governmental regulation and interference. The Egyptian government and the NDP-controlled parliament have been particularly angered by U.S. government funds that have been disbursed to several of these “civil corporations,” which the Egyptian re-

gime considers to be in violation of Egyptian law.

In recent years, approximately \$10 million of the annual bilateral funding for civil society groups in Egypt had been granted to unregistered groups. The recipients of these funds included a wide array of local Egyptian organizations, as well as larger international NGOs that also do not register as NGOs within Egypt, such as Freedom House, the National Democratic Institute for International Affairs (NDI), and the International Republican Institute (IRI). When the portion of U.S. bilateral assistance aid for Egypt designated for civil society groups was cut from nearly \$32 million to merely \$7 million in March 2009, the \$10 million that had gone to unregistered groups was eliminated entirely.

The 2008 edition of this report noted that "This issue is at the heart of current debates over U.S. assistance to Egypt - so many civil society groups choose not to register with the Egyptian government that cutting off aid to these groups would greatly impair U.S. efforts to reach Egyptian civil society." Needless to say, this move has raised alarm - both within the community of U.S. democracy and human rights supporters as well as among Egyptian democracy advocates and activists - not only for its negative impact on the potential for genuine reform and improved civic engagement, but also for the signal it sends about the place of democracy and support for civil society in the U.S.-Egypt relationship. Some in the administration and in Congress alike have justified these reductions by arguing that nongovernmental organizations and civil society groups in Egypt lack the absorptive capacity to properly spend funds at the levels allocated in recent years. However, civil society leaders and reformers in Egypt dispute this characterization, noting the extremely large number of such organizations

in Egypt²⁷, and they view the cut in funding as an effort to placate the Egyptian regime. Others contend that it is not the Egyptian civil society organizations that lack the capacity to absorb the funds, but rather that USAID or the U.S. Embassy in Cairo lack the capacity or desire to manage such levels of funding.

The new administration does not seem to be drawing a consistent line on democracy's place in the U.S.-Egypt relationship. When Secretary Clinton met with a group of Egyptian democracy activists in late May, she asserted that the U.S. government and the Department of State "always raise democracy and human rights. It is a core pillar of American foreign policy." She also spoke strongly of the important work done by young activists like those with whom she was meeting, without noting that the very program that had brought those activists to Washington is one of the casualties of the funding cut by Congress and reinforced by the administration.

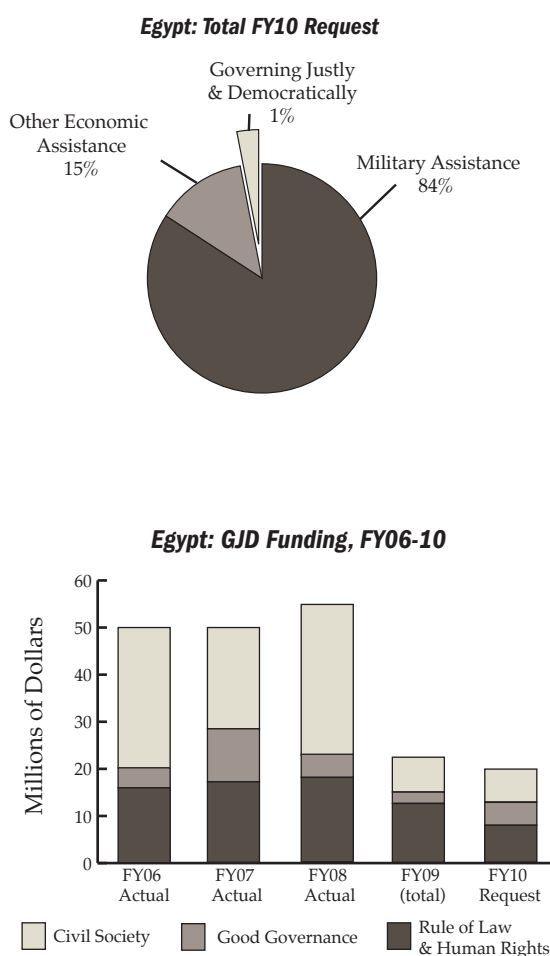
It should be noted that some portion of the funding for unregistered civil society organizations in Egypt will now be delivered by the Middle East Partnership Initiative (MEPI) and the Bureau of Democracy, Human Rights, and Labor (DRL), each of which will distribute \$1.3 million to unregistered groups during FY 2009. However, even including these funds, the total of \$2.6 million represents a 74% reduction over the amount distributed to such groups by USAID in previous years. Moreover, this is seen as a temporary solution to maintain funding for some such groups, and it is unclear at this point what levels of funding for unregistered groups will be in 2010 or beyond. While many have seen these cuts in support for democracy and civil society as evidence of excessive deference to the Egyptian regime, several administration officials have described this shift as merely a tempo-

²⁷ In 1996, the Egyptian Ministry of Social Affairs estimated that there were more than 15,000 officially registered NGOs in Egypt. Independent estimates have ranged as high as 28,000, not including the thousands of NGOs that decline to register with the Egyptian government to avoid harassment. See Maha M. Abdelrahman, *Civil Society Exposed: The Politics of NGOs in Egypt*. I.B.Tauris, 2004, p. 121.

rary move and asserted the administration's desire to formulate a long-term strategy for funding unregistered groups in Egypt.

Under the request, Egypt would continue to receive no funding whatsoever for the Political Competition and Consensus Building program area, which receives 11% of GJD funding across the region, and is funded in each of the six other Arab countries that have USAID programs (Iraq, Jordan, Lebanon, Morocco, West Bank and Gaza, and Yemen). This continued omission may arouse some concern, given the Mubarak government's

efforts to eliminate any space for political competition. A number of recent constitutional amendments have further constricted the already-limited ability of the political opposition to organize, establish political parties, or challenge the political status quo. In the electoral arena, the 2005 presidential and parliamentary elections, though flawed, evidenced some progress as compared with previous elections. Unfortunately, these positive steps were reversed in the 2007 Shura Council elections and the municipal council elections in 2008, both of which were widely criticized and described as evidence of "a return to the old authoritarian practices of the ruling establishment."²⁸ With parliamentary elections scheduled for 2010 and the next presidential election in 2011, many would argue the Political Competition and Consensus Building programs should be a priority in Egypt, rather than remain an omission in USAID's work in Egypt. However, in the past, there has been evidence that some funding designated for civil society has in fact been spent on building political parties and political competition, without being labeled as such directly, presumably to avoid antagonizing the Egyptian government. This practice may continue, but this only heightens the importance of the deep cuts in civil society funding.



A final issue of interest in the FY10 appropriations process for assistance to Egypt will be the question of whether conditions of reform will be placed on any of the assistance granted by Congress. Efforts have been underway by members of Congress for several years to place various conditions on some portion of aid to Egypt. In December 2007, Congress passed the Consolidated Appropriations Act for Fiscal Year 2008 (P.L.110-361), conditioning \$100 million of the \$1.3 billion in military aid upon the Egyptian government taking "concrete and measurable steps" to improve the independence of the judiciary, train police leadership to curb abuses, and destroy smuggling tunnels from Egypt into Gaza.

²⁸ Mohamed Herzallah and Amr Hamzawy, "Egypt's Local Elections Farce: Causes and Consequences," Carnegie Endowment for International Peace, April 2008.

However, a clause was also included which allowed the Secretary of State, not sooner than 45 days after the enactment of the appropriations act, to waive these conditions if deemed in the national security of the United States. Barely had this 45-day window expired when Secretary Rice acknowledged in a press conference in Cairo that she had quietly exercised this waiver.²⁹ National security reasons for the waiver include the need to ensure Egyptian cooperation on military issues such as the preferential, expedited treatment granted to U.S. military ships passing through the Suez Canal. As of now, it appears that Congress will abandon efforts to condition military aid to Egypt, at least in the near term.

In short, the Obama administration has been decreasing democracy and governance funding for Egypt at a time when funding for such programs in most other countries in the region is increasing. Each year from 2003 to 2008, Egypt received considerably more bilateral funding for democracy and governance than any other Arab country (excluding Iraq, which has received disproportionate levels of funding across many program areas due to reconstruction efforts since 2003). This is relatively unsurprising given Egypt's size (more than twice as populous as any other Arab country) and importance in the region culturally and politically. However, under the President's budget request for 2010, Egypt would receive less GJD funding than Lebanon or the West Bank and Gaza, and only slightly more than Jordan. This seems to signal that Egypt may be a lower priority among the administration's efforts to support democracy across the Middle East, despite the rhetorical support for democracy in the language of the CBJ and in the President's speech in Cairo.

