



# The Federal Budget and Appropriations for Fiscal Year 2012

DEMOCRACY, GOVERNANCE, AND HUMAN RIGHTS  
IN THE MIDDLE EAST

 HEINRICH  
BÖLL  
STIFTUNG  
NORTH  
AMERICA

STEPHEN McINERNEY  
July 2011

 POMED  
PROJECT  
ON MIDDLE EAST  
DEMOCRACY

## ABOUT THE AUTHOR **STEPHEN McINERNEY**

Stephen McInerney is Executive Director of the Project on Middle East Democracy (POMED). He previously served as POMED's Director of Advocacy from 2007-2010. He has extensive experience in the Middle East and North Africa, including graduate studies of Middle Eastern politics, history, and the Arabic language at the American University of Beirut and the American University in Cairo. He has spoken on Middle East affairs with numerous media outlets including BBC, MSNBC, Al Jazeera, and CBS News. His writing on Middle East affairs and U.S. policy has been published by the Carnegie Endowment's *Arab Reform Bulletin*, *The Daily Star*, *The New Republic*, *Foreign Policy*, and *The Washington Post*. He received a Master's degree from Stanford University.



**THE PROJECT ON MIDDLE EAST DEMOCRACY** is a nonpartisan, 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.

Produced with the support of the

 **HEINRICH BÖLL STIFTUNG**  
**NORTH AMERICA**

*The conclusions in this paper are those of the author, and do not necessarily represent the positions of Project on Middle East Democracy as an organization.*

## Table of Contents

---

<b>Acronyms and Abbreviations .....</b>	<b>1</b>
<b>Executive Summary .....</b>	<b>2</b>
<b>Introduction .....</b>	<b>4</b>
<b>The Big Picture: Funding and Assistance for the Middle East and North Africa .....</b>	<b>6</b>
<b>Major Initiatives: Multi-Country Accounts and Programs .....</b>	<b>7</b>
<i>Middle East Partnership Initiative .....</i>	<i>7</i>
<i>Department of State: Bureau of Democracy, Human Rights, and Labor .....</i>	<i>9</i>
<i>Near East Regional Democracy Program .....</i>	<i>10</i>
<i>USAID: Bureau for Democracy, Conflict, and Humanitarian Assistance .....</i>	<i>11</i>
<i>National Endowment for Democracy .....</i>	<i>11</i>
<i>Foundation for the Future .....</i>	<i>12</i>
<b>Examining Bilateral Assistance by Country .....</b>	<b>14</b>
<i>Egypt .....</i>	<i>15</i>
<i>Iraq .....</i>	<i>18</i>
<i>Jordan .....</i>	<i>19</i>
<i>Lebanon .....</i>	<i>20</i>
<i>Morocco .....</i>	<i>21</i>
<i>Tunisia .....</i>	<i>23</i>
<i>West Bank and Gaza .....</i>	<i>24</i>
<i>Yemen .....</i>	<i>25</i>
<b>What Now? Congressional Appropriations Begin .....</b>	<b>28</b>
<b>Conclusions .....</b>	<b>30</b>

## ***Acronyms and Abbreviations***

---

<b>BBG</b>	<i>Broadcasting Board of Governors</i>
<b>BMENA</b>	<i>Broader Middle East and North Africa</i>
<b>CBJ</b>	<i>Congressional Budget Justification</i>
<b>CCF</b>	<i>Complex Crisis Fund</i>
<b>CIA</b>	<i>Central Intelligence Agency</i>
<b>CLP</b>	<i>Community Livelihoods Project (USAID)</i>
<b>DA</b>	<i>Development Assistance</i>
<b>DCHA</b>	<i>Bureau for Democracy, Conflict, and Humanitarian Assistance (USAID)</i>
<b>DOD</b>	<i>Department of Defense</i>
<b>DRL</b>	<i>Bureau for Democracy, Human Rights, and Labor, U.S. Department of State</i>
<b>EPP</b>	<i>Elections and Political Processes Division (USAID)</i>
<b>ESF</b>	<i>Economic Support Funds</i>
<b>FMF</b>	<i>Foreign Military Financing</i>
<b>GJD</b>	<i>Governing Justly and Democratically</i>
<b>INCLE</b>	<i>International Narcotics Control and Law Enforcement</i>
<b>MCA</b>	<i>Millennium Challenge Account</i>
<b>MCC</b>	<i>Millennium Challenge Corporation</i>
<b>MENA</b>	<i>Middle East and North Africa</i>
<b>MEPI</b>	<i>Middle East Partnership Initiative</i>
<b>MOU</b>	<i>Memorandum of Understanding</i>
<b>NEA</b>	<i>Bureau of Near Eastern Affairs, U.S. Department of State</i>
<b>NED</b>	<i>National Endowment for Democracy</i>
<b>NERD</b>	<i>Near East Regional Democracy</i>
<b>OTI</b>	<i>Office of Transition Initiatives (USAID)</i>
<b>RGP</b>	<i>Responsive Governance Project (USAID)</i>
<b>UNDEF</b>	<i>United Nations Democracy Fund</i>
<b>USAID</b>	<i>United States Agency for International Development</i>
<b>VOA</b>	<i>Voice of America</i>

## Executive Summary

---

The Middle East and North Africa in July 2011 is a dramatically different place than it was in early January 2011. These historic changes call for bold responses, and President Obama has promised that the U.S. will support democratic principles with “all of the diplomatic, economic and strategic tools at our disposal.”

These economic tools include direct funding and various forms of foreign assistance delivered to the region, and in this regard, the administration has demonstrated a clear commitment to supporting the political transitions in the Middle East and North Africa. The administration’s desire to use assistance to encourage reform in countries not undergoing transitions, however, is less clear, given that this requires the U.S. to address sensitive issues that may antagonize host governments.

During a year when Congress has slashed funding globally for international affairs by 13%, the administration deserves credit for recognizing the historic importance of the moment in the Middle East and using creativity to find needed resources to support transitions in the region. The administration has shown a willingness to think outside the box and explore all options for meeting the demands at this critical juncture amid an extremely constrained budget environment.

Indeed, while foreign assistance to most countries in the world is being cut considerably, the only country in the Middle East that is facing substantial funding cuts is Iraq. Funding to Lebanon and Morocco has been reduced modestly and increased funding has been secured for Egypt, Tunisia, and Yemen.

Moreover, in Egypt and Tunisia, this funding has been allocated for programs that will genuinely aid these countries’ democratic development. In contrast, in countries that have not witnessed major leadership change like Morocco, Jordan, and Lebanon, programming fails to address the fundamental issues that need to be resolved in order for genuine democratization to take hold.

Thus, the U.S. may be willing to devote substantial funds to the Middle East, but it remains reluctant to support programming that addresses controversial or politically sensitive areas that may antagonize the host government in countries not currently undergoing political transitions.

### Key findings:

- **Transitions in the Middle East are a top priority.** Despite deep cuts to the international affairs budget for Fiscal Year 2011 by Congress, the administration has shown creativity in finding considerable resources for Egypt and Tunisia, for the Middle East Partnership Initiative (MEPI), and for a new contingency fund.
- **Before the uprisings, the administration avoided politically sensitive issues,** instead favoring more cautious, less controversial democracy and governance work, often working with host governments to improve the technical proficiency of governing institutions, rather than working directly with political opposition and independent actors.

- **The administration has wisely budgeted for further unexpected developments.** The allocation of \$160 million from the FY11 budget for a new regional response fund for the Middle East and North Africa is an unusual but appropriate step that should allow needed flexibility to react to further developments in Syria, Libya, Yemen, or elsewhere.
- **Dysfunction in the Congressional appropriations process is a serious problem.** Severe delays and irregularities in the Congressional budget and appropriations process have interfered with the planning and execution of foreign affairs spending, to a degree that undermines U.S. national security and national interests.
- **The huge imbalance between military and nonmilitary aid remains – for now.** While the Arab uprisings have sparked serious discussion about potentially shifting a greater proportion of U.S. assistance for economic aid as opposed to military aid, that process has not yet begun.
- **USAID is no longer restricted to funding registered NGOs in Egypt.** The administration reversed a controversial 2009 decision that restricted USAID funding for Egyptian civil society to those organizations whose official NGO registration has been approved by the Egyptian government. That restriction signaled a lack of support for independent civil society and its reversal is welcome.
- **Democracy programs appear underfunded in Morocco,** which offers a real opportunity for support, given the small size of existing programs, the large number of effective NGOs willing to accept U.S. funding, a new reform agenda to which to hold the monarchy accountable, and a government less hostile to such programs than others in the region.
- **Civilian assistance for Iraq has been sharply cut.** Due to budget cuts and higher-than-expected demand for resources across the region, civilian assistance for Iraq appears set to be reduced significantly from intended levels. Some observers fear that this will exacerbate already daunting challenges as the U.S. withdraws its military forces from the country.

## **Introduction:** *Assessing the Administration's Reactions to the Arab Uprisings*

---

In the wake of the Arab uprisings that have swept the region during the first half of 2011, the Obama administration has repeatedly professed support for the democratic aspirations of the citizens of the Middle East and North Africa (MENA). In his May 19 speech on the region, President Obama declared that supporting democratic principles “is not a secondary interest ... it is a top priority that must be translated into concrete actions, and supported by all of the diplomatic, economic and strategic tools at our disposal.”

President Obama’s rhetoric clearly spells out a shift in the nature of U.S. engagement with the MENA region. Prior to the Arab Spring, support for democratic principles had certainly not been “a top priority” supported by all available tools. There has been much debate regarding the responses of the Obama administration to the uprisings in various countries of the region, with praise for decisive action in some cases accompanied by criticism for perceived inconsistencies or reluctance to act in other cases. Up until now, most of the discussion, debate, and analysis of the administration’s reactions to the Arab Spring have focused on public statements and perceived use of diplomatic pressure and leverage. Comparatively little has been written about the use of funding and assistance programs, and what these programs reveal about the administration’s approach and priorities in responding to this year’s remarkable developments.

This annual report tries to do exactly that – to analyze and assess the administration’s approach to budgets, spending, and foreign assistance in the region. But before turning to that analysis, it is important to offer a few caveats, particularly in this extremely unusual year.

To begin with, there are three major differences related to the circumstances surrounding the Congressional budget and appropriations process. First, Congress made very large cuts to funding for international affairs when it passed the appropriations bill for State and Foreign Operations. Secondly, it did not pass this bill until April 14, 2011 – more than halfway through the fiscal year and approximately four months later than has been the case in recent years. Third, the final Fiscal Year 2011 appropriations bill had far fewer specific earmarks than is usually the case, leaving the enacted cuts to the discretion of the administration.

These factors combined to greatly delay the final allocations made by the administration for FY11. Normally, annual appropriations bills are passed by December (though, in theory, they should be passed by the end of the previous fiscal year in September, in recent years this has not happened). The December passage, although late, provides enough time for the administration to take the appropriated funds and narrow allocations prior to submitting the Congressional Budget Justification for Foreign Operations to the Congress for the following fiscal year, which is usually submitted in March. This year, not only did Congress pass the FY11 bill four months later than normal, but they also made it even more difficult for the administration to allocate those appropriations because (a) the severe topline cuts to international affairs prevented the administration from simply allocating funds according to the budget request, as is often the case, and (b) Congress included fewer earmarks in the text of the appropriations bill or in any accompanying report, leaving more up to the discretion of the administration. Hence, by mid-July the administration has not been able to finalize all of its alloca-

tions for FY11, with Congress scheduled to begin the FY12 appropriations process on July 27.

