

**CONNECTING THE MONEY TO THE MISSION: THE
PAST, PRESENT, AND FUTURE OF U.S.
ASSISTANCE TO THE PALESTINIANS**

HEARING
BEFORE THE
SUBCOMMITTEE ON
THE MIDDLE EAST AND SOUTH ASIA
OF THE
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HOUSE OF REPRESENTATIVES
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**CONNECTING THE MONEY TO THE MISSION:
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WEDNESDAY, DECEMBER 12, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE MIDDLE EAST
AND SOUTH ASIA,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 2200, Rayburn House Office Building, Hon. Gary L. Ackerman (chairman of the subcommittee) presiding.

Mr. ACKERMAN. Good morning. The Subcommittee on the Middle East and South Asia will come to order.

Like an old Polaroid picture, the image developing from the International Conference at Annapolis is becoming clearer and is beginning to look slightly more like a window of opportunity than a mere photo opportunity.

My concern, and, I believe, that of many other members, is that the United States will do with this opportunity what it has done with other such opportunities. It will mostly ignore it and hope that, by doing the same thing with our aid that we did in the past, that perhaps, by just doing a little more of it, will somehow, this time, by prayer, magic, karma, or good luck, come out with a better outcome.

Personally, I think prayer is important, and good luck is essential, but if we expect this period in the peace process to yield more than the barren and bitter years of the recent past, we will need to do more planning, engage in more international coordination, and, I dare say, come up with a strategy that matches resources to objectives.

At Annapolis, Prime Minister Ehud Olmert and Palestinian President Mahmoud Abbas undertook to begin various ongoing and continuous negotiations on final status issues and agreed to further establish a United States, Israeli, and Palestinian mechanism to follow up on the implementation of the first, and stickiest stage, of the Roadmap.

For those who do not speak peace process, under the first stage of the Roadmap, Israel is required to freeze settlement activity and uproot unauthorized outposts, and the Palestinians have to uproot the terrorist infrastructure.

I believe, however, that it is the mostly unmentioned question of Palestinian governance that will be key to success in both negotia-

tions on core issues and efforts to change the situation on the ground. I believe it is the governance track that is most in need of more U.S. attention and which could benefit the most from carefully and cleverly structured U.S. assistance.

Put simply, if there is no Palestinian governing capacity, Israeli leaders will rightly see negotiations on sensitive final status issues, such as Jerusalem, borders, and refugees, as a merely academic exercise, at best, and as a senseless, politically suicidal masochism, at worst.

Without Palestinian governance and, particularly, security reform, there will be no law and order for the ordinary Palestinians, there will be no future for a Fatah Party that has become too dumb, fat, and happy to recognize that it was losing the confidence of the Palestinian people, and there will be no loosening of Israeli checkpoints, roadblocks, and night raids.

Moreover, as long as the letters "PA" stand for "Palestinian anarchy" rather than "Palestinian Authority," no Israeli Government is going to sincerely embrace the domestic, political misery that will accompany a decision to truly end settlement expansion, much less the political root canal involved in removing unauthorized outposts.

There are some signs of movement on the governance track, but there still does not appear to be an international consensus on a strategy for reforming the Palestinian Authority.

To its credit, the Bush administration has proposed \$400 million to boost U.S. assistance, including \$150 million in direct cash assistance. To its detriment, the administration's proposal lacks any kind of performance-based conditionality. American money has to start leveraging change, not just buying more of the same.

Personally, I believe the administration request has merit, not in the least because if American does not pony up, we will have no credibility discussing how others should spend their own money, and we need desperately to start talking to others in Europe, Asia, and especially in the Middle East about a dramatic reorientation of both direct and project-based assistance programs for the Palestinians.

The President's proposal supports the leadership of President Abbas and Prime Minister Salam Fayyad, which is absolutely worth doing and the only alternative to being Hamas. But it, tragically, does not even contemplate changing the paradigm for our assistance. Unfortunately, like previous tranches of American aid, there is no conditionality, there are no performance measures, and there are no incentives or disincentives for the kind of change and reforms necessary to rehabilitate and reinvigorate the Palestinian Authority.