Both the House version and the preliminary Senate version of the State and Foreign Operations bill for FY10 grant the President's request of \$1.3 billion in military assistance³⁰ and \$250 million in economic assistance to Egypt. Each version of the bill contains an earmark requiring that at least \$25 million be spent on democracy and governance programs in Egypt, \$5 million more than requested by the administration. At this point, neither version of the bill includes any conditions on any portion of the aid.

In addition, the Senate committee's version of the FY10 bill includes the language, "Of the funds appropriated by this Act and prior Acts making appropriations for the Department of State, foreign operations, and related programs, up to \$200,000,000 may be made available for an endowment to further the shared interests of the United States and Egypt: Provided, That the Secretary of State shall consult with the Committees on Appropriations on the establishment of such an endowment."³¹ This idea of establishing an endowment has been rumored and discussed informally for several years, and similar language was included in the Senate version of the State and Foreign Operations bill for FY08, but was omitted from the final bill. Once again, it also seems unlikely that such language will be included in the final bill for FY10.

²⁹ "U.S. Waived Congressional Restriction on Egypt Aid," Reuters, March 4, 2008.

³⁰ Technically, the FY10 bills grant \$1.040 billion in military aid to Egypt, but the additional \$260 million in military aid for FY10 was shifted into the FY09 supplemental bill passed in March, which was done for overall budgeting purposes, to keep the value of the FY10 budget within designated overall spending limits.

³¹ 111th Congress of the United States, S.1434. "Making appropriations for the Department of State, foreign operations, and related programs for the fiscal year ending September 30, 2010, and for other purposes." Introduced July 9, 2009.

Iran

For the first time since 2005, no funds in the President's budget request are specifically designated for Iran. Independent programs to promote democracy, governance, and rule of law in Iran had, in recent years, been funded through Economic Support Funds for Iran, and through other funds including the democracy fund within DRL at the State Department and the Broadcasting Board of Governors (BBG). No funds are distributed through the government of Iran but, rather, have funded independent programs to support Iranian democracy.

Such funding has been a source of great controversy, with many human rights groups believing that the program backfired and undermined indigenous democracy movements within Iran, enabling the Iranian regime in its efforts to crack down on internal dissent and to cast all democracy activists as foreign agents in pursuit of regime change. But others dismissed such conclusions, arguing that the crackdown in Iran was simply in the nature of the regime and that U.S. funding was merely an excuse for behavior that would take place regardless. Because of the sensitive nature of such programming, the U.S. declined to identify any of the Iranian participants, to shield them from being targeted by the regime. But this secrecy surrounding the details of the Iran programs fueled speculation that the funding was being used for covert programs to overthrow the Iranian regime.³²

In 2008, the Bush administration claimed that no such funds were being used to fund any politically active groups in Iran, but were instead directed toward three types of programs: providing training to employees of Iranian NGOs in management practices,

democratic values, and civic practices; bringing Iranians to the United States through educational, cultural, and professional exchanges to study a variety of issues and gain exposure to functioning democratic institutions; and increasing the availability of information about democratic values to Iranians through Persian language print and online publications.

From 2005 to 2008, President Bush requested these funds to support Iranian democracy in the annual budget and Congress allocated funding specifically for this purpose by earmarking the annual appropriations bills. In FY08, although Congress allocated \$21.6 million in ESF for democracy programs in Iran, the FY08 Consolidated Appropriations Act earmarked a total of \$60 million, with \$8 million coming from the Democracy Fund at the DRL, and the remaining \$30.2 million from other unspecified accounts, to be determined by the Director of Foreign Assistance. Much of these funds were taken from the budget of the BBG for Persian-language broadcasting.

For FY09, President Bush requested \$65 million in ESF funds to support democracy in Iran. When the FY09 Consolidated Appropriations (aka 'omnibus') Act was passed in March 2009, it contained no specific allocation under the ESF heading for Iran and also no earmark for democracy funding in Iran as in previous years. However, the act contained several billion dollars in unspecified ESF funds – which could be distributed at the discretion of the new administration – and introduced a new heading, the Near East Regional Democracy (NERD) program, which received \$25 million. The current budget request for FY10 includes a \$40 million request for this program. It appears that much of this NERD funding will continue to support Iranian democracy through a vari-

³² See, e.g. Seymour Hersh, "Preparing the Battlefield," *The New Yorker*, June 8, 2008, or Robin Wright, "Cut Iran Democracy Funding: Groups Tell US," *The Washington Post*, October 11, 2007.

ety of “soft power” programs: educational and cultural exchanges, and making Persian-language information available online and through international broadcasting. See the section on the NERD program above for more information on this new budget item.

This new approach, of electing not to specifically allocate or earmark any funding for Iran has a few potential advantages. First, it allows the administration flexibility to react to changes situation on the ground in Iran. If programs are deemed ineffective or counterproductive, those funds can easily be reprogrammed to support democracy in other countries of the region. In addition, it allows the administration to fund programming, such as conferences that educate and train NGO employees, to include participants from numerous countries, not only Iran. Some argue that the presence of participants from countries that are U.S. allies will ease suspicions that such programs are veiled attempts at regime change.

Needless to say, the large-scale protests and demonstrations following the June 2009 Iranian presidential election cast uncertainty over what may come in Iran during FY10, and it seems that the flexibility offered by removing any mandatory earmarks or allocation for Iran is likely to be beneficial. Many had argued that it was the belligerent rhetoric of the Bush administration toward Iran that made such efforts to support Iranian democracy toxic. Depending on how events play out in Iran in the months ahead, the Obama administration’s stated desire to cool tensions between the Iranian and American governments could set the stage for more constructive programs in support of Iranian democracy.

Iraq

The level of funding for U.S. assistance to Iraq in the President’s 2010 request is larger than in any previous annual request, but this primarily reflects an effort by the Obama administration to shift U.S. assistance for Iraq into the annual budgeting process rather than providing such funds primarily through “emergency” supplemental spending bills. The assistance request for Iraq totals \$500 million, with \$415.7 million of this comprising civilian economic aid (ESF) and the remaining \$84.3 million dedicated to security assistance.³³ The Bush administration had similarly attempted to shift assistance for Iraq into the annual appropriations process in 2009, but failed to do so, as many members of Congress preferred to see more of the Iraq war funding, including funds classified as assistance to the Iraqi government, separated from the annual budget and voted on in the war supplemental bill. This year, it seems likely that the Democrat-controlled Congress will aim to leave Iraqi assistance in the annual spending bill per the request, as Congress supports President Obama’s declared intention to draw down the U.S. military presence in Iraq.

\$328.2 million, or 66% of the \$500 million request, is designated under the GJD objective. Building Iraq’s democratic institutions has been a priority of U.S. assistance to Iraq and has made up approximately half of the USAID budget in Iraq in recent years. This request represents a slight increase in the proportional weight of democracy and governance funding in the aid package. The \$328.2 million total for GJD also represents a modest 6% increase over the amount being spent on this objective in FY09.

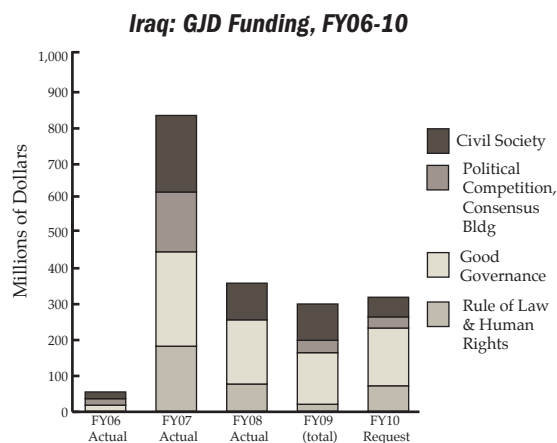
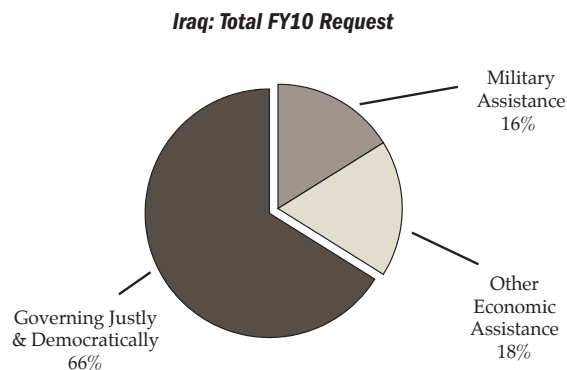
³³ It should be noted that this does *not* include U.S. Department of Defense expenditures in Iraq, which constitute the overwhelming majority of military/security expenditures in Iraq including DoD programs to train the Iraqi military.