Of course, on top of the unusual circumstances in terms of the Congressional appropriations process, this year is also extraordinary in terms of the unexpected and historic uprisings that have swept the region since January. As a result, the numbers submitted by the administration for the FY12 budget are now less relevant than usual, as they take into account neither the dramatic events in the Middle East nor the sharp cuts enacted by Congress for FY11. In a normal year, much of this report would be based on two sets of numbers released since the previous report: the detailed, final budget allocations for the current fiscal year along with the numbers from the administration's budget request for the following fiscal year. This year, the first set of numbers is still unavailable, and the second set, though available, is far less meaningful than in the past.

Nonetheless, we have decided that it is important for a preliminary version of this report to be released now, before Congress begins work on the relevant appropriations bills for Fiscal Year 2012. Thus, this report will cite budget request numbers for

FY12 as a reference point in terms of the administration's thinking and budgeting priorities on the eve of the Arab uprisings, but will read much less into those numbers than in previous years. Instead, this report will rely significantly more on substantive interviews and conversations with a spectrum of relevant actors: administration officials, congressional staff, independent experts and analysts, democracy promotion practitioners, Middle Eastern civil society activists, and former government officials. Based on this information, the report aims to describe the administration's reactions and responses to events in the region from the perspective of funding and budgets. The report also draws conclusions regarding the administration's approach and the implications for the prospects for democratic change in the MENA region.

After all of the budget information for FY2011 is finalized by the administration, POMED will release a revised edition of this report containing all of the usual tables and graphs highlighting numbers that are still unavailable. We expect to release this revised report in September, pending the administration's schedule in finalizing and releasing all of the remaining budget information.



## *The Big Picture: Foreign Assistance for the Middle East and North Africa*

---

There has been much debate about the degree to which the administration has used all of its diplomatic and strategic tools to support democratic change in the region, with those tools being used very differently in various countries of the region. In terms of some of the principal economic tools – direct funding and foreign assistance delivered through a variety of mechanisms - the administration has in the past six months demonstrated a firm commitment to supporting democracy, governance, and human rights in the Middle East and North Africa.

It is impossible to evaluate levels of assistance or administration decisions regarding funding without considering closely the extremely difficult domestic budget environment. Taken alone, the fact that U.S. funding for the MENA region is remaining at approximately the levels granted in the past may seem insufficient and not appropriate to meet the demands of this historic moment in the region. It is certainly the case that the U.S. government is not responding to the historic changes in the Arab world with the levels of assistance that were provided to support democracy in Eastern Europe in the early 1990s or to rebuild Western Europe through the Marshall Plan following World War II.

On the other hand, in the context of a federal budget in which Congress has cut international affairs by more than \$7 billion, the administration has shown creativity in finding sufficient resources for the MENA region. Furthermore, beyond the numbers alone, the administration deserves praise for its efforts to support political transitions in the region through assistance. The democracy and governance programming in Egypt and Tunisia as well as humanitarian relief efforts in Libya appear to be well-targeted and responsive to local demands.

In addition, one long-running criticism of U.S. democracy and governance assistance is that the various agencies that implement such assistance (USAID, MEPI, DRL, NED, etc...) have not excelled in coordinating their efforts and risk duplication and inefficiencies. During the Arab Spring of 2011, these institutions have shown an impressive ability to develop effective mechanisms for coordination under the pressure of very rapidly changing conditions and emerging opportunities.

These mechanisms varied from country to country – for Tunisia, a working group model was adopted where the Tunisia desk officer within the State Department’s Bureau of Near East Affairs took the lead in organizing representatives of the various offices working to respond to the Tunisian uprising. In Egypt, prior to her official nomination as U.S. Ambassador in Cairo, Anne Patterson served as the State Department’s Special Coordinator for Egypt’s Transition and in that role led efforts to coordinate the various offices and agencies active on Egypt. In Libya, most of the staff of the U.S. Embassy in Tripoli were evacuated out to Washington DC, where they essentially set up an “embassy-in-exile” to coordinate relief and assistance efforts in Libya.

All of these different mechanisms for coordinating reactions and responses to the Arab uprisings were described as effective by numerous U.S. government officials in various offices and institutions, and these methods developed on an ad hoc basis could serve as models of coordinating mechanisms in the future.

## **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 two-year-old Near East Regional Democracy (NERD) program; institutions outside of the government like the National Endowment for Democracy (NED) and the Amman, Jordan-based Foundation for the Future (FFF).

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.<sup>1</sup> 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. 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 may be needed. In any case, while there has been much discussion of options for broad reform of foreign assistance, including the possible consolidation of existing agencies, in the near term at least the Obama administration has demonstrated support for the existing range of institutions.

This report will now examine the funding and budgets for several of these agencies and institutions, and review their efforts to support democracy within the MENA region.

### **I. Middle East Partnership Initiative**

The Middle East Partnership Initiative (MEPI) within the U.S. State Department has emerged as a leading tool for supporting democracy, governance, and reform in the region. After months of speculation and uncertainty surrounding MEPI's budget, it now appears that MEPI will have a budget for FY11 of \$80 million – an increase of \$15 million for the second consecutive year. This solidifies MEPI's position as a leading initiative of the Obama administration for engaging with the Middle East and supporting civil society and political reform.

Following intense speculation in 2008 and early 2009 over whether MEPI would outlive the Bush era, the Obama administration made its support clear in its successive budget requests for FY10 and FY11. In FY10, the Democrat-controlled Congress responded to the president's support – after three consecutive years of restricting MEPI's funding at \$50 million annually despite considerably higher administration requests, Congress granted MEPI an increase in FY10 to \$65 million. When Congress passed the FY11 appropriations bill in April, however, it opted not to mandate a level of funding for MEPI, leaving it up to the discretion of the administration, within the constraints of a global 13% cut in international affairs funding.

---

<sup>1</sup> See Gerald F. Hyman, *A Cabinet-Level Agency: Right Problem, Wrong Solution*. Center for Strategic and International Studies, January 2009.

Throughout much of this year, MEPI's funding – like that of most foreign affairs initiatives – has been extremely uncertain. On one hand, the administration was forced to cut more than \$7 billion from the budget for State and Foreign Operations. With bilateral assistance to many key countries (e.g. Israel, Egypt, and Jordan) frozen by long-term Memoranda of Understanding, multicountry initiatives were particularly vulnerable. On the other hand, MEPI is a leading initiative of the State Department for supporting civil society and promoting democratic reform in the MENA region, and the importance of MEPI's work was only underscored by the dramatic events of the first half of 2011.

The tension between these two unusually strong factors and the effect on MEPI's level of funding serve as a microcosm of the tension affecting debates on funding levels for the MENA region more broadly. Funding levels for democracy and governance programming within bilateral assistance for each country in the region have not been finalized. However, the increase in funding for MEPI indicates a desire by the administration to maintain or increase democracy, civil society, and reform-oriented programs in the region, in spite of the extremely difficult domestic budget environment.

It should be noted that even with this increase in funding to \$80 million annually, MEPI's budget is still small compared with USAID, which manages approximately \$1.7 billion annually in foreign aid to the MENA region, including approximately \$400 million designated as democracy and governance programming.<sup>2</sup>

MEPI was established in 2002 within the NEA Bureau at the Department of State with the intent of not only conducting reform-oriented programming, but also of facilitating better coordination between program-

ming and U.S. policy – often formulated and carried out by NEA and its staff at the U.S. embassies across the region. Additionally, MEPI was intended to help instill a pro-reform outlook in the culture of NEA policymakers. In reality, while the quality of MEPI's programming has steadily improved and projects have had more of an impact on the ground, MEPI's success in either aligning programming with broader policy goals or elevating the place of reform in NEA policy debates has been rather modest. It now appears that reform-oriented voices, including within MEPI, may be elevated in internal policy debates in the wake of the Arab uprisings of 2011, although the degree to which this will take place remains to be seen.

Since its inception, MEPI has increasingly found its niche in providing direct support to independent civil society organizations. Unlike the aid delivered by USAID missions, MEPI assistance is not normally governed by a bilateral agreement with the host governments, freeing it to engage in more politically sensitive work. For example, MEPI provided funding for civil society organizations not registered with the Egyptian governments under its NGO law, following the 2009 decision for USAID to no longer provide direct support to such groups.<sup>3</sup>

Moreover, MEPI projects are generally smaller-scale, shorter-term, and with more modest budgets than USAID projects. As a result, MEPI is generally perceived to be more flexible, agile, and capable of reacting to changing circumstances. A widely cited example of this flexibility was in Lebanon following the February 2005 assassination of Rafik Hariri, which sparked the Cedar Revolution and led to unplanned parliamentary elections. While USAID was unable to adapt its funding or programming quickly enough to provide much-needed support for the administration, supervision, and

---

<sup>2</sup> These figures for USAID are as of FY10, because these figures for FY11 have not yet been finalized.

<sup>3</sup> As described in the Egypt section of this report on page 15, that decision has now been reversed.

monitoring of those elections, the relatively new MEPI office was able to step in and provide the needed assistance. This ability to react quickly to changing circumstances is likely to be even more valuable now, amid the rapid changes sweeping the region.

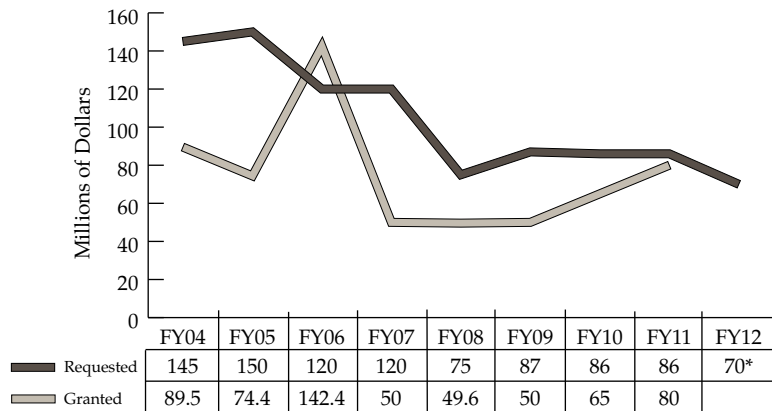
It should be noted, however, that MEPI's programming has at times been constrained in its scope - often under pressure by local Embassy staff - to avoid antagonizing the host government. Prior to the eruption of uprisings across the Arab world this year, a project proposal for democracy and governance work in Bahrain was granted only after MEPI stripped a component examining the prospects for redrawing Bahrain's electoral districts - a politically sensitive, but fundamental issue at the heart of the political tensions that erupted in Bahrain in February. In another instance, MEPI forbid a Muslim Brotherhood member from speaking on a panel at a MEPI-funded dialogue conference in Egypt.