The immediate needs of the Palestinian people are for public order; clean, effective government, economic opportunity; and salaried employment. Israel can help alleviate, but certainly not all, of these deficiencies.

In my experience, complaints about checkpoints and roadblocks and the separation barrier usually leave unmentioned the catalyzing role of thousands of Israelis burnt, mutilated, or killed by suicide bombers. Unfortunately, insofar as the Palestinians want to control their own destiny, they must accept responsibility for shaping it.

The United States and others in the international community can best help them to do so by using our assistance to leverage significant transparency, anticorruption, and security service reforms within the Palestinian Authority by encouraging a genuine and thorough housecleaning within Fatah and by underwriting large-scale housing or other labor-intensive projects that will put people back to work, and by training and equipping an effective Palestinian civilian police force, and a truly independent Palestinian judiciary that can provide law and order.

Despite all of the international aid that has been spent since the first days of Oslo, effective Palestinian institutions and good governance remain notional rather than tangible. These things will not happen on their own or by miracle or by magic, and there will not be a better time to achieve them in the future.

Next week, at the International Donors Conference, the Palestinians, Abbas and Fayyad, will be asking for as much as \$5.8 billion, with 70 percent going for direct budget support, including a large portion that will go for salaries that are often little more than welfare and loyalty payments, and the remaining 30 percent for development projects.

Unfortunately, even if every penny requested is actually pledged, and even if what is pledged is actually delivered, unless there are real reforms within the Palestinian Authority, including the cultivation of real institutions, there will be no real change in either Palestinian quality of life or for their prospects of statehood.

Without institutions that are greater and larger than mere individuals, without infrastructure that shows ordinary Palestinians that their state is taking shape, without effective and honest governments and real security reforms, there will be no revival of the Palestinian economy, and there will be no authority in the Palestinian Authority, and there will be little progress toward peace.

Abu Mazen, as President Abbas has known, is ready for a two-state solution, and Salam Fayyad is ready to govern. These men are partners for peace, but there are still some significant questions that need answers. Can we help them build structures upon which both a final status agreement and a just and lasting peace can be built? Can we help them help themselves, and are they ready to help themselves?

[The prepared statement of Mr. Ackerman follows:]

PREPARED STATEMENT OF THE HONORABLE GARY L. ACKERMAN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON
THE MIDDLE EAST AND SOUTH ASIA

Like an old Polaroid picture, the image developing from the international conference at Annapolis is becoming clearer, and it is beginning to look slightly more like a window of opportunity than a mere photo-opportunity. My concern, and I believe that of many other Members, is that the United States will do with this opportunity what it has done with other such opportunities: we'll mostly ignore it, and hope that by doing the same things with our aid that we did in the past, or perhaps just doing more of it, we'll somehow, this time, by prayer, magic, karma, or good luck, come out with a better outcome.

Personally, I think prayer is important, and good luck is essential. But if we expect this period in the peace process to yield more than the barren and bitter years of the recent past, we'll need to do more planning, engage in more international coordination, and, dare I say it, come up with a strategy that matches resources to objectives.

At Annapolis, Israeli Prime Minister Ehud Olmert and Palestinian President Mahmoud Abbas undertook to begin “vigorous, ongoing and continuous negotiations” on Final Status issues, and agreed further to establish a U.S., Israeli and Palestinian mechanism to follow up on the implementation of the first, and stickiest, stage of the Road Map. For those who don’t speak “peace process,” under the first stage of the Roadmap, Israel is required to freeze settlement activity and uproot unauthorized outposts, and the Palestinians have to uproot the terrorist infrastructure. I believe, however, that it is the mostly unmentioned question of Palestinian governance, that will be the key to success in both negotiations on core issues and efforts to change the situation on the ground. And I believe it is the governance track that is most in need of more U.S. attention, and which could benefit the most from carefully and cleverly structured U.S. assistance.

Put simply, if there is no Palestinian governing capacity, Israeli leaders will rightly see negotiations on sensitive Final Status issues, such as Jerusalem, borders and refugees, as a merely academic exercise at best, and as senseless politically suicidal-masochism at worst. Without Palestinian governance and, particularly, security reform, there will be no law and order for ordinary Palestinians; there will be no future for a Fatah party that had become too dumb, fat and happy to recognize its was losing the confidence of the Palestinian people; and there will be no loosening of Israeli checkpoints, roadblocks and night-raids. Moreover, as long as the letters PA stand for Palestinian Anarchy rather than Palestinian Authority, no Israeli government is going to sincerely embrace the domestic political misery that will accompany a decision to truly end settlement expansion, much less the political root canal involved in removing unauthorized outposts.