Within the GJD heading, the budget request calls for a significant decrease in funding for Civil Society, from \$105 million down to only \$57 million. Funding for Iraqi civil society was already halved in FY 2008, when it was reduced from its peak of \$220 million down to \$106 million. It also includes a large increase in funding for Rule of Law and Human Rights, from \$20 million to \$73 million, while requesting a modest (12%) increase in funding for Good Governance and a small decrease in funding for Political Competition and Consensus Building. Broadly, these figures are representative of the broader trends in USAID democracy and governance funding across the region – sizable cuts to civil society, large increases for good governance, and roughly stable levels of funding for the other two program areas.

GJD funding for Iraq in FY10 will focus on improving the accountability and responsiveness of democratic institutions, with a particular focus on the provincial governments elected in January 2009. Another focus of U.S. assistance programs will be on reforming and building the capacity of Iraq's criminal justice sector, as all U.S.-constructed prisons are turned over to Iraqi control by January 2010. This will include large-scale programs for training judges and investigators and improving accountability and anti-corruption efforts.

The year ahead will be a critical one in determining the future of Iraq's fragile democratic government, as the U.S. draws down its military presence and Iraqis go to the polls for parliamentary elections scheduled to take place by January 2010.

The House version and the preliminary Senate version of the bill include \$484 million and \$459 million respectively in assistance for Iraq, slightly below the administration's request of \$500 million. It is expected that the conference committee's version of the bill will include funding for Iraq in this range, only marginally less than President Obama's request.



Jordan

The administration's request of \$693 million in total assistance to Jordan in the FY10 request represents a decrease over the total amount of \$871.8 million enacted in FY09, including \$150 million in unrequested supplemental ESF funds granted by Congress in June 2009. On the other hand, the \$693 million request also represents a 29% increase over the level of funding requested by the administration a year ago. The request essentially matches the levels of funding granted by Congress in the FY09 omnibus appropriations act in March, which far exceeded

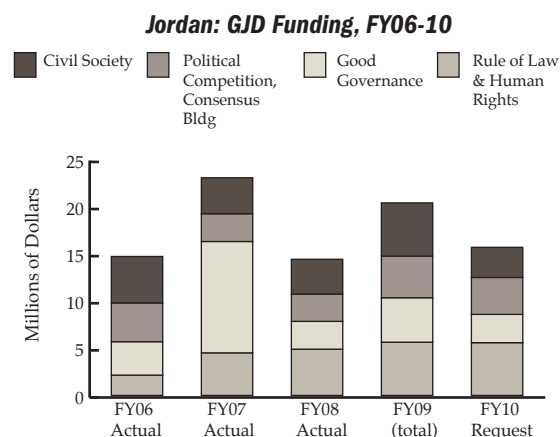
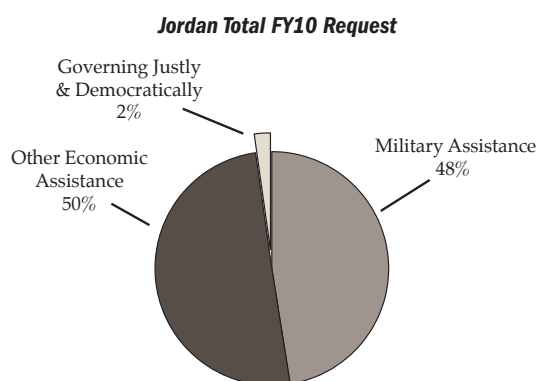
the administration's FY09 request, without the extra \$150 million granted in the supplemental bill. The \$363 million requested for ESF matches the level granted by Congress in the FY09 annual appropriations act, and the \$330 million requested for military aid would represent a slight (9%) decrease over granted FY09 levels.

Although Congress ultimately granted Jordan \$871.8 million in overall assistance for FY09, exceeding the Bush administration's request by \$336 million (or 63%), only \$20.8 million of this amount is being spent on programs within the GJD objective, which is 23% less than the Bush administration's request of \$27 million for GJD in FY09. The FY10 request calls for a further 23% decrease in GJD funding, down to \$16 million. Put another way, democracy and governance funding represents only 2.3% of the overall FY10 assistance request, compared with just over 5% of President Bush's request for FY09. As is true for many countries across the region and elsewhere, the FY10 request most sharply reduces funding for civil society, which is cut by 44% from \$5.75 million in FY09 down to only \$3.25 million. Funding for Good Governance programs is also reduced by 36%, while programs for Political Competition and Consensus Building, Rule of Law and Human Rights see very small decreases.

In addition to this bilateral assistance distributed through USAID, Jordan is currently undergoing negotiations with the Millennium Challenge Corporation (MCC) that are expected to result in the signing of a large multiyear assistance compact during FY10. Jordan submitted a proposal for a compact project on water management in November 2008. One ongoing MCC project, aimed to strengthen governance mechanisms in 9 municipalities, will be completed in September 2009.

Congress has been extremely supportive of the Jordanian regime, without expressing concern for any of the human rights issues

or stagnating political reform that have been raised regarding other U.S. allies in the region. Numerous members of Congress have consistently expressed support for the Jordanian regime as a key strategic ally of the U.S. that is under pressure because of the flow of refugees from Iraq. Much of this support has taken the form of increasing foreign assistance. It appears that Congress will grant assistance to Jordan matching the sharp increases called for in the President's request.



Lebanon

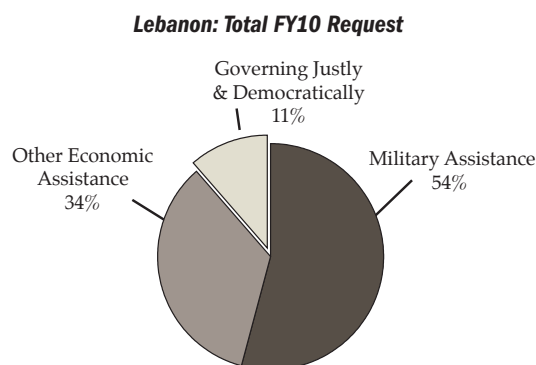
Overall assistance to Lebanon in the FY10 request represents a dramatic increase over two years from the level of funding granted in FY08. The request of \$238.3 million is comparable to the total level of funding allocated for FY09, but this includes a significant increase in civilian economic assistance and a sizable cut in military aid. The request calls for \$109 million in ESF, up 60% from the FY09 level of \$67.5 million, and \$129 million in military aid, including \$100 million in FMF and \$29 million in three smaller military aid accounts: International Military Education and Training; International Narcotics Control and Law Enforcement; and Nonproliferation, Antiterrorism, Demining, and Related Programs. Aid to Lebanon was increased dramatically across the board from FY08 to FY09, and the FY10 request maintains those significant increases.

The request calls for \$27.3 million in democracy and governance funding, a 49% increase over the total granted in FY09, and a fourfold increase from FY08 levels. This includes large increases for Rule of Law and Human Rights (\$14.1 million, up from \$7.5 million), Good Governance (\$7.1 million, up from \$4.5 million), and Civil Society (\$5.5 million, up from \$3.8 million). The only program area within the GJD heading to see a cut is Political Competition and Consensus Building, reduced 80% from \$2.5 million to merely \$500 thousand. It could be noted that the \$27 million request is still considerably less than the \$37 million requested by President Bush for FY09, but Congress only granted half of this amount. However, as noted above, the general expectation is that the Democrat-controlled Congress is likely to come closer to granting funding for Lebanon and other countries at the levels requested by President Obama than those requested by President Bush.

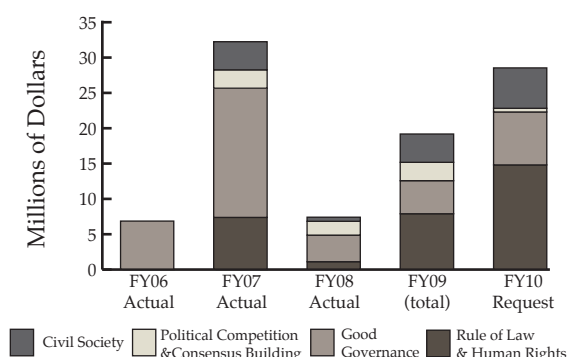
After the Obama administration initially submitted its budget request to Congress, there was some uncertainty in the status of

U.S. aid to Lebanon, pending the outcome of the June 2009 parliamentary elections. Only days before the elections, Vice-President Biden visited Lebanon and acknowledged that the level of U.S. assistance to the country could be affected by their outcome, the implication being that U.S. aid would be sharply cut in the event of an electoral victory by the Hezbollah-led March 8 opposition. However, this scenario did not come to pass, as the ruling March 14 coalition surpassed expectations and increased its share of parliamentary seats. The results of the elections were accepted by all parties as accurate and legitimate and the peaceful elections are generally considered to have been a step forward. Following this perceived success, the coming year is seen as a potentially important moment in Lebanon, with opportunities for long-awaited electoral reforms ahead of next year's municipal elections.