MEPI also plays a particularly important role in countries that have no USAID mission or office. Prior to this year, the most important examples of this may have been the Gulf Cooperation Council (GCC) states of the Persian Gulf, where MEPI has been active for some time. Now, however, MEPI is poised to take the lead in Tunisia.

The location of one of MEPI's two regional offices in Tunis should position it to play a prominent role in supporting Tunisia's transition to a democratic government. Despite the presence of this office for several years, MEPI engaged in almost no democracy and governance programming in Tunisia prior to the fall of President Zine El Abidine Ben Ali.

In the immediate aftermath of the revolutions in both Egypt and Tunisia, it seemed that MEPI's work - even out of the Tunis office - was focused much more on Egypt than on Tunisia. But this now appears to be changing quickly. On March 22, the State Department announced that \$20 million in MEPI funds would be reprogrammed to support Tunisia's transition. This funding is currently being used to support the development of political parties and civil society organizations, bolster independent media, and support human rights monitoring and programming.

**MEPI Funds, Requested vs Granted, FY04 - FY12**



*Note: the \$70 million request for FY12 was finalized to be submitted to Congress prior to the Arab revolutions of 2011 and prior to the \$80 million allocation being made for FY11. It seems quite likely that the administration will now aim to allocate MEPI more than \$70 million in FY12.*

## **II. Bureau of Democracy, Human Rights, and Labor at the Department of State**

The Bureau of Democracy, Human Rights, and Labor (DRL) is the State Department's functional bureau designated with supporting democracy and human rights worldwide. DRL has been an essential component of the Obama administration's support for democracy, including the administration's focus on Internet freedom. Prior to the Arab uprisings, DRL played a leading role in implementing democracy and governance

programming in Iraq, and it has long focused much of its work on the most closed societies in the region, often filling a need in countries where USAID may be less active on democracy issues. In the wake of the Arab Spring, DRL is internally shifting additional resources to the Middle East and working to remain flexible and prepared to act in additional countries as needed.

Although the details of DRL's funding for FY11 have not all yet been finalized, the bureau's funding has remained relatively constant in recent years, with \$70.5 million in programming funds and \$21.8 in operating costs allocated in FY10, \$70 million in programming and \$23.7 million in operating costs requested for FY11, and \$66.6 million in programming and \$22.3 million in operating costs requested for FY12. The total requested funding in FY12 for DRL's programming and operational expenses worldwide is approximately \$93 million. For the sake of comparison, MEPI has now been granted a budget of \$80 million for MEPI, which operates only in the Near East region. And USAID funding greatly exceeds either of these amounts, with approximately \$400 million in democracy and governance funding requested to be delivered through USAID in the Near East alone.

Unlike MEPI, DRL does not provide direct grants to local NGOs, although it does support many such groups through subgrants. DRL primarily funds U.S.-based 501(c)(3) organizations, although it has recently established criteria to fund the equivalent of 501(c)(3) nonprofit organizations based in Europe or elsewhere. DRL's ongoing programming in the Middle East has included programs to promote religious freedom in the West Bank and Gaza, to foster interfaith dialogue in Lebanon, and to encourage women's rights and women's access to the workplace in Kuwait, the United Arab Emirates, and Bahrain. As described in the Egypt section below, DRL is playing an integral role in supporting Egypt's political transition, including funding large-scale efforts by the National Democratic Institute

(NDI) and the International Republican Institute (IRI).

The State Department describes DRL as the "lead bureau in the broad effort to support human rights and democracy worldwide." Perhaps best known for producing the department's annual Country Reports on Human Rights Practices, DRL has gradually increased its capacity for both supporting the democracy and human rights work of other bureaus within the State Department and USAID as well as administering its own programming. DRL programs focus especially on providing support through small, short-term grants for NGOs and civil society organizations to support democracy and human rights. DRL has recently gained a reputation for having become more aggressive and asserting itself more in internal policy debates within the State Department and the administration more broadly. DRL has steadily become more assertive in raising human rights concerns not only within the Department of State but also with the Pentagon and the National Security Council. Although DRL's programming is global, Assistant Secretary of State Michael Posner, who has headed this bureau since September 2009, has strongly emphasized the importance of democracy and human rights concerns in the Arab world, particularly in Egypt.

### ***III. Near East Regional Democracy Program***

The Near East Regional Democracy (NERD) program was established in March 2009, as a new program to support democracy and human rights in the region, particularly in Iran. It includes a strong focus on support for media, technology, and Internet freedom. The establishment of the NERD program was widely viewed as a recognition by the Obama administration of the need to support democratic reformers in Iran, while at the same time reacting to criticisms of the Bush administration's specific approach in this regard. Funding under the NERD heading is not legally required to be spent in Iran or any other specific country, which should

in theory give the administration greater flexibility in programming the funds.

Many influential members of Congress, however, feel very strongly that the NERD program's entire budget be committed to supporting democracy in Iran. When the Arab uprisings erupted in early 2011 amid Congressional debates on cutting funds for FY11, some observers wondered whether the NERD program might be a source of funds to support democracy in Arab countries such as Tunisia, Libya, or Syria. It became clear, however, that shifting any funds from the NERD program to countries other than Iran would likely spark a significant backlash from Congress. For FY11, the NERD program has received \$35 million, \$5 million below the level requested for FY11 and granted in FY10. That same level of \$35 million has also been requested under the NERD heading for FY12.

The NERD program was established in the FY09 Consolidated Appropriations Act passed in March 2009. It had not been included in any of the budget requests from the Bush administration, including that for FY09, and it appears to have been developed by the incoming transition team for the Obama administration in conjunction with the congressional appropriations committees. The program essentially replaced funding designated for Iran as Economic Support Funds (ESF) under the Bush administration.

#### ***IV. USAID Bureau for Democracy, Conflict, and Humanitarian Assistance***

Although funding for democracy and governance programming through MEPI and DRL are steadily increasing, the majority of nonmilitary assistance to the Middle East remains distributed through USAID. This level is at approximately \$400 million in the FY11 budget, as compared with approximately \$53 million in democracy and governance funding requested through MEPI, and \$70 million requested for DRL's democracy fund worldwide. Within USAID, the Office of Democracy and Governance, housed

within the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), offers support to USAID country missions, regional bureaus, and U.S. embassies for programs to advance democracy, governance, and human rights; nearly all of USAID's programs, however, are funded through bilateral assistance budgets, discussed in the country sections below.

The overall request for FY12 for DCHA's foreign assistance work worldwide is \$2.40 billion, holding steady from recent years. The portion of the DCHA budget designated for the Governing Justly and Democratically (GJD) objective is also steady from the FY11 request of \$60.3 million, with more than half of this amount requested for the Political Competition and Consensus Building program area.

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 on their democracy and governance programming. The Office of Democracy and Governance is currently being restructured and, pending Congressional approval, will soon be re-launched as the USAID Center for Excellence on Democracy, Human Rights, and Governance. The goal of this bureaucratic restructuring is to elevate the place of democracy and governance goals within USAID, though it is as of yet unclear exactly what the restructuring will entail.

#### ***V. National Endowment for Democracy***

The National Endowment for Democracy (NED) is a nongovernmental institution that was originally created by Congress and re-

ceives nearly all of its funding in an annual congressional appropriation. The NED now enjoys consistent bipartisan support from both the Congress and the administration, with Congress routinely granting the NED more funds than requested in the administration's budget request.

Congress granted the NED \$118 million for FY11 (one of the relatively few earmarks specified for foreign operations in the FY11 omnibus appropriations act passed in April 2011). This exceeded the administration's budget request by \$13 million, and was the fourth consecutive year in which Congress exceeded the administration's budget for the NED. From FY06 to FY09, the President's budget request for the NED had remained constant at \$80 million, before increasing to \$100 million in FY10 and \$105 million in FY11. Congress, however, has exceeded the President's request since 2008, granting \$99.2 million in FY08, \$115 million in FY09 and FY10, and \$118 million in FY11. For FY12, the administration has requested \$104 million, but it is likely that – even with the anticipated additional cuts in international affairs spending expected in FY12 – that Congress will once again grant the NED funds in excess of the administration's budget.

The NED was created in 1983 by Congress to strengthen democratic institutions around the world through nongovernmental efforts and now has a presence in more than 100 countries. In 2007, the institution identified five primary strategic priorities for the following five years: opening political space in authoritarian countries; aiding democrats and democratic processes in semi-authoritarian countries; helping new democracies succeed; building democracy after conflict; and aiding democracy in the Muslim world.<sup>4</sup>

Since the Arab uprisings erupted across the region in early 2011, the NED has quickly shifted its focus toward supporting political transitions in Egypt and Tunisia. The NED was also one of the first donors to fund the

set-up of civil society organizations in Benghazi once Libyan opposition and the Transitional National Council had taken control of the city. Although the NED's budget has remained constant or even increased slightly, and it has shifted additional resources into its MENA programming, it may still find itself stretched thin in trying to meet the challenges of many potential democratic transitions all at once. It seems that the NED may need to cut back on its funding in countries like Morocco that are comparatively stable, in order to respond adequately in Tunisia, Libya, and Egypt (with transitions possible in other Arab countries soon).

## ***VI. Foundation for the Future***

The Foundation for the Future, like the NED, is a nonprofit organization that receives nearly all of its funding from Western and Arab governments, with more than half of its funding having come from the U.S. government. The Foundation focuses on supporting, strengthening, and promoting civil society organizations across the region, primarily through direct grants. A locally, Arab-run foundation based in Amman, Jordan, the Foundation appears to have earned a reputation among Arab civil society actors as a credible, independent institution supporting reform across the region. In particular, it is able to support certain civil society actors across the region that would not accept support directly from the U.S. or other Western governments. Although approximately 60% of its funds were granted by the U.S. government, thanks to funds from numerous other governments, it is not viewed as an American institution or as being particularly close to the U.S. government. The Foundation for the Future was established to play roughly the same kind of role in the Middle East that the Asia Foundation plays in Asia.

Unlike the Asia Foundation, however, the Foundation's funding has been granted very irregularly, having received approximately \$21 million from the U.S. government in

---

<sup>4</sup> National Endowment for Democracy, "Strategy Document, January 2007."

2007, with no additional U.S. funds since that time. Former Secretary of State Condoleezza Rice pledged \$35 million to the Foundation in 2005, and the \$21 million granted in 2007 was supposed to last for four years and then be followed with additional funding at that time. By the end of 2010, however, with a new administration and turnover within Congress, funding for Foundation for the Future had nearly been forgotten.