There are some signs of movement on the governance track, but there still does not appear to be an international consensus on a strategy for reforming the Palestinian Authority. To its credit, the Bush Administration has proposed a \$400 million boost in U.S. assistance, including \$150 million in direct cash assistance. To its detriment, the Administration’s proposal lacks any kind of performance-based conditionality. American money has to start leveraging change, not just buying more of the same. Personally, I believe the Administration’s request has merit, not least because if America doesn’t pony up, we’ll have no credibility discussing how others should spend their own money. And we need desperately to start talking to others, in Europe, Asia and, especially, in the Middle East, about a dramatic reorientation of both direct and project-based assistance programs for the Palestinians.

The President’s proposal supports the leadership of President Abbas and Prime Minister Salam Fayad, which is absolutely worth doing—the only alternative being HAMAS. But it tragically doesn’t even contemplate changing the paradigm for our assistance. Unfortunately, like previous tranches of American aid, there is no conditionality, there are no performance measures, and there are no incentives or disincentives for the kinds of changes and reforms necessary to rehabilitate and reinvigorate the Palestinian Authority.

The immediate needs of the Palestinian people are for public order, clean effective government, economic opportunity and salaried employment. Israel can help alleviate some, but certainly not all of these deficiencies. In my experience, complaints about checkpoints, road blocks and the separation barrier usually leave unmentioned the catalyzing role of the thousands of Israelis burnt, mutilated or killed by suicide bombers. Ultimately, insofar as the Palestinians want to control their own destiny, they must accept responsibility for shaping it.

The United States and others in the international community can best help them do so by using our assistance to leverage significant transparency, anti-corruption, and security service reforms within the Palestinian Authority; by encouraging a genuine and thorough housecleaning within Fatah; by underwriting large-scale housing or other labor intensive projects that will put people back to work; and by training and equipping an effective Palestinian civilian police force and a truly independent Palestinian judiciary that can provide law and order. Despite all the international aid that’s been spent since the first days of Oslo, effective Palestinian institutions and good governance remain notional rather than tangible. These things will not happen on their own, or by miracle, or by magic; and there will not be a “better” time to achieve them in the future.

Next week, at the international donors conference for the Palestinians, Abbas and Fayad will be asking for as much as \$5.8 billion with 70 percent going for direct budget support—including a large proportion that will go for salaries that are often little more than welfare and loyalty payments—and the remaining 30 percent for development projects.

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either Palestinian quality of life, or their prospects for statehood. Without institutions that are larger than mere individuals, without infrastructure that shows ordinary Palestinians that their state is taking shape, without effective and honest governance, and real security reform, there will be no revival of the Palestinian economy, there will be no Authority in the Palestinian Authority, and there will be little progress toward peace.

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Mr. ACKERMAN. Now, I would like to turn to the ranking Republican, my partner on the committee, Congressman Mike Pence.

Mr. PENCE. Thank you, Chairman, and I thank our witnesses and look forward to their testimony and, in some cases, welcome them back to the subcommittee.

Under the best circumstances, the problem of Palestinian refugees would be a challenge. Seven years after the collapse of the Camp David summit, these are far from the best of times. For the last 6 months, Gaza has suffered under a Hamas-imposed siege that harms Palestinian civilians, Israelis, and the local economy.

Palestinian refugees, the wards of international donors for six decades, remain under the sponsorship of the United Nations Relief Works Agency. While I am sure none of us opposes humanitarian aid to the needy, depriving terrorist organizations of any and all funding must remain the pressing priority of the United States of America.

So how does UNRWA aid Palestinians while avoiding funding terror? In an article in the *Washington Times* on the third of December entitled "How UNRWA Creates Dependency," the authors wrote:

"Israeli officials will tell you that if UNRWA does not take care of Palestinian needs, then these will become Israel's responsibility, and despite UNRWA's well-documented terrorist ties, Israel prefers not to bear this burden."