Congress has generally been quite supportive of U.S. assistance to Lebanon. A March 8 victory in June's parliamentary elections would have likely lessened this support considerably, if not eliminated it entirely, but this scenario was avoided. The current House and Senate versions of the FY10 appropriations bills fully grant the President's requests of \$109 million in ESF and \$100 million in FMF, while granting somewhat less than requested for smaller security assistance accounts.



Lebanon: GJD Funding, FY06-10



Morocco

The President's budget request calls for a significant increase in bilateral foreign assistance to Morocco, with an overall increase in aid of 66%, from \$25 million in FY09 to \$41.6 million. Military assistance is more than doubled in the request, while civilian economic aid is increased by more than 50%.

Within these increases, the request for GJD is doubled from \$5 million to \$10.7 million, with increases in each of the four GJD program areas. Notably, the GJD portion of the request also includes \$3 million in funding for Rule of Law and Human Rights programs, which had not previously been funded by USAID in Morocco. In addition, the request for Political Competition and Consensus Building funding, which had held steady at \$1 million annually since 2006, is doubled to \$2 million. Good Governance programs would see their funding increased by 30% from \$2.8 million to \$3.65 million, and funding for Moroccan Civil Society would receive a 67% increase under this request, from \$1.2 million to \$2 million. The requested increase in civil society funding is particularly notable, as it comes in a budget request that reduces funding for civil society programs across the Near East region by 29%.

Following the low 38% turnout in the 2007 Moroccan elections, a number of new U.S. government-funded programs to strengthen political parties and encourage broadened political participation were established. The requested increase in Political Competition and Consensus Building funding will allow for the expansion of these programs, including USAID political party training sessions that aim to train 17,000 people during FY10. The municipal elections of June 2009 were regarded as relatively free and fair; positive signs included an increased voter turnout rate of 52% and dramatic increases in participation by female candidates. Still, many viewed the elections as representing a consolidation of power by the monarchy, as the new Authenticity and Modernity (PAM) Party, founded by close allies of the king, swept the largest number of seats.³⁴

Despite the large increases in bilateral aid to Morocco, the largest component of assistance remains its compact with MCC. In August 2007, Morocco signed a five-year, \$697.5 million Millennium Challenge Compact focusing on poverty reduction and economic growth. At an average of \$139.5 million per year, the compact dwarfs the \$41.6 million in bilateral assistance proposed in the FY10 budget. The bulk of the funds in Morocco's MCC compact are designated for three large programs: one for rehabilitating and expanding fruit tree production; another for modernizing the small-scale fisheries sector; and a third for small entrepreneurship in traditional artisanal goods.

Although none of the MCC funds for Morocco are directed towards any democracy, governance, or human rights programs, the seventeen indicators used in the MCC's annual country scorecards include six indicators under the objective of "Ruling Justly," which are designed to provide incentives for progress on areas of political reform. As noted above, however, despite some positive steps in these areas, Morocco continues

³⁴ Kharroubi, Ali. "Abdelilah Benkirane: 'Nous comptons sur une intervention de SM le Roi pour nous départager.'" *Aujourd'hui Le Maroc*. July 1, 2009.

to receive failing, below-median scores from Freedom House on both political rights and civil liberties, as well as on the “Voice and Accountability” indicator from the World Bank Institute. Some continue to question the wisdom of granting such a large MCC assistance package (the largest compact to date granted by MCC at the time of signing) to a state that has not demonstrated greater progress in the areas of political rights and freedoms.³⁵

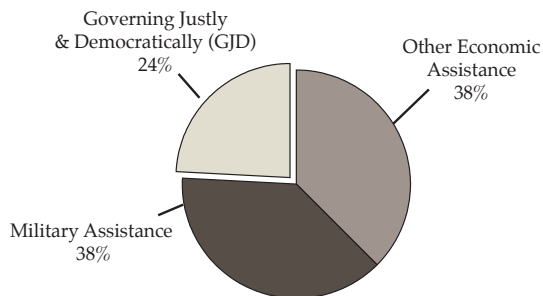
Pakistan

The overall funding request for assistance to Pakistan for 2010 is \$1.58 billion, a modest increase over the level of funding granted for FY09 through the annual appropriations process and the supplemental appropriations approved in June 2009, which totaled \$1.44 billion. As in the case of Afghanistan, Pakistan is a clear priority of the new Obama administration, which has encouraged Congress to increase assistance to Pakistan, beginning with the FY09 appropriations, which granted funds at nearly double the level of \$826 million requested by the previous administration for 2009.

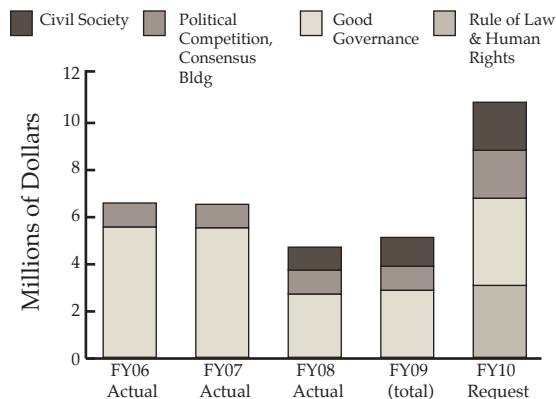
Also like Afghanistan, the increases in GJD funding for Pakistan are particularly dramatic. In 2008, \$40.8 million was spent on democracy and governance programs in Pakistan. For 2009, the Bush administration requested an increase in such funds to \$55.2 million, although Congress granted more than requested. The administration is currently spending approximately \$83 million on the GJD objective in Pakistan for FY09. President Obama’s 2010 budget requests \$190.7 million for democracy and governance in Pakistan for 2010, nearly a fivefold increase over two years since FY08.

Up until now, the majority of GJD funds for Pakistan have focused on good governance and anticorruption programs, which currently receive more than 76% of all GJD funding for the country. The President’s request for FY10 changes this approach. While the request calls for a modest 12% increase in funding for Good Governance programs, it includes quite remarkable funding increases for all other GJD program areas: Political Competition and Consensus Building more than doubled from \$6.2 million to \$15.2 million; Rule of Law and Human Rights more than quadrupled from \$9.8 million to \$39.3 million; and most of all, the request calls for a drastic increase in funding for Pakistani

Morocco: Total FY10 Request



Morocco: GJD Funding, FY06-10

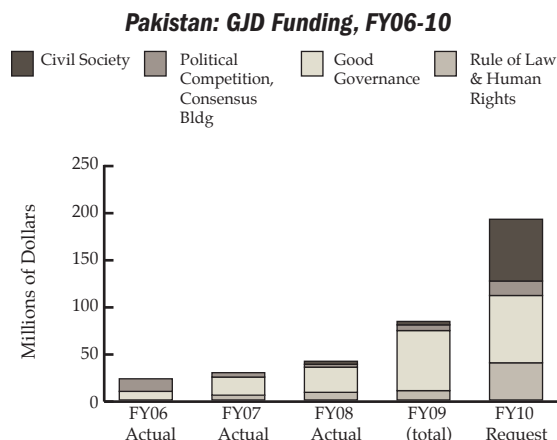
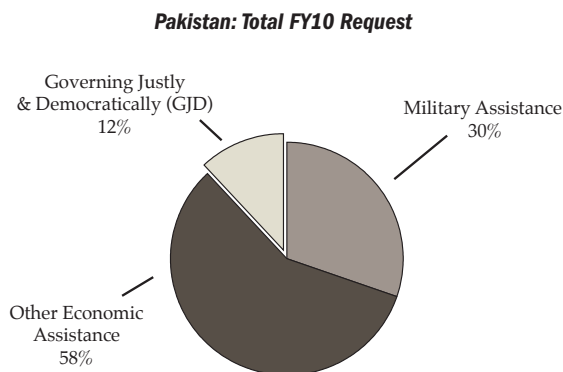


³⁵ Freedom House. “Millennium Challenge: Funds Should Go to States Committed to Democracy.” November 2, 2005.

civil society, which has until now always received less than \$4 million annually, up to \$65.2 million.