Although this \$21 million was intended to be spent by the end of 2010, the Foundation has not yet received additional U.S. funding, and it is currently unclear whether the U.S. government will fulfill its \$35 million pledge to the Foundation, either through the accounts of existing programs such as MEPI

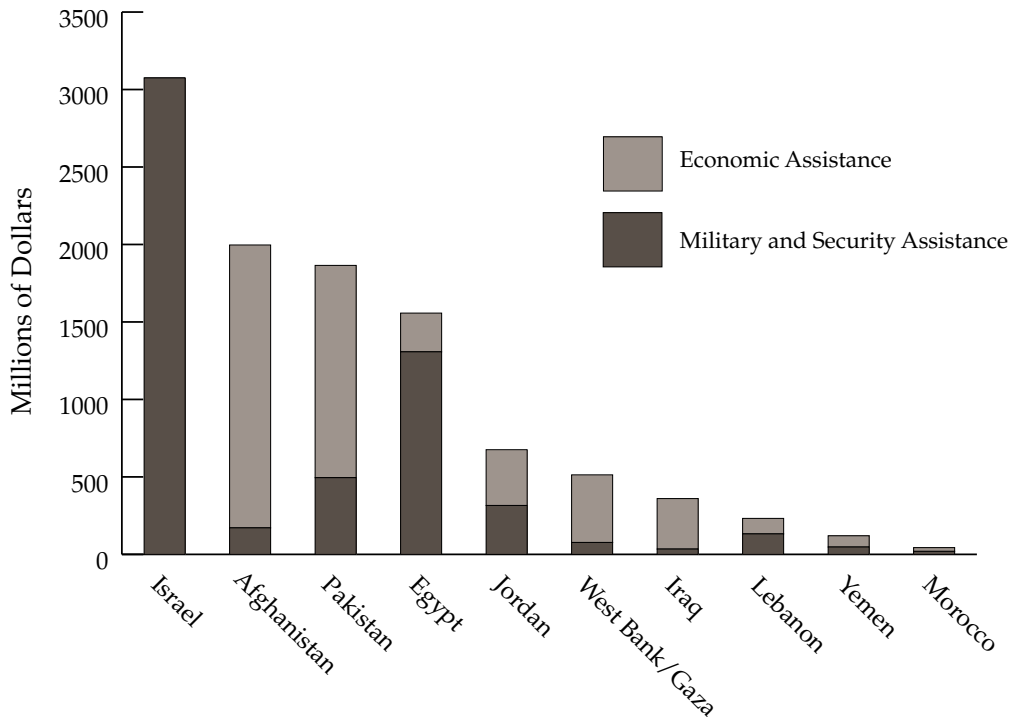
or NERD, or through a direct appropriation from Congress. The Foundation appears on the surface to have significant support from State Department officials. Just ahead of Secretary Clinton's visit to Doha in January 2011, a senior State Department official cited the Foundation as one of the "biggest" positive outcomes of the Forum for the Future meetings that annually gather foreign ministers and civil society leaders. There are signs that, without additional support, the Foundation could run out of funds as early as next year. Given the level of resources now allocated for the Middle East, it seems that the Foundation would be a strong candidate to receive funds to sustain its work beyond 2012, perhaps from the regional response fund set up for FY11.



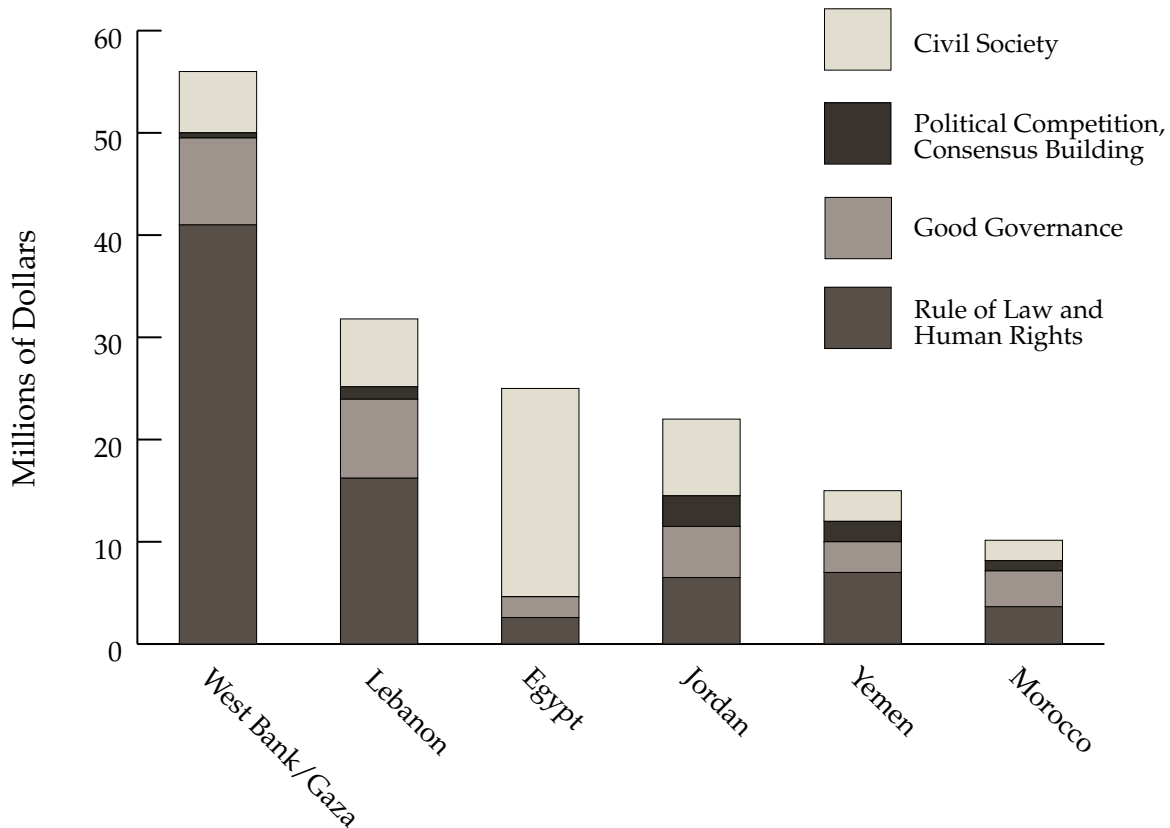
## Examining Bilateral Assistance by Country

It should be noted that the majority of funding for democracy programs in the region is provided through bilateral assistance, administered by USAID – approximately \$400 million for GJD programs annually (as compared with, for example, MEPI’s full annual budget of \$85 million). Seven countries in the Middle East have USAID missions and programs: Egypt, Iraq, Jordan, Lebanon, Morocco, West Bank and Gaza, and Yemen (Tunisia, which lacks a USAID mission, will also be considered in this section, due to the sudden shift of resources there). As compared with the previous levels of funding, the administration’s FY11 budget allocations allot increases in overall economic assistance and democracy and governance assistance to Egypt, Tunisia and Yemen. Meanwhile, the overall level of assistance to Jordan and the West Bank and Gaza remains relatively constant. Funding levels for Lebanon and Morocco are modestly decreased, and only Iraq sees a sizable decrease in its level of foreign aid in the administration’s FY11 allocations.

### **BMENA: FY2012 Request for Economic and Military Assistance**



**FY2012 Request for Governing Justly and Democratically (GJD)  
By Country and Program Area (Omitting Iraq)**



## Egypt

For many years, Egypt has been at the center of the discussion about the role of U.S. assistance in improving democracy, governance, and human rights in the Middle East. The failure of the Mubarak government to make any progress on these fronts while receiving the second-largest amount of U.S. foreign aid since the 1970s often led to heated debates about whether the U.S. could leverage assistance to achieve democracy promotion goals.

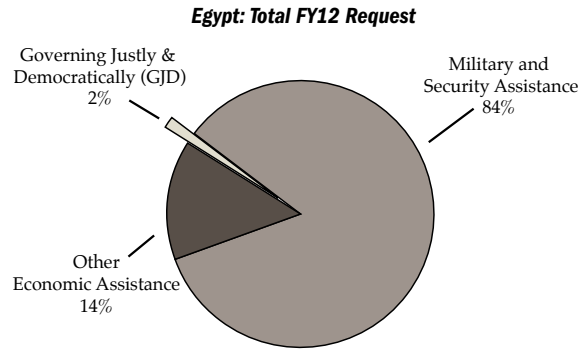
As the most populous country in the Arab world and a bellwether for the rest of the

region, Egypt has long been regarded as the “most important” Arab country. In line with such thinking, while the Arab spring of 2011 may have begun in Tunisia, many observers would say that it was the Egyptian uprising that really triggered the widespread protests in the region including in Libya, Yemen, Bahrain, Syria, Algeria, and Morocco. Since President Mubarak was forced from power, many view the success of Egypt’s transition to democracy as perhaps the most important factor in determining the success or failure of other transitions across the Arab world. While the fate of Egypt’s transition will be determined by Egyptians, the U.S. will play

a modest role, including through foreign assistance, in influencing the outcome.

Across various departments and offices within the U.S. government, Egypt is a real focal point of the Obama administration's efforts in the Middle East, and the administration has a strong desire to support Egypt's political transition. Soon after Mubarak's ouster, the administration announced that \$100 million in unspent ESF funds were being reprogrammed to support economic growth and development, in addition to \$65 million being reprogrammed to support democratic development. The majority of these funds are being distributed through an Annual Program Statement (APS) posted by USAID on March 8, which identifies five broad areas of focus: 1) Civic Engagement / Civic Awareness; 2) Elections and Political Processes; 3) Access to Justice / Human Rights; 4) Transparency and Accountability; and 5) Civic Participation. Nearly all of the funds allocated have now been obligated to various Egyptian and international organizations. There appears to have been more demand for such funds than anticipated, and much more demand for the \$65 million allocated for democratic development than for the \$100 million for economic growth, much of which has not yet been obligated.

USAID is taking the lead on U.S. assistance efforts during Egypt's transition, though that was a matter of contention between various government offices. Very soon after the \$65 million had been reprogrammed, USAID posted a request for proposals with expected total program funding of \$65 million. This solicitation raised eyebrows among those in the State Department, where many in both the MEPI office and at DRL had expected to play some role in distributing and managing those funds. Tense internal discussions ensued, which resulted in USAID overseeing the majority of reprogrammed GJD funds, and with DRL and MEPI also being tasked with distributing smaller portions of these



funds. The division of labor between these three government institutions roughly followed a pattern that had emerged prior to Egypt's uprising, wherein DRL has focused on grants to international organizations, while MEPI hands out small local grants to Egyptian NGOs and USAID make larger scale grants to both Egyptian and international organizations.

Beyond these funds reprogrammed specifically to support Egypt's democratic development, U.S. assistance to Egypt has been stable for quite some time in terms of top-line budget allocations, but with much volatility beneath the surface. U.S. Foreign Military Financing (FMF) to Egypt has remained constant at \$1.3 billion annually since the 1980s. ESF – the primary account for economic assistance – for Egypt has been constant at \$250 million annually since FY09, after decreasing over a period of years from a peak of more than \$1 billion annually in the mid-1980s.<sup>5</sup> It is unclear, however, whether U.S. aid to Egypt – even at this top level – will remain stable during the volatile period of transition in Egypt.