The so-called "well-documented terrorist ties" involve, in their words,

"routinely employing members of the Popular Front for the Liberation of Palestine, Hamas, and Palestinian Islamic Jihad in UNRWA-overseen hospitals and clinics."

The authors argue that UNRWA's situation creates a stalemate: Israel keeps UNRWA alive to avoid a humanitarian catastrophe; UNRWA keeps the status quo regarding Palestinian refugees in place.

I ask unanimous consent that this article be inserted in the record in its entirety at this point.

Mr. ACKERMAN. Without objection.

[The information referred to follows:]

HOW UNRWA CREATES DEPENDENCY

by ASAF ROMIROWSKY and JONATHAN SPYER
Washington Times
 December 3, 2007

For Israelis the United Nations is a double-edged sword. On the one hand, they are fully aware of the anti-Israel sentiment that the United Nations perpetuates, but on the other hand they want to be part of it and to have their voices heard. This stance is understandable. But it produces positions which sometimes directly contradict Israel's clear interest.

Observe: During a recent conference titled, "Hijacking Human Rights: The Demonization of Israel by the United Nations," Daniel Carmon, Israel's deputy permanent representative at the United Nations stated that "We [Israel] encounter hypocrisy and cynicism on the one hand, and we are all witness to that when we walk into the building, but we are also trying with relative success to identify how, within the existing mandate, [to find] parallel paths of working with the world body." Reflecting this problematic and paradoxical Israeli stance, Mr. Carmon urged the approximately 200 conference participants to state that UNRWA (the United Nations Relief and Works Agency for Palestinian refugees in the Near East) was "doing a good job" providing humanitarian assistance to Palestinians in the Palestinian territories.

The matter of UNRWA perhaps above all others illustrates the difficulty of the Israeli position on the United Nations. Israeli officials will tell you that if UNRWA does not take care of Palestinian needs then these will become Israel's responsibility. And despite UNRWA's well-documented terrorist ties, Israel prefers not to bear this burden.

This position produces a situation in which Israel itself ends up forming one of the factors blocking the way to the dismantling of UNRWA. UNRWA, in turn, is a central factor blocking a solution to the Palestinian refugee issue—which is one of the central factors preventing the resolution of the Israeli-Palestinian conflict.

Understanding the way that UNRWA helps perpetuate the Palestinian refugee problem requires taking a closer look at the way that the agency functions. Doing so reveals the workings of a dysfunctional bureaucracy.

While Palestinian refugees benefit materially from UNRWA, the agency benefits in return from the refugees. The refugees are the organization's *raison d'être*. And bureaucracies tend to dislike dissolving themselves. So, like any good bureaucracy, UNRWA has zero incentive to resolve the Palestinian refugee problem if it is to continue to exist. Ending the refugee problem would render UNRWA obsolete.

Instead, UNRWA finds a hundred and one ways to perpetuate Palestinian dependency. The interests of the refugees and UNRWA are fatally intertwined; UNRWA is staffed mainly by local Palestinians—more than 23,000 of them—with only about 100 international United Nations professionals. Tellingly, while the U.N. High Commission on Refugees (UNHCR) and UNICEF (United Nations Children's Fund) avoid employing locals who are also recipients of agency services, UNRWA does not make this distinction. Terrorism does not exclude one from being a part of UNRWA. In fact, quite the opposite is true: UNRWA-overseen hospitals and clinics routinely employ members of the Popular Front for the Liberation of Palestine, Hamas and Palestinian Islamic Jihad. Employing Palestinians for decade after decade and providing them with subsistence-level food aid and rudimentary education are a far cry from giving them usable skills and a positive attitude about creating their own independent economy and viable civic institutions.

In addition, the Palestinian agenda (and sympathy for the Palestinian cause) have infiltrated every aperture at Turtle Bay. UNRWA has spent decades keeping this single issue, key to the organization's survival, at the forefront of the U.N. agenda whether it belongs there or not. It has engendered Arab and Western support for the delegitimation of Israel, and facilitated comparisons between Nazism and Zionism—a false linkage that bolsters Palestinian claims of oppression. When former Secretary-General Kofi Annan appeared at a U.N. "Palestine Day" event which astonishingly featured a map of the Middle East that conspicuously omitted Israel, it was emblematic of the way in which the United Nations has transformed itself into a propaganda machine for such thinking. UNRWA has no parallel in the U.N. system. UNRWA is dedicated solely to providing assistance to Palestinian refugees; no other group of refugees, whatever their circumstances, warrants this much attention.