This increased emphasis on bolstering Pakistani democracy has broad support in Congress and beyond, as events in Pakistan in late 2007 and early 2008 – including the assassination of former Prime Minister Benazir Bhutto – highlighted the lack of democratic reform in Pakistan and its consequences. Moreover, large-scale U.S. assistance to the Pakistani regime was seen as producing little and was widely criticized for being directed toward former President Musharraf’s security services.³⁶ Before entering the White House, then-Senator Joe Biden proposed tripling non-military assistance to \$1.5 billion as part of a multiyear \$7 billion assistance agreement. Biden also called for an additional \$1 billion “democracy dividend” to “jumpstart” the new, democratically-elected Pakistani government.

The Obama administration has wasted no time in dramatically increasing overall U.S. aid to Pakistan, including support for democracy and governance, and it seems that Congress will fully support these increases as requested.



West Bank and Gaza

The President has requested assistance of \$502.9 million for FY10, with nearly half of this amount designated under the “Investing in People” objective, and more than \$230 million of such funds going to health services and social and economic services for protection for vulnerable populations – particularly in the wake of the intense violent conflict and humanitarian crisis that erupted in Gaza in December 2008. All forms of U.S. assistance to the Palestinian territories increased dramatically in 2009 over 2008 levels, largely in response to this Gaza crisis. Although the President’s request for 2010 calls for funding at considerably lower levels than were granted in the wake of this crisis in 2009, it still exceeds the levels of funding granted in any prior year.

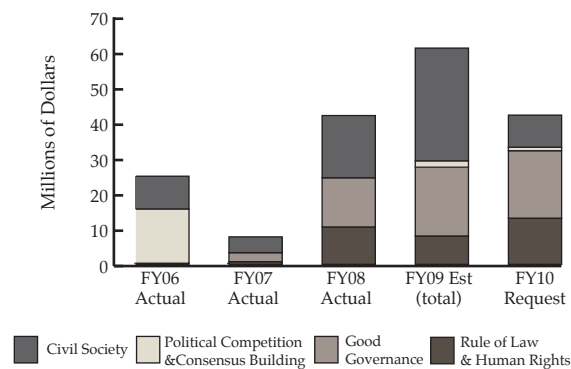
In terms of democracy and governance funding, the request calls for \$42 million for GJD programs, comparable to the total granted in FY08 (\$41.9 million), but considerably lower than the \$60.9 million granted in FY09. As compared with FY08, the request includes a sharp decrease in funding for civil society groups and a significant increase in funding

³⁶ “Democracy Gets Small Portion of U.S. Aid: Documents Show Much of the Money Helps Entity Controlled by Musharraf,” Glenn Kessler, *The Washington Post*, January 6, 2008.

for good governance programs, consistent with broader trends across the region in the FY10 budget request. Viewed another way, funding for Palestinian civil society is slashed more than 70% from the increased levels of FY09, while all other GJD program areas were maintained at or above the levels from the supplemented FY09 budget.

Following Hamas' victory in the Palestinian Legislative Council elections in January 2006 and their subsequent control of the Palestinian Authority (PA), U.S. assistance to the PA was suspended. During this suspension of direct assistance to the PA and USAID programs in the territories, humanitarian relief and funding for democracy and governance initiatives was disbursed through international NGOs. Following the formation of the new Palestinian government under Prime Minister Salam Fayyad in June 2007, aid to the PA in the West Bank resumed, including funding for democracy and governance programs. The Palestinian Authority now aims to hold both Presidential and legislative elections by January 2010, if not prevented by internal conflict between Hamas and Fatah. The outcome of these elections will undoubtedly impact the U.S.-Palestinian aid relationship moving forward. Barring unexpected developments before the final passage of FY10 appropriations bills, it is likely that Congress will grant the President's full request for assistance to the Palestinian territories.

West Bank and Gaza: GJD Funding, FY06-10



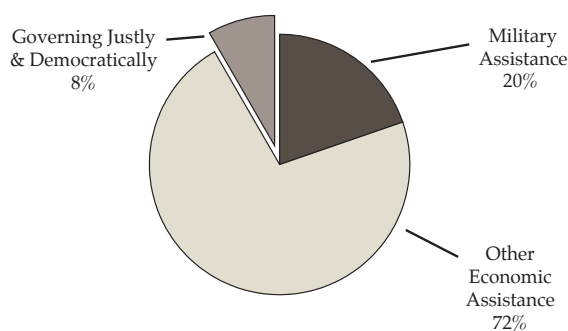
Yemen

The FY 2010 request for assistance to Yemen increases the total amount granted in FY09 from \$40.3 million to \$55.5 million, following a \$21 million increase in FY09. If fully granted, the budget request would nearly triple aid over two years from the \$19.4 million granted in FY08. Funding for military and security assistance would be restored to levels just above those granted in FY07, before the sharp reductions of 2008 and 2009, while civilian economic aid would be increased to levels considerably higher than granted previously.

The funding for democracy and governance programs in Yemen also receives a large increase in the budget request, from \$3 million in FY09 to \$10 million. As in 2009, the democracy assistance requested for Yemen is nearly identical to the request for Morocco, with identical amounts requested for Political Competition and Consensus Building as well as Civil Society programs. Each of these programs, established in FY09, would receive double funding in FY10.

Foreign assistance to Yemen is indicative of a steady shift in thinking in Washington towards seeing Yemen as a country of increasing importance. Numerous commentators have warned that Yemen has been neglected

West Bank and Gaza: Total FY10 Request



and that it could pose a major security challenge in the years ahead.³⁷ A resurgent separatist movement in the south has spurred increasing political violence. Economic strains, and the two-year postponement of legislative elections originally scheduled for April 2009 have likewise raised concern for Yemen's political stability. The challenge of closing Guantanamo Bay detention facility has also drawn attention to Yemen, as more current detainees hail from Yemen than any other country. There is great uncertainty over the Yemeni government's capacity to absorb such prisoners should they be returned.

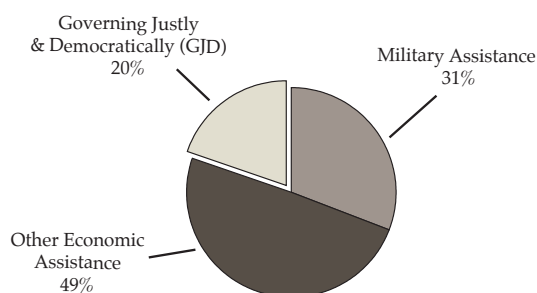
Prior to 2009, Congress was reluctant to grant foreign assistance at the levels requested by the President, in part out of a consistent concern with corruption in Yemen and a lack of confidence in the Yemeni government's ability to effectively and efficiently spend democracy and governance funds. There is a cautious perception that the Yemeni government has taken steps forward in this regard, as evidenced by the reinstatement of their eligibility for MCC threshold programs. However, concern for the transparent and effective distribution of democracy and governance funding in Yemen persists. Overall funding for Yemen in the FY09 omnibus appropriations bill in March narrowly exceeded the administration's significantly increased request for FY09. Moreover, in June 2009, Congress granted an additional, unrequested \$10 million in ESF funds to Yemen in the supplemental appropriations act for FY09.

It now appears that Congress will grant assistance to Yemen in excess of the President's dramatically increased request for FY10. The House version of the State and Foreign Operations bill includes just over \$60 million in assistance for Yemen, while the Senate Committee's version includes \$70 million, each in excess of the \$55.5 million request. The House Appropriations Committee's report accompanying the bill states that:

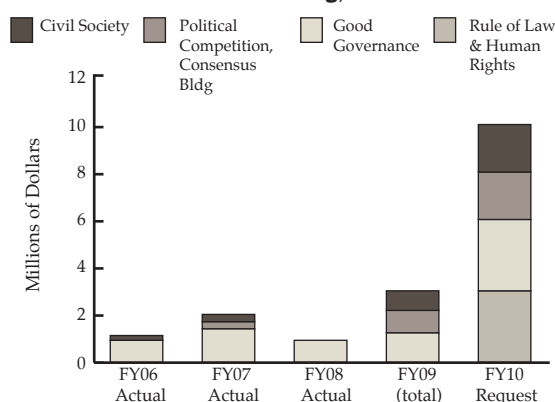
The Committee is concerned about the stability of Yemen and notes that the country requires focused international attention. The Committee recognizes that Yemen is an emerging democracy and expresses continued support for democracy and governance programs to assist the country's nascent democratic institutions as well as support for health and education programs to provide opportunity to the country's youth.