The first question in this regard is whether the overall level of U.S. assistance to Egypt will remain at the \$1.55 billion that has been in place since FY09 and was requested for FY12. Many prominent members of Congress have suggested that U.S. aid to Egypt

<sup>5</sup> For figures on U.S. assistance to Egypt since 1946, see Tables 2 and 3 in "Egypt in Transition," by Jeremy M. Sharp, Congressional Research Service, June 17, 2011.

may be reduced substantially or even eliminated if the Muslim Brotherhood assumes a significant role in Egypt's government following upcoming elections. This line of thinking is generally rejected by Egyptian democracy activists and political reformers, and even by liberal and more secular activists who may be very much opposed to the Muslim Brotherhood gaining political power in Egypt. Many Egyptians particularly object to suggestions that the U.S. could reduce aid to Egypt because of concerns that the Muslim Brotherhood may not be sufficiently committed to democracy. After all, if the U.S. were unwilling to provide aid to nondemocratic governments, then it certainly would not have provided large-scale funding to the Mubarak government for the past thirty years. Instead, when Egyptians hear concerns in Washington about the Brotherhood's "commitment to democracy," they hear this as code for concerns that the Brotherhood may be less aligned with U.S. foreign policy, particularly toward Israel and the Palestinians.

In addition to reducing the levels of annual assistance, Congress could also place conditions that would have to be met in order for Egypt to receive its foreign assistance. This approach gained many supporters in Congress between 2005 and 2008, who succeeded in including three conditions on \$100 million in military aid to Egypt in the FY08 appropriations bill, only to see the conditions promptly waived by Secretary of State Rice. This experience put a temporary end to this approach in Congress, but the idea of aid conditionality is at least being discussed again within Congress and the administration. This tactic would certainly be opposed strongly by the Egyptian government, which recently rejected several billion dollars in loans from the IMF and World Bank because of the presence of relatively modest conditions that Egypt believed violated its sovereignty.<sup>6</sup> In reality, Egypt could afford

to turn down billions from the international financial institutions only because of approximately \$17 billion in aid pledged by Saudi Arabia, Qatar, and the UAE. As one Middle East analyst put it, this assistance from the Gulf monarchies likely comes with as many conditions, just different, "less transparent" conditions. Many observers fear that among other things, the GCC states may be using the influence that comes with such large donations to protect Hosni Mubarak and other high-ranking officials from prosecution. It is unclear as of yet how such large donations from the Gulf, which dislodge the U.S. from its long-held position as Egypt's largest foreign assistance donor, may impact more broadly the U.S.-Egypt relationship.

Even if the overall level of \$1.55 billion in annual aid is maintained, however, questions arise as to whether the current breakdown of \$1.3 billion in military aid and \$250 million in economic aid will remain the same. In March, Senator John Kerry (D-MA) was among the first to suggest publicly<sup>7</sup> that there may be a need to "shift the balance" of U.S. assistance to Egypt by transferring some of the \$1.3 billion given annually in military aid to provide economic assistance and support for political reform. This idea appears to have gained broader support on Capitol Hill and there have been discussions about inserting language into the FY12 State and Foreign Operations appropriations bill allowing the administration to shift some portion of the military aid (FMF) to economic aid (ESF). This would be an extremely unusual step for Congress to take, particularly given the structure of U.S. appropriations in which the ESF and FMF are entirely separate accounts that appear in separate sections of the bill.

Egyptian democracy advocates have mixed reactions about "rebalancing" some U.S. assistance away from military aid in favor of greater economic assistance. On one hand,

---

<sup>6</sup> "Egypt Decides It Does Not Need World Bank, IMF Funding," Voice of America, June 25, 2011.

<sup>7</sup> "Senator John Kerry on U.S. Policy Toward the Middle East," Carnegie Endowment for International Peace, March 16, 2011. <http://carnegie-mec.org/events/?fa=3161>

many Egyptians believe that at the moment economic development assistance is needed much more than additional military funding. On the other hand, many fear that the military will view the reduction in U.S. military aid as a threat and will become less cooperative in transitioning to a civilian, democratic government. Moreover, after years of consistent military aid under Mubarak's authoritarian rule, some question the idea of reducing this aid just as the country undergoes a potential democratic transition that will hopefully result in civilian oversight of the military.

Another key question is whether the new Egyptian government's views on U.S. assistance have changed with the removal of some elements of the Mubarak regime. Egyptian Minister of International Cooperation Faiza Abou El-Naga was outraged when the U.S. administration announced that the controversial 2009 decision restricting USAID funding to registered Egyptian NGOs had been reversed shortly after Mubarak was forced from power. This 2009 decision was widely interpreted as lack of U.S. support for Egyptian civil society. By effectively giving the Egyptian government veto power over NGO recipients of U.S. funding, the decision clearly violated the intent of the Brownback Amendment language that has remained in the State and Foreign Operations Appropriations Act since FY05. Its reversal is welcomed by Egyptian democracy activists, but apparently not by Egyptian government officials.

On July 19, Minister Abou el-Naga announced the formation of a government committee to investigate all direct foreign funding of local Egyptian NGOs, a move that was perceived as intended to intimidate local Egyptian NGOs, discourage them from accepting foreign funding, and undermine the credibility of those organizations that do accept such funding.<sup>8</sup> This followed an earlier statement by Abou el-Naga objecting to USAID publicizing its request for grant proposals in Egyptian

newspapers. In addition, Minister of Social Solidarity Gouda Abdel Khaleq claimed in July that the U.S. has violated Egypt's sovereignty by offering funding to Egyptian organizations without properly consulting the government of Egypt. Such pronouncements seem to contradict language in the annual U.S. appropriations act that states, "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." Many Egyptian democracy advocates have viewed these responses as evidence that the mentality of many Egyptian government officials remains unchanged from the Mubarak era. U.S. officials are extremely frustrated that the government of Egypt is focusing so much attention on these decisions regarding USAID funding, particularly after the U.S. expended great energy and political capital to relieve \$1 billion in Egyptian government debt as requested by the Egyptian government.

## *Iraq*

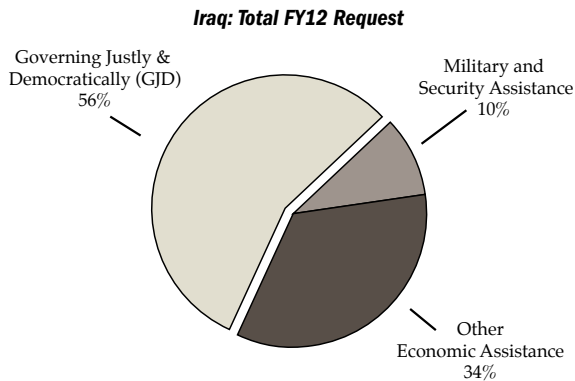
The withdrawal of U.S. combat forces from Iraq was a centerpiece of President Obama's 2008 campaign, and a steady drawdown of U.S. troops has been underway since the beginning of his administration. According to the U.S.-Iraq Status of Forces Agreement signed in November 2008, all U.S. military forces shall withdraw from Iraq by the end of 2011, turning over full responsibility for Iraq's security to the Iraqi Armed Forces and other Iraqi security forces. A planned shift in resources from the military (Department of Defense) side to the civilian (Department of State and USAID) appears to be impaired by demands for resources elsewhere and the domestic U.S. budget crunch.

Although the precise levels of funding for Iraq are still being finalized, it appears that far less than the \$729 million requested for

---

<sup>8</sup> "Egyptian govt to form fact-finding committee over NGO funding," Al-Masry Al-Youm, July 12, 2011.

## Jordan



FY11 will be allocated, and far less than \$175.3 million requested for democracy and governance programming. International organizations that have been running democracy promotion projects in Iraq since soon after the Iraq War began in 2003 have been drawing down their efforts and shifting resources elsewhere. As U.S. troops continue to withdraw, some democracy and governance projects conducted by international groups may become untenable, as they would now require very large expenditures for staff security.

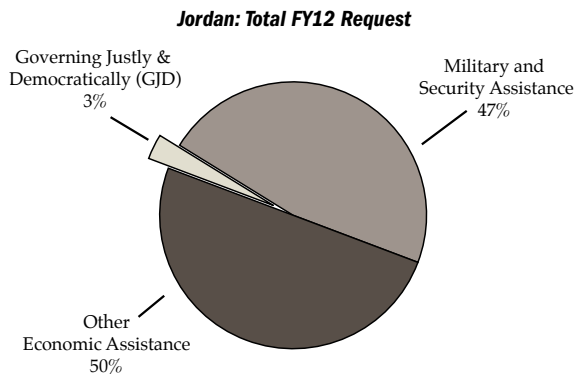
Some observers have argued that the governing institutions of Iraq's fragile democracy are in need of increased - rather than decreased - support as international forces withdraw from the country. In light of the lower-than-anticipated level of funding, the administration is currently adapting its strategy for the civilian presence in Iraq. In February, the administration's budget request for FY12 was for \$360 million, of which \$202 million is designated for democracy and governance programs. Although this is much smaller than the FY11 request, it is likely that the level eventually granted for FY12 will fall well short of this amount as well. Although Congress had generally been very supportive of funding for the military campaign in Iraq, it does not appear to oppose a reduction in resources for civilian efforts in Iraq.

The U.S.-Jordan foreign assistance relationship is currently unique among Arab countries in that both economic and military aid are governed by a Memorandum of Understanding (MOU) signed in 2008 between the governments, which commits the U.S. to providing at least \$360 in economic aid (ESF) and \$300 in military assistance (FMF) to Jordan annually for a period of five years. During FY08 and FY09, the U.S. granted assistance to Jordan that was significantly in excess of the minimum amounts agreed to in the MOU. Now, given the domestic budget environment, aid levels are decreasing back to the amounts specified in the five-year MOU. Legally, that agreement is not binding, but Congress has been extremely supportive of King Abdullah and even in the current budget climate there has been no discussion of reducing the economic or military assistance below the levels agreed upon.

In addition to the \$660 million or more of annual bilateral assistance, Jordan now has a large-scale aid agreement with the Millennium Challenge Corporation (MCC). The MCC compact, signed in October 2010, provides \$275.1 million over five years for three integrated projects that will improve clean water delivery, sewage collection, and wastewater treatment. The MCC has prioritized improving the water quality in Jordan, which is "among the five most water-poor countries in the world."<sup>9</sup> This five-year project will focus especially on the Zarqa governorate, one of the poorest areas of the country with the worst quality water infrastructure.

The level of U.S. assistance for democracy and governance programming in Jordan has fluctuated since 2006, ranging from \$14.7 million to \$26 million, with the highest level of funding granted in FY10. In FY11, only \$16 million had been requested, but it appears likely that a slightly higher amount

<sup>9</sup> "MCC and Jordan Sign \$275.1 Million Grant for Water Project," Press Release of the Millennium Challenge Corporation, Washington DC, October 25, 2010.



will be allocated. For FY12, the administration had requested \$22 million. GJD programming in Jordan has focused on support for independent media, both for traditional media through journalist training programs and local community radio stations as well as for new media through technology-based projects. In the wake of the uprisings sweeping the region, including sustained protests that began in Jordan in late January, the administration is in the process of reviewing its assistance work in Jordan to identify opportunities for greater impact. The process of adapting U.S. assistance may also be slowed to some degree by the ongoing transition in leadership for both the U.S. Ambassador to Jordan and the mission director for USAID in Amman.