As we look toward the future of Israeli-Palestinian relations, the United Nations as a member of the Quartet has a special obligation to uphold the commitment outlined in the 2003 "road map" for Israeli-Palestinian peace to dismantle terrorist capabilities and infrastructure. In an effort to insulate good works from terrorist infiltration and exploitation, Washington should stand ready to help the United Nations live up to this obligation by funding an "Office of Competent Standards" for UNRWA and similar agencies.

It's also in the interest of Israel to support such an initiative. As it stands, the self-perpetuating bureaucracy of UNRWA is one of the central factors offering day

jobs to members of terror groups, propping up Palestinian dependency and perpetuating the myths and falsehoods about Israel which help prevent a solution to the conflict.

Asaf Romirowsky is the Manager of Israel & Middle East Affairs for the Jewish Federation of Greater Philadelphia and an associate fellow at the Middle East Forum. Jonathan Spyer is a Senior Research Fellow at the Global Research in International Affairs (GLORIA) Center in Herzliya, Israel.

Mr. PENCE. To the extent that UNRWA is funded by international donors, the Gulf States, now awash in petro-dollars and allegedly concerned with the plight of their Arab brethren, should be funding it. As it stands, American taxpayers pay approximately one-fourth of UNRWA's budget. The Gulf States provide a mere pittance, by comparison. In my judgment, they should be shouldering the lion's share.

At the Paris Donor Conference, which begins in just 5 days, with some 90 countries participating, these countries should do just that.

Mr. Chairman, the sad reality is that terrorism has significantly diminished the economy and well-being of the territories under Palestinian control. Per capita GDP has declined precipitously since the second Intifada began 7 years ago. The private sector economy continues to shrink. In a word, terrorism does not pay.

Mr. Chairman, there is some ambiguity as to how the Hamas-dominated, Iranian satellite in Gaza is affected by foreign assistance.

I am particularly concerned about reports that United States taxpayer money is going to the Islamic University in Gaza. This matter requires further and thorough investigation, and, to ensure that we do not even indirectly fund the murderous band of terrorists, I offered an amendment in June to the Fiscal Year 2008, State Foreign Operations Appropriations Bill.

As you may recall, the Pence Amendment would have prohibited the disbursement of some \$63.5 million for the Palestinian territories unless the administration certifies that the Palestinian Authority recognizes Israel, renounces violence, and accepts previous agreements with Israel. These conditions are completely reasonable, and yet the simple step has proven too difficult for most of the Islamic world and, specifically, for the Palestinians.

I note that this was not something the House was ambiguous about as it passed on my amendment by a 390-to-30 vote, reaffirming current law on this point. The overall appropriations bill languishes in conference, although it may well move to the President's desk in the coming days with, I trust, that language intact.

Mr. Chairman, I believe you and I share the same goals, and every member of this panel: Alleviating human suffering while ensuring that terrorist organizations are denied funding. How the apparent permanent existence of UNRWA fits within this peace process, whether it should exist indefinitely, remains an open question to me. How the follow-on to Annapolis will unfold also remains very unclear to me as well.

As I said in an editorial in the *Washington Times* this weekend, the Annapolis conference was not the opening scene of a movie that ends with the creation of a Palestinian state. Instead, it was the early stages of preproduction, to see if a movie is even feasible or

desirable. But that, about which this hearing is convened today, is an essential part of that discussion.

I commend the chairman for calling this timely hearing. I hope our witnesses will shed some light on the points that I have raised, and I yield back the balance of my time.

Mr. ACKERMAN. Thank you. Mr. Inglis?

Mr. INGLIS. Thank you. Just very briefly, Mr. Chairman, thank you for calling this hearing.

I echo the comments of Mr. Pence. The United States needs to be an international leader in making sure that humanitarian goals are met and, at the same time, with our dollars, and certainly with leadership in working with other countries throughout the world, we want to make sure the money gets to the right place.