This explicit endorsement of the importance of democratic institutions in Yemen is a welcome accompaniment to the considerable increase in assistance to the country.

Yemen: Total FY10 Request



Yemen: GJD Funding, FY06-10



³⁷ Gregory D. Johnsen and Christopher Boucek, "The Well Runs Dry", *Foreign Policy*, February 2009.

What Now? *Congressional Appropriations Underway*

Each year, during the first week of February, the President is expected to submit his annual budget request to Congress, which then forms the basis of the appropriations bills written and passed by Congress over the remainder of the year. The administration normally submits a general budget request at this time, setting only broad levels of funding for Defense, Agriculture, International Affairs, etc., which is followed in late February by a series of documents that provide detailed descriptions of the President's requests for all federal agencies, programs, and initiatives.

This year, the process was delayed for several reasons. First, annual budget documents are normally submitted later during the first year of a new administration, which needs more time following the January 20 inauguration to prepare its budget request. In addition, several factors diverted attention from this year's annual budgeting process: the need for an economic stimulus package in response to the financial crisis; the need for Congress to pass the FY 2009 omnibus bill, which was delayed much later than usual, until March; and the need for the new administration to submit a request for a supplemental appropriations bill for FY09. As a result, the complete set of budget documents for foreign affairs for FY 2010 were not released until late May, when the Congressional Budget Justification (CBJ) for Foreign Operations was submitted to Congress.

There is a natural tension between this delay in the start of the budgeting process, and the Congressional leadership's public commitment to finalize passage of all annual appropriations bills by the end of the fiscal year in September. This would avoid the need to pass a consolidated 'omnibus' appropriations act at the end of the year, as has happened consistently in recent years. At this point, it does appear that Congress

is on schedule, as the House Appropriations Committee succeeded in approving the appropriations bill for State and Foreign Operations before the end of June, and the full House passed the bill on July 9. Meanwhile, the Senate Appropriations Committee also marked up its version of the State and Foreign Operations bill on July 9, and the Senate aims to vote on the bill before adjourning for the August recess, which would leave only the task of reaching agreement on a conference version of the bill for September.

One hazard posed by this accelerated Congressional process is that committee members and their staffs may not have sufficient time to properly consider all aspects of the spending bills that they are approving. Many appropriations committee members seemed unfamiliar with some key changes in the FY09 omnibus that was hurriedly passed in March, and wish to avoid a repeat of that with the FY10 bills. It is also clear that the administration and many members of Congress wish to reform the manner in which U.S. foreign assistance is allocated, distributed, and integrated with other aspects of U.S. policy. Howard Berman (D-CA), Chairman of the House Committee on Foreign Affairs has repeatedly declared his intention to rewrite the Foreign Assistance Act of 1961, which would be the act's first reauthorization since 1985. Likewise, Senator Robert Menendez (D-NJ), Chairman of the Subcommittee on International Development and Foreign Assistance of the Senate Foreign Relations Committee, has expressed serious interest in these bigger questions of how the U.S. uses foreign assistance.

It appears, however, that Congress will not try to address these larger questions regarding U.S. assistance during this year's appropriations process, but will instead be supportive of the administration's request, giving the new President the benefit of the

doubt during his first year. There will be small adjustments to assistance levels for various countries but there are unlikely to be any major challenges to funding priorities. It does not appear that Congress will attach any reform-related conditions to aid for any countries in the region, as it has imposed on Egypt in the past.

With the passage of the State and Foreign Operations appropriations bill by the House and by the Senate Appropriations Committee, both on July 9, it seems that Congress will come very close to granting the President's considerable increases in foreign assistance and democracy and governance funding across the region. Whereas Congressional support for a variety of foreign assistance programs, including MEPI and MCC, faded during the last few years of the Bush administration, it seems that the Democrat-controlled Congress is much more comfortable granting funds for similar requests to the new administration, at least in its first year. Perhaps the most important remaining question is whether Congress will grant funding for the Millennium Challenge Corporation as requested – the House version of the bill contains only slightly less than the request, while the Senate version includes one-third less than requested. Elsewhere, Congress appears poised to grant more than requested in economic aid for Yemen, and 20% more than requested for democracy and governance programming in Egypt.

As more serious assistance reform awaits, the 2010 appropriations process may not set trends for the years ahead. However, in important ways, it will lay the groundwork for future discussions over U.S. engagement with the Middle East during the Obama administration, and send substantive signals about the priorities of the new administration and Congress.

Conclusions: *Many Positive Signals, but Overlooking Democracy with Key Arab Allies?*

Although President Obama has expressed rhetorical support for the rights and democratic aspirations of the people of the Middle East, particularly in his June 4th speech in Cairo, the focus of his early diplomacy and policy initiatives for the region has been on other issues such as the Arab-Israeli peace process and the challenge of withdrawing U.S. troops from Iraq. This budget request can be viewed as one of the first tangible demonstrations of democracy's place in the administration's approach to the Middle East. So, what does the budget tell us?

Generally speaking, there are a number of clear indicators of support for human rights and democratic reform. The budget requests significant increases in overall funding to support democracy in the Near East and in the Broader Middle East and North Africa region. Moreover, funding to support democratic reform and human rights accounts for 14% of all funding requested for the region, the largest such share to date. At the same time, military and security assistance makes up 56% of the overall budget for the region, down from 69% in the FY 2009 budget request. A year ago, this report expressed concern that "a wide chasm remains between military funding and all 'soft power' non-military spending in the region." While that remains true, the Obama administration has taken steps in its first budget proposal to begin narrowing that chasm.

More narrowly, there are a number of specific conclusions that can be drawn regarding the place of support for democracy and human rights in the administration's agenda in the region:

President Obama's increased emphasis on Afghanistan and Pakistan is clearly backed up by an enormous investment of resources, including dramatic support for democratic institutions and civil society. President Obama requests a whopping \$4.36 billion in assistance for Afghanistan and Pakistan, more than double the \$1.87 billion requested a year earlier by the Bush administration. Moreover, the new President accelerated this dramatic increase in aid to the two nations by securing more than \$2 billion in aid in the FY09 supplemental spending bill in June 2009. Proportionately, the increase in funding for democracy and governance programs is even more dramatic, as Governing Justly and Democratically (GJD) programs in Afghanistan and Pakistan total \$991 million, more than triple the amount requested for such programs by the Bush administration for FY09, and strikingly, more than double the GJD request for FY09 for the entire BMENA region. Most dramatically, President Obama requests \$175.2 million for civil society in the two countries, a tenfold increase over the \$17.4 million requested by President Bush for 2009. The budget should send a reassuring signal that providing support for democratic institutions and civil society will be a priority among the administration's efforts to refocus on building a more secure, stable, and democratic Afghanistan and Pakistan.

The President's budget includes particularly sizable increases for Morocco and Yemen, two countries that many believe had been overlooked by U.S. policy in recent years. While the overall levels of assistance to countries such as Morocco and Yemen remain low in comparison with Afghanistan, Pakistan, Iraq, or Egypt, the President's budget demonstrates a commitment to increasing assistance to the region and financial support for democracy and

governance programs beyond those countries that receive the most attention. Foreign assistance to Morocco and Yemen totals \$97.1 million, which is more than double the \$44.3 million granted two years ago for FY08. And funding for democracy and governance programs in these two countries is increased even more dramatically, from merely \$5.5 million in FY08 to \$20.7 million for FY10, a nearly fourfold increase.

President Obama demonstrates strong support for two Bush administration initiatives – MEPI and MCC – that many feared may be discontinued for political reasons. There was much speculation in 2007 and 2008 that each of these two initiatives may be dismantled by the new administration, or that their budgets would be decreased considerably, continuing the trends of recent years. Such a move was particularly expected if the Bush administration were to be followed by a Democratic President and administration. However, President Obama has taken the opposite approach, requesting dramatic increases – in excess of 70% – for each of the two initiatives, clearly demonstrating a recognition of these programs' importance in supporting reform.