More narrowly within the democracy and governance funding, the FY11 and FY12 budget requests have included successive decreases in civil society funding. Such decreases are disconcerting as Jordanian civil society remains limited, constrained, and sorely in need of further development. It could be argued, however, that due to such constraints, the priority for bolstering civil society in Jordan should be pressuring the government to ease restrictions on civil society rather than increasing funding for organizations that lack the political space to properly function.

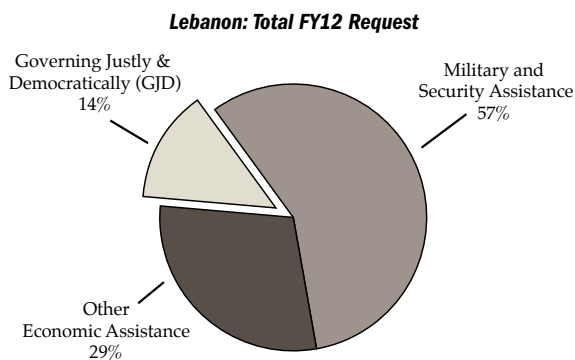
On the other hand, it could be more effective for the civil society groups that do exist to themselves pressure the government on

these issues, and in recent months there have been some signs of success in this regard. Jordanian civil society organizations - including some supported with U.S. funding - have finally started to be effective - albeit modestly - in pressuring the Jordanian government to address fundamental issues that had been long ignored such as the highly gerrymandered, disproportionate electoral districts that have resulted in the underrepresentation of Jordanians of Palestinian descent in the government. Such issues have by no means been sufficiently addressed as of yet, but Jordanian civil society actors perceive that the government may be taking such demands seriously for the first time.

## *Lebanon*

The Arab uprisings of 2011 have left Lebanon in the unfamiliar position of being one of the region's more stable countries, reducing the amount of attention the country generally receives from the international community and the United States. Regarding democracy assistance specifically, this diminished attention only continues a trend that had begun prior to the uprisings. Although annual funding for democracy and governance has not decreased, programming has shifted away from addressing fundamental political problems and focused rather on softer, less controversial issues. Many active in the democracy promotion community in Lebanon have reported a decrease in U.S. government enthusiasm for promoting democracy there. In part, this reluctance stems from Hezbollah's gradually increasing role in the Lebanese government. Hezbollah's designation as a foreign terrorist organization by the State Department complicates any U.S. government interaction with the Lebanese government.

Particularly since the most recent formation of a new Lebanese government on June 13, 2011, in which 16 of the 30 cabinet seats were allocated to Hezbollah and its allies, numerous members of Congress have questioned whether assistance to Lebanon



should continue at all. A draft copy of an authorization act for Department of State appropriations has been circulated in the House containing language barring any U.S. security assistance whatsoever to Lebanon if any “member of Hezbollah or any other foreign terrorist organization serves in any position in a ministry, agency, or instrumentality of the Government of Lebanon.” Were it in place, this overly broad language would have prevented any U.S. security assistance to Lebanon for many years now, as Hezbollah has long held various positions within the Lebanese government and its ministries. This authorization act is certainly not expected to pass in the Senate and is therefore not likely to have a direct, tangible effect on U.S. aid to Lebanon, but it is indicative of the position of many members of Congress on Lebanon and members of the House may push for similar language in the appropriations bill or elsewhere. As of now, with the FY11 bill passed in April, it does not appear that Congress will prevent the delivery of FY11 assistance funds to Lebanon, but it is quite likely that Congress will attach language limiting the delivery of foreign assistance to Lebanon in FY12.

The overall level of funding that had been requested for Lebanon for FY12 was \$232.3 million, with \$132.3 million designated for military and security assistance and \$100 million in Economic Support Funds (ESF). These are roughly the same levels of funding that had been granted in FY10 and requested

for FY11. That request, however, was made before Congress enacted sharp budget cuts in April. It now appears that \$85 million in ESF has been allocated for FY11, which is a cut of \$15 million from recent years and from the FY11 request. For democracy and governance programming, \$28.8 million had been requested in FY11, but it is expected that the allocation will now be smaller than this amount, in light of the 15% cut to ESF for Lebanon. For FY12, the original request was for \$31.8 million, with more than half of this amount designated for Rule of Law and Human Rights programming, but this number too will almost certainly be considerably smaller, given the cuts in FY11 and the expected larger cut in foreign operations funding in FY12. Of course, the possibility remains that all assistance to Lebanon could be eliminated or cut even more drastically in FY12 in response to Hezbollah’s increasing strength in the government.

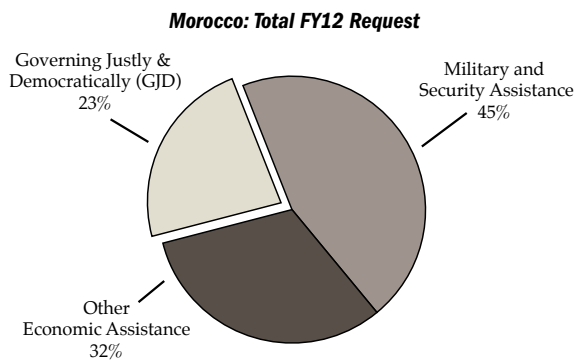
## *Morocco*

Although the Moroccan government has been less destabilized by the Arab spring than any of its neighbors in North Africa, the country has nonetheless experienced persistent, large-scale street protests. The demonstrations that began on February 20 eventually pressured King Mohammed VI to announce a series of constitutional reforms, which were put to a vote in a referendum on July 1. The changes were approved by a suspiciously high 98% of voters.

Of the seven Arab countries with a USAID mission and a longstanding assistance relationship,<sup>10</sup> Morocco receives the smallest amount of bilateral assistance, which has fluctuated between \$25 million and \$35 million since 2006. For FY11, the administration had requested a 20% increase in overall aid to Morocco from \$35.3 million to \$42.5 million. Although the FY11 allocations have not quite been finalized, it appears that Morocco has been allocated less funding

<sup>10</sup> Egypt, Iraq, Jordan, Lebanon, Morocco, West Bank/Gaza, Yemen.





than had been requested, and likely a very slight decrease over FY10 aid levels. For economic assistance (ESF/DA), it appears that Morocco will experience a slight (7%) decrease from \$22.5 million in FY10 to \$21 million in FY11. The administration had requested \$26.5 million in bilateral economic aid out of a total of \$43.7 million in aid for FY12, but those levels now seem unlikely in light of the global cuts to foreign aid in FY11 and expected additional cuts in FY12.

For democracy and governance programming, USAID has provided between \$4.6 and \$7.2 million annually. For FY12, the administration's original request was for an increase up to \$10.15 for GJD programs. This is the third consecutive budget request of more than \$10 million, but this level of funding was not allocated in FY10 and it seems extremely unlikely to be allocated in FY11.

For several years, USAID's activities in Morocco have focused on youth-oriented programming, which has been vindicated somewhat by the strong role of youth in mobilizing protests and demanding reforms this year. Nonetheless, many democracy advocates in Morocco have been disappointed with the U.S. democracy and governance program both in terms of its small size—as well as its content and focus. There is a widespread perception that supporting democracy and governance simply has not been a priority of the U.S. Embassy or the USAID mission in Rabat, and that much of the work officially categorized under the

GJD heading has been excessively geared toward technical assistance programs focused on improving the technical expertise of government institutions rather than more politically-oriented work. As one senior member of Washington's democracy promotion community commented, "It's not as though the people have been going to the streets since February to demand more technical proficiency from the government—the people want real reform and democratic change."

There are many signs that political party and civil society development in Morocco is in very high demand. In many other countries, USAID has questioned the "absorptive capacity" of civil society organizations for outside support, but there is a consensus among observers in Morocco that civil society could easily and productively absorb far more funds than have ever been present. Moreover, there seems to be much less reluctance among Moroccan civil society actors to accept direct funding from the U.S. government than is the case in some other Arab countries. In addition, whereas many governments in the region are suspicious and unwelcoming of such programming, it seems that the Moroccan government would actually welcome additional politically-oriented assistance.

For all of these reasons, it is surprising that U.S. support for democracy in Morocco is not more robust. There have long been promises to expand GJD programming that remain unfulfilled. In light of the relatively large protests that have taken place since February, democracy advocates have hoped that the Obama administration would respond in part by increasing its democracy and governance programming support to Morocco. Until very recently, there has been disappointment that the U.S. government only responded to recent events by undertaking a review of USAID programming, which could take until the end of the year. As one observer put it, "That's nice, but the Moroccan people are not waiting for the end of the year." Because of the relatively

small amount of U.S. government support for democracy, civil society and democracy advocates in Morocco are more dependent on nongovernmental donors. In the wake of the Arab uprisings, there are fears that some of these nongovernmental donors are shifting their resources to higher priority countries such as Tunisia, Egypt, and soon perhaps Syria and Libya, which could mean a decrease in resources for Morocco, only heightening the need for increased direct support from the U.S. administration.

Now, with Morocco's king announcing new reforms, there is once again a call for further U.S. support for Moroccan opposition and civil society to hold the monarchy accountable. Only in recent days, since the referendum on July 1, have there begun to be signs that the USAID mission in Rabat may now finally be increasing its programming for democracy and governance, but it remains to be seen exactly what that will entail. Domestic U.S. budget constraints and the slight reduction in overall economic aid allocated for Morocco may make it somewhat difficult to quickly increase the funds allocated for democracy and governance in Morocco. But the country seems to offer an excellent opportunity for increased support that could have an impact and ought to be remembered alongside the pressing needs in the crisis countries of the moment.

## *Tunisia*

On January 14, Tunisia made history when President Zine El Abidine Ben Ali became the first Arab autocrat to be forced from power by an enormous movement of nonviolent street protests; immediately rendering Tunisia a much higher priority for U.S. policy and assistance. Prior to this year, Tunisia had been an extremely modest recipient of U.S. foreign aid. From FY08 through FY10, Tunisia received between \$10 million and \$17 million annually in military and security

assistance and no more than \$2 million in economic assistance. The administration's original FY11 budget request for Tunisia eliminated economic aid entirely while decreasing military and security assistance to \$7.2 million. The original budget request for FY12 had reinforced these levels, but of course these numbers will now change significantly in light of this year's events.

Immediately following Ben Ali's ouster, the administration began exploring options for supporting Tunisia's potential transition to democracy. Tunisia had been considered one of the least likely countries in the MENA region for such a transition to take place, as it was one of the most politically closed environments with almost no independent media, political parties, or civil society. As such, the U.S. had almost no democracy and governance programming in Tunisia.<sup>11</sup> It was extremely fortuitous that one of MEPI's two regional offices happened to be located in Tunis (although it had conducted almost no programming within Tunisia from that office). MEPI quickly reprogrammed \$20 million of its pre-existing funds that had been designated for programming elsewhere in the region for Tunisia to support the development of political parties and civil society organizations, bolster independent media, and support human rights monitoring and programming. It should be noted that the delivery of these funds were delayed by members of Congress because the programs from which MEPI took the money included scholarship programs for students at American universities in Lebanon and Egypt.