There has been a history of, unfortunately, money not going, in many cases, to the right place and going to the wrong place, and that money has been used to fund activities that are against our interests and against the interests of our allies and friends. That is unacceptable. That does not mean we should stop. That does not mean we should not find the right way to do it.

As we move, again, to a very precarious time where there are attempted movements to move things along, the underlying humanitarian side is an important part, but, again, I look forward to hearing from the witnesses as well to make sure that whatever we are doing, however we are doing it, that we obviously make sure that our money is being spent in a way that meets our values and goals and the goals of our friends, as well as working with the rest of the international community in making sure that, whether it is through the United Nations or other direct aid from other countries, that it is being done the right way as well because if it is not, it does more damage than good. Thank you, Mr. Chairman.

Mr. ACKERMAN. Thank you very much.

We are now pleased to turn to our three witnesses: Dr. Rob Danin and Mr. Charles Snyder from the State Department and Mr. Mark Ward from the U.S. Agency for International Development.

Robert Danin is the deputy assistant secretary of state for Near Eastern affairs, where he is responsible for United States policy toward Levant, which includes Israeli-Palestinian affairs.

From March 2003 to August 2005, he served on the National Security Council's staff as director for Levant and then as acting senior director for Near East and North African affairs.

Dr. Danin served on Secretary of State Powell's policy planning staff as an analyst for the State Department's Bureau of Intelligence and Research. He holds a doctorate in international relations from Oxford University.

Mr. Charles Snyder assumed the position of acting deputy assistant secretary for civilian police and African, Asian, and European programs at the Bureau of International Narcotics and Law Enforcement Affairs in January 2007.

Before taking up his current duties, Mr. Snyder served as the Department of State's senior representative on Sudan and as acting assistant secretary of state for African affairs. A career intelligence officer and Africanist, he served as national intelligence officer for Africa from 1992 to April 1995 and retired from the U.S. Army in 1991, after 22 years of service.

Mr. Ward is the senior deputy assistant administrator for the Bureau of Asia and Near East in the U.S. Agency for International Development and is a career minister in the Senior Foreign Service. He has principal responsibility for South Asia and has chaired USAID's Task Force on the South Pacific Tsunami, the South Asian Earthquake, and Lebanon Reconstruction.

Mr. Ward joined the Foreign Service in 1986 and has been with USAID for nearly 20 years. He received his law degree from the University of California at Berkeley.

I believe that Mr. Danin and Mr. Ward have written statements, and, without objection, those full statements will be placed in the record. I would ask each of you to try to limit your remarks to a 5-minute summary, and I believe Mr. Snyder has some brief remarks that he is going to make as well. We will start with our two State Department witnesses to talk about our policy goals and then turn to Mr. Ward to discuss execution.

Dr. Danin, we will begin with you.

STATEMENT OF ROBERT M. DANIN, PH.D., DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. DANIN. Thank you very much, Chairman Ackerman. Chairman Ackerman, Representative Pence, and members of this distinguished committee, thank you for providing me this opportunity to speak to you today.

Before I proceed on the issue at hand, allow me to take this opportunity to mention the tragic bombing this morning in Beirut, something that I know is of very deep concern to you.

We strongly condemn the assassination this morning of Brigadier General Francois Hage. This is a critical time in Lebanon as it seeks to maintain a democratically elected government and select a new President. President Bush will continue to stand with the Lebanese people as they counter those who attempt to undermine their security and freedom. Thank you for allowing me to digress for one moment.

Allow me to start today by briefly outlining United States diplomatic efforts to support Israel and the Palestinians in their quest for peace and discuss how our current assistance will work to support our overarching objective of establishing an independent, democratic, and viable Palestinian state living in peace with a safe and secure Israel.

The United States, along with Israel and the international community, sees the new government of President Abbas and Prime Minister Fayyad as a true partner for peacemaking. Prime Minister Olmert and President Abbas have demonstrated courageous leadership in their desire to tackle the most sensitive and challenging issues.

In the Annapolis conference, which brought together nearly 50 delegations from the Middle East, Europe, the Muslim world and beyond, energized and galvanized international support for Israeli-Palestinian and Israeli-Arab peace.