Across the Arab world, the budget shifts funding away from civil society and toward rule of law and good governance programs. While support for civil society is dramatically increased in Afghanistan and Pakistan, this support is not extended to the Arab world, where funding for civil society is reduced by 29% from FY09 levels. At the same time, funding for rule of law programs is doubled, while funding for good governance programs is increased by 12%. This large transfer of funding from civil society to rule of law and good governance programs has caused alarm among some democracy advocates, who view the shift as a concession to those autocratic regimes that oppose direct funding for civil society and democratic reformers. However, the Obama administration has gone out of its way to express concern in its budget documents for the failure of the Egyptian regime to imple-

ment political reforms promised during the 2005 Presidential campaign, using language critical of a U.S. ally in a manner rarely seen in these documents.

Cuts to civil society are particularly severe in Egypt and Jordan – two key Arab allies for which overall democracy and governance funding is also reduced. Bilateral funding for civil society in Jordan is cut 44% from FY09 and funding for civil society in Egypt is reduced 78% over two years from FY08 levels. Moreover, overall democracy and governance funding for each of these two key countries is slashed, with President Obama's request representing a cut of more than 40% in GJD funding for Jordan and more than 55% in Egypt from President Bush's request for FY09. And like the dramatic increases in Afghanistan and Pakistan, the new administration did not wait for the FY10 budget request to begin reducing funding for Jordan and Egypt, but coordinated with Congress to begin such reductions in the FY09 omnibus bill passed in March. While the request allocates 14% of all assistance to the Broader Middle East and North Africa region for supporting democracy and governance, such funding represents only 2.3% of requested funds for Jordan and only 1.3% of funds for Egypt, both lower than in previous years. With Israeli-Palestinian issues being a top priority of the new administration, it may be deliberately deemphasizing support for democracy in Egypt and Jordan – the two Arab countries that have peace agreements with Israel – in an effort to ensure the cooperation of those two regimes on the peace process.

On balance, the 2010 budget seems to be a positive step in terms of support for the rights and democratic aspirations of people across the region. It concretely demonstrates that support for democracy and human rights will be a serious component of the administration's foreign policy in priority countries such as Afghanistan and Pakistan, in Lebanon, long viewed as an Arab state of strategic importance, as well as in oft-overlooked countries like Morocco and Yemen.

However, it remains to be seen how these concerns will figure in U.S. relations with key Arab allies Egypt and Jordan. Moreover, it is worth remembering that funding and budgets represent only one component of the administration's approach to supporting democracy in the region. In the months ahead, the Obama administration will need to complement its funding with diplomacy and a wide array of other policy tools in order to effectively support democracy across the Middle East.

Appendix: Data Tables

Table 1 – Total Assistance by Strategic Objective in Various Middle East Regional Groupings, FY06-FY10 (dollars in millions)

BMENA Total	FY06 Actual	%	FY07 Actual	%	FY08 Actual	%	FY09 Estimate	%	FY10 Request	%
Peace and Security	4,667.2	67.7	4,638.3	67.3	5,201.3	56.5	6,108.3	59.0	6,139.6	55.9
Governing Justly, Democratically (GJD)	350.6	5.1	359.0	5.2	1,119.2	12.2	1,465.2	14.2	1,538.5	14.0
Investing in People	503.5	7.3	738.3	10.7	1,122.6	12.2	1,442.6	13.9	1,413.8	12.9
Economic Growth	1,271.8	18.5	928.5	13.5	1,408.2	15.3	1,135.7	11.0	1,830.5	16.7
Humanitarian Assistance	98.6	1.4	180.6	2.6	349.6	3.8	197.3	1.9	64.7	0.6
TOTAL	6,891.7	100	6,893.4	100	9,200.8	100	10,349.1	100	10,987.1	100
BMENA Less Iraq, Afghanistan, Pakistan	FY06 Actual	%	FY07 Actual	%	FY08 Actual	%	FY09 Estimate	%	FY10 Request	%
Peace and Security	4,289.1	73.1	4,309.2	75.2	4,181.0	73.2	4,739.7	79.1	4,797.1	78.3
Governing Justly, Democratically (GJD)	192.3	3.3	144.8	2.5	170.0	3.0	190.8	3.2	218.6	3.6
Investing in People	399.8	6.8	557.5	9.7	620.5	10.9	840.7	14.0	555.9	9.1
Economic Growth	948.8	16.2	551.3	9.6	632.2	11.1	127.6	2.1	529.6	8.6
Humanitarian Assistance	38.6	0.7	150.6	2.6	107.5	1.9	95.0	1.6	26.9	0.4
TOTAL	5,868.6	100	5,727.5	100	5,711.1	100	5,993.8	100	6,128.1	100
Near East Total	FY06 Actual	%	FY07 Actual	%	FY08 Actual	%	FY09 Estimate	%	FY10 Request	%
Peace and Security	3,946.5	75.7	4,014.8	78.1	4374.1	69.0	4886.8	71.0	4863.8	73.6
Governing Justly, Democratically (GJD)	225.4	4.3	179.4	3.5	538.3	8.5	499.3	7.3	545.5	8.3
Investing in People	281.5	5.4	312.8	6.1	616.5	9.7	845.2	12.3	551.9	8.4
Economic Growth	736.9	14.1	581.5	11.3	666.2	10.5	538.3	7.8	600.6	9.1
Humanitarian Assistance	20.9	0.4	47.1	0.9	131.3	2.1	95.0	1.4	46.9	0.7
TOTAL	5,211.2	100	5,142.1	100	6336.4	100	6885.7	100	6608.6	100

Table 2 – GJD Funds by Program Area in Various Middle East Regional Groupings, FY06-FY10 (dollars in millions)

BMENA Totals	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law & Human Rights	64.5	291.7	253.7	289.2	380.9
Good Governance	113.1	548.4	556.0	689.0	679.0
Political Competition, Consensus Bldg	72.1	202.8	109.8	234.1	170.5
Civil Society	100.9	275.0	199.7	252.9	308.1
GJD Total	350.6	1,317.8	1,119.2	1,465.2	1,538.5
BMENA Less Iraq, Afghanistan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law & Human Rights	34.7	34.3	42.4	46.1	58.3
Good Governance	22.2	51.8	33.7	43.9	51.1
Political Competition, Consensus Bldg	36.9	12.4	16.6	18.9	33.3
Civil Society	76.2	46.8	77.4	82.4	75.9
GJD Total	170.0	145.3	170.0	191.2	218.6
Near East Totals	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law & Human Rights	34.7	221.6	121.0	65.7	131.3
Good Governance	40.2	323.5	217.4	192.5	216.6
Political Competition, Consensus Bldg	55.4	184.3	16.6	53.8	65.0
Civil Society	95.1	266.9	183.3	187.4	132.7
GJD Total	225.4	996.2	538.3	499.3	545.5
Near East Less Iraq	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law & Human Rights	34.7	34.3	42.4	45.7	58.3
Good Governance	22.2	51.8	33.2	43.5	50.4
Political Competition, Consensus Bldg	36.9	12.4	16.6	18.8	33.0
Civil Society	76.2	46.8	77.4	82.4	75.7
GJD Total	170.0	145.3	169.5	190.3	217.3

**Table 3 – Bilateral Foreign Assistance by Country and by Strategic Objective, FY06-FY10
(dollars in millions)**

Afghanistan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	378.1	541.8	484.5	802.1	784.9
Governing Justly, Democratically (GJD)	102.9	292.9	539.5	882.1	801.0
Investing in People	103.7	190.8	252.8	349.2	314.7
Economic Growth	323.0	695.7	672.2	566.7	874.0
Humanitarian Assistance	60.0	60.0	154.7	36.5	2.5
TOTAL	967.7	1781.2	2103.7	2636.7	2777.0
Algeria	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	0.823	1.837	1.611	1.3	2.47
Governing Justly, Democratically (GJD)	0	0	0	0	0.8
Investing in People	0	0	0	0	0
Economic Growth	0	0	0.4	0.4	0.9
Humanitarian Assistance	0	0	0	0	0
TOTAL	0.8	1.8	2.0	1.7	4.2
Egypt	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	1,290.5	1,302.7	1,293.6	1,352.4	1,305.2
Governing Justly, Democratically (GJD)	50.0	50.0	54.8	22.0	20.0
Investing in People	178.1	196.8	170.6	119.9	82.9
Economic Growth	260.6	208.2	186.2	60.1	147.1
Humanitarian Assistance	0	0	0	0	0
TOTAL	1779.3	1757.7	1705.2	1554.4	1555.2
Iraq	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	0.0	1,055.8	205.6	155.0	79.8
Governing Justly, Democratically (GJD)	55.4	850.9	368.8	309.0	328.2
Investing in People	0	0	0	8.5	0.0
Economic Growth	0	204.5	35.0	120.5	72.0

Table 3 – (continued)
(dollars in millions)