In addition to the \$20 million allocated by MEPI, approximately \$12 million in funds were allocated quickly for Tunisia from the Complex Crisis Fund (CCF), the USAID Transition Initiatives (TI) account, and the Elections and Political Processes (EPP) account within USAID's Democracy, Conflict, and Humanitarian Assistance (DCHA) Bureau. All of these funds are adminis-

---

<sup>11</sup> The U.S. had no GJD programming in Tunisia prior to FY08. From FY08 to FY10, between \$500 thousand and \$1 million was spent annually on GJD programs, which were non-controversial programs working with the Ben Ali government to improve its governance.

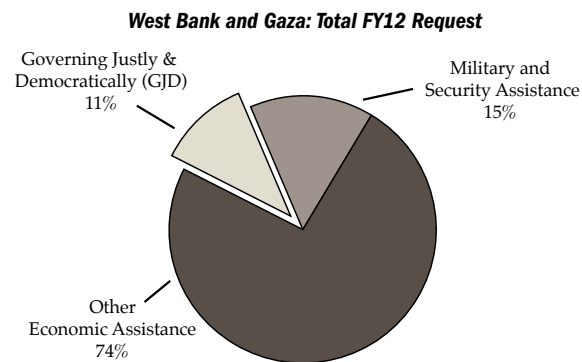
tered and managed by the DCHA office in Washington and by the Office of Transition Initiatives (OTI), which has quickly set up a small office in Tunisia since Ben Ali's ouster. USAID has not had a permanent mission in Tunisia since 1994, when Tunisia effectively graduated from its USAID program due to the high level of economic development it achieved by that time. There are currently no plans to reinstall a conventional USAID mission to oversee funding to support Tunisia's transition, but it is likely that some sort of more permanent presence, perhaps led by OTI, will be established in Tunisia in the months ahead. Of the sources of funds for Tunisia mentioned above, the CCF funds are being used to address immediate economic crises, particularly in areas away from the capital and urban centers. The EPP funds are being used to prepare Tunisians for administering, participating in, and monitoring upcoming elections. These EPP funds have also been used to foster exchanges so that Tunisians can learn from the experiences of other countries like Serbia or Chile that have recently undergone their own transitions to democracy.

Tunisia has also been allocated \$5 million in bilateral FY11 ESF funds, with the expectation that additional funds may be allocated as needed, from the regional rapid response fund described above or with additional funds pulled out of other global accounts like CCF, TI, or EPP. It is also expected that some additional funds will be allocated bilaterally to Tunisia in FY12, although none were officially requested by the administration because that budget request was essentially finalized prior to the uprising in Tunisia (although it was not submitted to Congress until after Ben Ali had been forced from power).

## West Bank and Gaza

Since President Obama entered office in 2009, restarting the Israeli-Palestinian peace process has been a key goal of his administration's foreign policy. Members of the democracy promotion community describe tension between the administration's desire to strengthen institutions of the Palestinian Authority (PA) in order to lay the groundwork for a Palestinian state and the need to foster pluralism and offer more democratic political alternatives at a time when both Fatah and Hamas have been quelling dissent and eliminating opportunities for opposition in the West Bank and Gaza respectively. U.S. efforts to bolster PA institutions have now become complicated by (1) the reconciliation agreement signed in Cairo between Hamas and Fatah, and (2) the Palestinian Authority's effort to achieve recognition through a resolution at the UN Security Council and/or the UN General Assembly in September.

Both of these steps are vehemently opposed by the U.S. Congress, which could result in greater restrictions on U.S. assistance to the Palestinian territories, or perhaps even an outright ban on all assistance. On July 11, Representatives Kay Granger (R-TX) and Nita Lowey (D-NY), Chair and Ranking Minority Member of the House Appropriations Subcommittee for State and Foreign Operations respectively, sent a letter to Palestinian



President Mahmoud Abbas, warning him, “We write to reiterate our serious concerns about your intentions to pursue recognition of a Palestinian state at the United Nations ... Current and future aid will be jeopardized if you abandon direct negotiations and continue your current efforts.”<sup>12</sup> Similarly, in May, a group of 29 Senate Democrats sent a letter to President Obama, urging the administration to suspend all aid to the Palestinian Authority if Hamas were to become part of a unity PA government.

For FY12, President Obama has requested assistance of \$513.4 million, with more than half of this amount designated under the “Investing in People” objective, and \$215 million of such funds going to health services and social and economic services for the protection of vulnerable populations. The overall request would represent basic continuity in the level and distribution of assistance in recent years.

As of January, the Obama administration appeared committed to continuing to increase its support for democracy and governance programming in the Palestinian territories, although much has changed since that time. Following a requested 29% increase up to \$41.5 million in such funding for FY11, in February the administration requested another sizable increase for FY12, up to \$56 million. The majority of this increase would be \$36 million in Rule of Law and Human Rights programming designated under the International Narcotics Control and Law Enforcement (INCLE) account. As is the case in several other countries of the region, there is a widespread perception that the Obama administration is emphasizing support for governing institutions over efforts to encourage political competition and genuine political pluralism. U.S. enthusiasm for such democracy efforts seems to have steadily diminished over the past couple of years, in part because Palestinian Authority elections have been repeatedly postponed. Now, with further uncertainty in U.S. funding due to

the Fatah-Hamas reconciliation deal and the looming UN vote to recognize a Palestinian state, U.S. enthusiasm for promoting democracy in the Palestinian territories seems to have slipped even further. As a result, the details of FY11 funding for the West Bank and Gaza remains unclear, and there is much more uncertainty regarding FY12 appropriations. It is likely that with all of the complications described above, in addition to rising demand and increasing priorities across the rest of the region, that U.S. funding for Palestinian democracy and governance will decrease over FY11 and FY12, although it is uncertain by exactly how much.

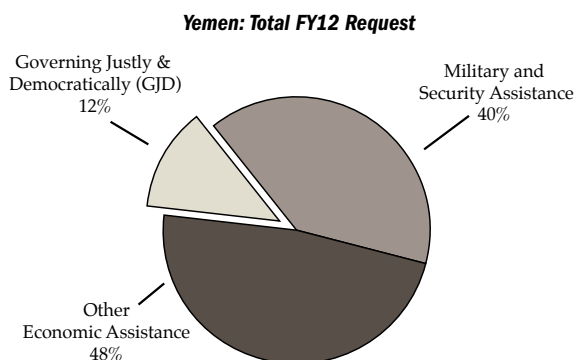
## Yemen

Over the past few years, Yemen has been extremely volatile and the U.S. approach to Yemen has shifted frequently as a result. In the past months, this volatility has only increased, as a protest movement that began in January has pushed President Ali Abdullah Saleh to the brink of losing power. More than anything else, U.S. assistance to Yemen is now in a “wait and see” mode. If President Saleh – currently in Saudi Arabia recovering from wounds sustained in an attack on June 3 – is formally ushered out of power in the weeks or months ahead, it is likely that the U.S. government would try to support Yemen’s transition with much of the same sort of programming that is currently being undertaken in Egypt and Tunisia.

There would of course be differences, depending on the nature of the transition in Yemen, as well as the obvious differences in Yemeni society from those other cases. As the poorest country in the Middle East whose economic difficulties have only been exacerbated in recent months, Yemen will likely have even more dire economic needs than either Egypt or Tunisia. There is currently significant work underway to provide basic humanitarian relief, as well as preparations to quickly intensify such efforts as needed.

---

<sup>12</sup> <http://kaygranger.house.gov/uploads/2011-07-13%20Granger-Lowey%20letter%20to%20President%20Abbas.pdf>



In terms of the sources of funding to support Yemen, there have been some funds allocated bilaterally for Yemen that could be used to support a political transition. The administration had increased U.S. assistance for Yemen dramatically over the past few years – a fourfold increase from \$19.4 million in total aid in FY08 to \$80.3 million in FY10. President Obama had requested significant additional increases up to \$106 million for FY11 and \$120 million for FY12, although it should be noted that the largest increases were for military and security assistance. It now appears that in the final FY11 budget allocations, assistance for Yemen will be increased, but not by as much as requested. \$26.6 million has been allocated under the ESF heading (under which USAID’s programming including for democracy and governance falls) for Yemen, which represents a significant decrease (34%) from the \$40 million allocated in FY10.<sup>13</sup>

It should be noted, however, that much of the funding allocated for ESF in Yemen is not being spent at the moment due to the volatile security situation, which should give USAID a bit of a cushion to work with in the event of a political transition. As violence escalated this spring, the U.S. Embassy and USAID mission in Sana’a underwent first a voluntary evacuation of staff in March, fol-

lowed by an ordered evacuation of nearly all personnel at the end of May. When nonviolent protests swelled in Yemen from January to March, USAID tried to shift more of its resources to support civil society. However, the deteriorating security situation has posed difficulties for much of USAID’s programming – particularly in Sana’a. Many programs in more rural governorates seem to be unaffected, although oversight of such programs is more challenging.

Prior to the protest movement that began in January, USAID had restructured all of its programming in Yemen into three projects: a Community Livelihoods Project (CLP), funded at \$125 million over five years; a Responsive Governance Project (RGP), funded at a level of \$43 million over five years; and a separate monitoring and evaluation project, funded at a level of \$7.5 million over three years. The first two large, multi-sector projects were implemented by a consortium of various development and assistance organizations. Essentially all of the democracy and governance programming in Yemen was part of the RGP project, which aimed to fulfill one of the two primary assistance objectives outlined in USAID’s “Yemen Country Strategy”<sup>14</sup> for 2010-2012: “governance capacities improved to mitigate drivers of instability.”

This project appeared to have mixed results. The RGP program did include some well-run programs that helped bolster some civil society organizations in Yemen and showed some promise in improving government performance in certain areas. Unfortunately, the program was perceived by many democracy advocates in Yemen to be unwilling to address fundamental issues that the Yemeni government may have considered sensitive or unwelcome. These include issues of political decentralization, the rights of political opposition, and support for genuine political pluralism – some of the key issues that

<sup>13</sup> Technically, this \$40 million figure used for ESF in FY10 is actually the sum of ESF (\$5 million) and DA (\$35 million). There is no real substantive difference between funds designated in these two accounts, and in both Yemen and Morocco, funds for USAID programming are shifted around and taken from either the ESF or DA account for bookkeeping/accounting purposes with no tangible effect on the programming.

<sup>14</sup> “2010-2012 Yemen Country Strategy,” U.S. Agency for International Development, February 2010.

helped spur the protest movement that has escalated into widespread violence and may result in the fall of President Saleh. This reluctance to address the issues that the host government considers to be most sensitive – which are usually also the fundamental issues that most need to be addressed – seems to be part of a broader tendency across the region. In fact, last year’s version of this report similarly cautioned that “supporters of democracy and reform worry that if Yemen’s relatively open political climate becomes more repressive in pursuit of short-term stability and security, then this will create the conditions for future instability.” In many respects, that is what has happened over the past year. Naturally, the U.S. administration is now reviewing its strategy for the region as well its strategies for individual countries, including the specific strategies for foreign assistance. On Yemen, the U.S. administration is largely in a “wait and see” mode, as the uncertain developments in the weeks and months ahead will drive the strategy moving forward.

As described in the introduction, the Congressional appropriations process has become dysfunctional to a degree that undermines U.S. national security and interests abroad. Further, the problems with the budget and appropriations process for Fiscal Year 2011 have made it all but impossible for Congress to properly appropriate funds for FY12.

In theory, Congress should pass appropriations bills for each fiscal year by September 30 of the previous year. In practice, it has become standard – even in the absence of any major budget disagreements – for Congress to delay passage of most appropriations until at least mid-December. As a result, when considerable differences arose between the House and Senate following the Republican Party taking control of the House in the November 2010 elections, the FY11 appropriations bills were not passed until April 14, 2011 – more than halfway through the fiscal year. Such delays cause enormous problems in budgeting and planning, and seriously impair the administration’s ability to allocate funds in a timely and efficient manner. Furthermore, delays make it impossible for Congress to adequately consider the administration’s final allocations for the current year’s international affairs funding before writing the appropriations bills for the following fiscal year, triggering a vicious circle with information lacking on both sides.

These problems on the Congressional side are compounded by an excessively slow and inflexible budgeting process within the administration. The Office of the Director of U.S. Foreign Assistance (F) was created in 2006 to help streamline the budgeting process for foreign aid within the executive branch, centralize that process, and better align U.S. assistance with broader policy priorities. While the creation of F has improved transparency

of the budgeting process and improved the coordination of foreign assistance among various departments and offices of the executive branch, the process remains rigid to a degree that exacerbates the current problems on the Congressional side of the budget process. For example, if the administration had been able to adapt the numbers in its budget request submitted in February, March, and April to account for the uprising in Tunisia that began in mid-December and forced Ben Ali from power by January 14, that would have helped make the budget more meaningful. Likewise, if the administration had been able to more quickly finalize its FY11 budget allocations following the passage of the FY11 appropriations bill in April, that would mitigate to some degree the effects of the extremely late passage of the bill by Congress.

The administration submitted to Congress the details of its budget request for FY12 in a series of documents released in February, March, and April 2011. In theory, the Congress should base its appropriations bills for FY12 on that request. This year, however, it will be largely impossible for Congress to do so. None of the numbers in the FY12 budget request took into account any of the sharp cuts to the FY11 budget enacted by Congress in April. Nor did they account for any of the historic changes in the MENA region during the first half of 2011 and the resulting adjustments to U.S. assistance. Ideally, the administration should adapt to the unique circumstances that have practically rendered the FY12 request irrelevant by submitting an adjusted budget request for FY12 before Congress begins its appropriations process in earnest. This has not happened and as a result, the House Appropriations Committee will be unable to base its FY12 bill for State and Foreign Operations on an administration budget that takes into account recent develop-

ments. This lack of communication between the administration and Congress seriously undermines the value of the administration's carefully constructed FY12 budget.

To further complicate matters, Congress should also reach agreement on a budget resolution defining topline numbers for broad headings including International Affairs before beginning work on the respective appropriations bills. Fiscal Year 2011 was the first year in recent memory in which Congress essentially ignored this requirement, as they failed to resolve differences between the House and Senate budget resolutions but nonetheless moved on to the appropriations bills. Now, for FY12, the House has passed a budget resolution that would cut funding for international affairs by 15% from FY11 levels and by 27% from FY10 levels. The Senate has yet to pass or even introduce a corresponding budget resolution, and it appears that similar to last year, the requirement for consensus will be ignored.

Although it is impossible to predict with certainty, it seems very likely that Congress will once again fail to pass most, if not all, appropriations bills for FY12 by the end of this calendar year. It is also likely that the FY12 bill, whenever it is finally passed, will include further cuts and have less specificity

than usual, leaving it to the discretion of the administration to decide where the enacted cuts must come from. This would further exacerbate the vicious circle in which the failure of Congress to appropriate funds in a timely matter prevents the administration from allocating those funds in time to properly inform Congress before it begins to appropriate funds for the following year.

All of this underscores the need for serious reform of foreign assistance and the processes by which it is allocated. In 2009, Congressman Howard Berman (D-CA), then-Chairman of the House Foreign Affairs Committee, had hoped to introduce a full rewrite and reauthorization of the Foreign Assistance Act of 1961. In April 2009, he introduced a preliminary bill entitled "The Initiating Foreign Assistance Reform Act of 2009," which affirmed the need for broad reform of U.S. foreign assistance and would have required the administration to develop and implement a global strategy for development. The bill, however, was not even considered by the House Foreign Affairs Committee and no equivalent bill was ever introduced in the Senate. Despite the increasingly obvious need, there appear to be no other serious efforts at reform on the table, nor any efforts to simply return Congress to following the appropriations process and timeline as intended.



## Conclusions

---

The Middle East and North Africa in July 2011 is a very different place than it was in early January 2011. These historic changes call for dramatic responses, and President Obama has committed the U.S. government to support political reform and democracy using all available tools. From the perspective of U.S. funding and foreign assistance, and in the context of the current domestic U.S. budget environment, the administration appears to be committed to support democracy in the region, particularly in countries currently undergoing political transitions. The administration's commitment to supporting democracy in countries not yet experiencing transitions is less clear.

More narrowly, there are a number of specific conclusions that can be drawn regarding the administration's agenda in the MENA region:

**Transitions in the Middle East are a top priority.** The administration's allocation of funds for Fiscal Year 2011 to support countries undergoing political transitions in the MENA despite deep budget cuts by Congress, underscores the importance of these transitions for the administration. With a decrease of more than 13% to the global budget for international affairs, the administration has shown creativity in reprogramming unspent bilateral funds in Egypt to support the political transition there while carving out funds for Tunisia from a variety of global and regional accounts. In both cases, the administration has managed to find funds that appear to be roughly appropriate in scale to provide needed support for democracy and governance during this historic moment.

**Prior to the uprisings of 2011, the administration had continued to shy away from politically sensitive issues such as foster-**

**ing political competition and pluralism in favor of more cautious, less controversial democracy and governance work.** U.S. programming has often included working with host governments to improve the technical proficiency of government institutions, rather than working directly with political opposition and independent actors. This tendency had been visible in Bahrain, Egypt, Lebanon, Morocco, the West Bank and Gaza, and Yemen. Many of the most sensitive political issues that the U.S. had evaded in its democracy and governance work were fundamental to the future progress of these countries and helped spark the protest movements in various countries this spring when left unaddressed. In light of recent events, the administration is now reviewing its approach to the region, which could be an opportunity to correct this by addressing more controversial political issues in its democracy promotion efforts.

**An enormous gap remains between the level of military and nonmilitary assistance to the region – at least for now.** The Arab uprisings have sparked serious discussion within the U.S. government and in the broader Washington policy community about the nature of U.S. engagement with the region, including through U.S. assistance. The magnitude of this year's events has spurred a reexamination of fundamental assumptions that had been rarely questioned in Washington. This includes consideration of the balance between U.S. military and security aid on one hand and economic growth and development aid on the other. Many democracy advocates have long called for a reevaluation of this ratio and a shift toward more development assistance and less support for the region's militaries. While such a shift has not yet begun, it is being seriously considered, particularly in Egypt. Because

of Egypt's influential position in the region and as one of the two largest recipients of U.S. foreign aid for more than 30 years, any shift in the economic/military aid balance could open the door for similar shifts elsewhere in the region.

**The administration has wisely budgeted for further unexpected developments.** The allocation of \$160 million from the FY11 budget for a regional response fund for the MENA is an unusual step, but appropriate given the historic circumstances. This should allow a greater degree of much-needed flexibility to react to further developments in Syria, Libya, Yemen, or elsewhere in the region. Although Congress is often reluctant to support funds being allocated for purposes not yet specified, it ought to be supportive of this one-time contingency fund, in the absence of any larger Congressional initiatives, given the unique circumstances. In addition, the administration's second consecutive \$15 million increase in funding for the Middle East Partnership Initiative (MEPI) harnesses MEPI's comparative advantage in being able to respond quickly to unexpected developments and opportunities.

**The dysfunctional process by which Congress appropriates funds for international affairs has become a serious impediment.** In theory, Congress should pass appropriations bills for each fiscal year by September 30 of the previous year. In practice, it has become standard – even in the absence of any major budget disagreements – for Congress to delay passing these bills until at least mid-December. As a result, when considerable differences arose between the House and Senate following the Republican Party taking control of the House, FY11 appropriations bills were not passed until April 14, 2011 – more than halfway through the fiscal year. This causes enormous problems in budgeting and planning and seriously impairs the administration's ability to allocate funds in a timely and efficient manner. Moreover, such a delay makes it impossible for Congress to adequately consider the state of international affairs

funding before writing the appropriations bills for the following fiscal year, triggering a vicious circle. There is dire need for this process to be reformed immediately.

**The administration has reversed a controversial 2009 decision restricting USAID funding to registered Egyptian NGOs.** Soon after Mubarak was forced from power in Egypt, the administration announced that USAID funding for Egyptian civil society would no longer be restricted to those non-governmental organizations that have been officially registered by the Egyptian government, as had been the case since early 2009. That restriction had been widely criticized as signaling a lack of support for independent civil society and violating the intent of U.S. appropriations language. Its reversal is welcomed by supporters of Egyptian democracy. The 2009 decision had also set a negative precedent that other governments sought to emulate in their aid relationships with the United States. Undoing that precedent, however, may prove to be more difficult than instituting it in the first place. The new Egyptian government, has strongly criticized the reversal in a manner that raises concerns about its priorities and suggests that key members of Egypt's interim government have not changed their way of thinking in light of the dramatic revolution and ouster of President Mubarak.

**Morocco risks being overlooked, but additional resources to support democracy and governance there would likely have a positive impact.** Because Morocco is not beset by crisis to the same degree as other countries in North Africa, it risks being a lower priority for U.S. administration efforts to respond to the historic events of this year. But Morocco offers a real opportunity for several reasons: 1) the bilateral democracy and governance program in Morocco has a smaller budget than any other significant recipient of U.S. assistance in the region, 2) there appears to be a very strong absorptive capacity among Moroccan NGOs for additional financial support that will have an impact, 3) Moroccan NGOs appear to be less reluctant than

NGOs in some other Arab countries to accept foreign funding, including from the United States, 4) the recent promises by King Mohammed VI of specific political reforms offer an excellent opportunity for Moroccan opposition and civil society to hold the monarchy accountable and pressure it to deliver on its own promises, and 5) the Moroccan government does not seem to be as hostile to U.S. funding for democracy and governance programming in comparison to many other Arab governments. For all of these reasons, the U.S. should make a real effort to expand its support for Moroccan democracy, including perhaps through the use of funds from the new regional response fund if possible.

**Civilian assistance to Iraq appears to be one casualty of sharp cuts to the U.S. budget for international affairs.** As most remaining U.S. military forces exit the country and turn full responsibility for Iraq's security over to the Iraqi Armed Forces, the administration had intended to increase the civilian side of the effort in Iraq. Due to budget cuts and higher-than-expected demand for resources across the region because of the unforeseen uprisings, civilian assistance for Iraq appears set to be cut deeply from intended levels. Some observers fear that this will exacerbate the already daunting challenges posed by the U.S. military withdrawal.



[www.pomed.org](http://www.pomed.org)