Jordan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	213.4	283.9	376.4	358.3	330.0
Governing Justly, Democratically (GJD)	15.0	23.5	14.7	20.8	16.0
Investing in People	48.0	78.3	171.5	121.9	129.0
Economic Growth	184.5	152.2	330.2	220.9	218.0
Humanitarian Assistance	0	0	45.0	0	0
TOTAL	460.9	537.9	937.8	721.8	693.0
Lebanon	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	7.4	296.5	13.2	201.8	129.3
Governing Justly, Democratically (GJD)	6.5	80.9	7.0	18.3	27.3
Investing in People	8.3	18.5	9.0	27.6	48.2
Economic Growth	12.9	268.2	16.1	16.6	30.5
Humanitarian Assistance	14.1	19.1	13.0	5.0	3.0
TOTAL	6,891.7	6,893.4	9,200.8	10,349.1	10,987.1
Libya	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	0	0	1.0	1.4	1.1
Governing Justly, Democratically (GJD)	0	0	0	2.5	0
Investing in People	0	0	0	0	0
Economic Growth	0	0	0	0	0
Humanitarian Assistance	0	0	0	0	0
TOTAL	0	0	1.0	3.9	1.1
Mauritania	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	0.0	0.0	0.8	0.0	0.6
Governing Justly, Democratically (GJD)	0.0	0.0	0.5	0.5	1.3
Investing in People	3.6	4.0	4.0	4.0	4.0
Economic Growth	2.5	4.0	1.0	1.0	1.0
Humanitarian Assistance	0	0	0	0	0
TOTAL	6.1	8.0	6.3	5.5	6.9

Table 3 – (continued)
(dollars in millions)

Morocco	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	16.0	16.3	7.0	7.0	16.5
Governing Justly, Democratically (GJD)	6.4	6.4	4.6	5.0	10.7
Investing in People	4.8	2.7	4.8	6.5	6.5
Economic Growth	8.0	9.5	10.1	6.5	8.0
Humanitarian Assistance	0	0	0	0	0
TOTAL	35.2	34.9	26.5	25.0	41.6
Pakistan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	342.6	333.0	329.4	411.4	477.9
Governing Justly, Democratically (GJD)	22.3	28.7	40.8	82.9	190.7
Investing in People	114.7	240.7	249.3	243.2	543.2
Economic Growth	209.3	24.3	68.8	631.2	354.9
Humanitarian Assistance	17.7	100.0	52.1	65.8	15.3
TOTAL	706.6	726.7	740.5	1434.5	1582.0
Tunisia	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	10.3	10.8	10.4	14.1	17.6
Governing Justly, Democratically (GJD)	0	0	0.6	0.8	0.0
Investing in People	0	0	0	0	0
Economic Growth	0	0	0.6	0	0
Humanitarian Assistance	0	0	0	0	0
TOTAL	10.3	10.8	11.6	14.9	17.6
Turkey	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	19.0	19.8	12.4	7.9	12.5
Governing Justly, Democratically (GJD)	0	0	0	0.4	0
Investing in People	0	0	0	1.0	0
Economic Growth	0	0	0	6.1	0
Humanitarian Assistance	0	0	0	0	0
TOTAL	19.0	19.8	12.4	15.4	12.5

Table 3 – (continued)
(dollars in millions)

West Bank and Gaza	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	95.8	0.0	26.4	184.5	98.5
Governing Justly, Democratically (GJD)	24.8	7.8	41.9	60.9	42.0
Investing in People	18.2	18.6	236.5	523.2	243.5
Economic Growth	7.8	9.8	82.7	101.4	95.0
Humanitarian Assistance	6.8	27.4	16.5	90.0	23.9
TOTAL	153.3	63.5	404.0	960.0	502.9
Yemen	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Peace and Security	10.8	13.7	7.9	6.3	15.7
Governing Justly, Democratically (GJD)	1.1	2.0	0.9	3.0	10.0
Investing in People	5.7	7.5	8.4	17.0	18.8
Economic Growth	1.1	0.5	0.0	4.0	11.0
Humanitarian Assistance	0	0	2	0	0
TOTAL	18.7	23.7	19.4	30.3	55.5

Table 4 - Governing Justly and Democratically (GJD) by Country, Program Area, FY06-FY10 (dollars in millions)

Afghanistan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	29.8	65.1	124.5	213.4	210.4
Good Governance	63.7	205.8	311.6	432.7	390.6
Political Competition, Consensus Bldg	3.5	13.9	90.3	174.0	90.0
Civil Society	5.8	8.1	13.2	62.0	110.0
GJD Total	102.9	292.9	539.5	882.1	801.0
Algeria	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0	0.4
Good Governance	0	0	0	0	0
Political Competition, Consensus Bldg	0	0	0	0	0
Civil Society	0	0	0	0	0.4
GJD Total	0	0	0	0	0.8
Egypt	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	16.0	17.3	18.1	12.2	8.0
Good Governance	4.3	11.3	5.0	2.5	5.0
Political Competition, Consensus Bldg	0.0	0.0	0.0	0.0	0.0
Civil Society	29.8	21.5	31.8	7.3	7.0
GJD Total	50.0	50.0	54.8	22.0	20.0
Iraq	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0.0	187.3	78.6	20.0	73.0
Good Governance	18.0	271.6	184.2	149.0	166.2
Political Competition, Consensus Bldg	18.5	171.9	0.0	35.0	32.0
Civil Society	18.9	220.1	106.0	105.0	57.0
GJD Total	55.4	850.9	368.8	309.0	328.2
Jordan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	2.2	4.6	5.0	5.8	5.7
Good Governance	3.6	12.0	3.0	4.8	3.1
Political Competition, Consensus Bldg	4.2	3.0	3.0	4.5	4.0
Civil Society	5.0	3.9	3.8	5.8	3.3
GJD Total	15.0	23.5	14.7	20.8	16.0
Lebanon	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0.0	7.0	1.0	7.5	14.2
Good Governance	6.5	17.6	3.6	4.5	7.2
Political Competition, Consensus Bldg	0.0	2.5	1.9	2.5	0.5
Civil Society	0.0	3.8	0.54	3.8	5.5
GJD Total	6.5	30.9	7.0	18.3	27.3

Table 4 (continued)
(dollars in millions)

Libiya	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0	0
Good Governance	0	0	0	2.5	0
Political Competition, Consensus Bldg	0	0	0	0	0
Civil Society	0	0	0	0	0
GJD Total	0	0	0	2.5	0
Mauritania	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0	0
Good Governance	0	0	0.50	0.35	0.77
Political Competition, Consensus Bldg	0	0	0	0.15	0.30
Civil Society	0	0	0	0	0.25
GJD Total	0	0	0.50	0.50	1.32
Morocco	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0	3.0
Good Governance	5.4	5.4	2.65	2.80	3.65
Political Competition, Consensus Bldg	1.0	0.97	1.0	1.0	2.0
Civil Society	0	0	1.0	1.2	2.0
GJD Total	6.44	6.39	4.60	5.00	10.65
Pakistan	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	5.0	8.1	9.8	39.3
Good Governance	9.1	19.1	26.5	63.5	71.0
Political Competition, Consensus Bldg	13.2	4.6	3.0	6.2	15.2
Civil Society	0	0	3.2	3.5	65.2
GJD Total	22.3	28.7	40.8	82.9	190.7
Tunisia	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0.15	0
Good Governance	0	0	0.25	0.15	0
Political Competition, Consensus Bldg	0	0	0	0	0
Civil Society	0	0	0.34	0.50	0
GJD Total	0	0	0.59	0.80	0
Turkey	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0	0
Good Governance	0	0	0	0.4	0
Political Competition, Consensus Bldg	0	0	0	0	0
Civil Society	0	0	0	0	0
GJD Total	0	0	0	0.4	0

Table 4 (continued)
(dollars in millions)

West Bank and Gaza	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0.75	10.5	8.0	13.0
Good Governance	0.30	2.50	13.9	19.4	19.0
Political Competition, Consensus Bldg	15.30	0	0	1.8	1.0
Civil Society	9.25	4.50	17.5	31.8	9.0
GJD Total	24.85	7.75	41.9	60.9	42.0
Yemen	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Estimate	FY10 Request
Rule of Law and Human Rights	0	0	0	0	3.0
Good Governance	0.91	1.40	0.91	1.23	3.0
Political Competition, Consensus Bldg	0	0.30	0	0.95	2.0
Civil Society	0.20	0.30	0	0.83	2.0
GJD Total	1.11	2.0	0.91	3.0	10.0



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