It is on this basis that the United States is working intensively along three parallel tracks.

On the diplomatic track, as evidenced by Annapolis and Secretary Rice's active diplomacy over the past year, we have spent considerable time and effort to bring the parties to the point where they can launch negotiations. The first fruits of this effort have been borne today in Jerusalem, with the formal launching of negotiations earlier this morning, as agreed to in the Annapolis Agreement. We will remain actively engaged with the parties as they proceed along this path.

The second track is focused on working with both sides to fulfill their commitments under Phase I of the Roadmap in order to improve the situation on the ground, establish a sense of security for both sides, build trust, and create the conditions that will allow for implementation of a peace agreement reached through negotiations.

We are currently working to establish a trilateral mechanism, as announced by President Bush in Annapolis, to follow up on the implementation of the Roadmap. Many of the details are yet to be worked out on this mechanism, and, for that reason, Assistant Secretary David Welch is on his way to Jerusalem today to consult with the parties to figure out how we can best structure and utilize this mechanism.

Third, and finally, we are working closely with the Quartet representative, former Prime Minister Tony Blair, and Prime Minister Fayyad, and international donors to build the economic and institutional capacity that will serve as the foundation for a stable and prosperous Palestinian state. Without this, the other two tracks cannot work.

The upcoming Donor Conference for the Palestinian Authority next Monday in Paris will be an important milestone in this effort. There, Prime Minister Fayyad will present the Palestinian Reform and Development Plan.

This plan provides a comprehensive approach to the economic and development needs of the Palestinian people and outlines the Palestinians' anticipated budgetary requirements over a 3-year period, including its plans for development, capacity, and institution building, proposed reform measures, and security requirements. Its implementation will create the momentum and build the confidence that the Palestinian people need to have in their government.

It is critical for the United States and the international community to support the Palestinian Authority as they pursue a peaceful path toward reconciliation with Israel while, at the same time, staving off the violent alternative represented by Hamas. The PA will only earn the trust of its people if it remains corruption free, provides the services its people need, and maintains law and order on the streets.

This government must be able to deliver, and we intend to support them in that effort. Our Fiscal Year 2008 request was sent to the Congress prior to the change in PA Government at a time when the Hamas government was in place, and we were channeling the majority of our assistance to the Palestinian people through non-PA institutions.

Due to the new circumstances on the ground, the emergence of the new emergency government under Prime Minister Salam Fayyad, we believe there is a new opportunity, an unprecedented

opportunity, for peace, and we are seeking, therefore, an additional \$410 million in emergency supplemental funding. This includes project assistance through USAID, budgetary support, funding for security reform, and assistance for Palestinian refugees. These are all issues that we can discuss further in our discussion.

I would note that all United States assistance to the Palestinian territories has been, and will continue to be, governed by strict accountability and oversight mechanisms to ensure that taxpayer funds do not fall into the wrong hands. My colleagues here with me today can speak further to this point as well.

First in Annapolis and next in Paris, we will be showing the world that the United States is fully engaged and committed to providing the necessary support, both financial and diplomatic and political. A significant United States contribution will send the signal to the other donors, at this time, that now is the time to assist the Palestinian Authority and that a Palestinian Government, with the full and public support of the international community, will help build a constituency for peace within the Palestinian society.

We look forward to working closely with the Congress to further our goals in the Middle East at this critical juncture.

Thank you for your interest and your continued support, and I look forward to answering any questions you may have.

[The prepared statement of Mr. Danin follows:]

PREPARED STATEMENT OF ROBERT M. DANIN, PH.D., DEPUTY ASSISTANT SECRETARY,
BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Chairman Ackerman, Representative Pence, Members of this distinguished subcommittee, thank you for providing me the opportunity to speak with you today. I will focus my remarks on the Administration's ongoing efforts to support the Israelis and Palestinians as they move forward in their own discussions, and how our diplomatic and financial assistance will work to support our overarching objective of establishing an independent, democratic and viable Palestinian state living in peace with a safe and secure Israel.

I am pleased to report on what we feel was a very successful conference in Annapolis on November 27 that energized and galvanized international support for Israeli-Palestinian and Israeli-Arab peace. The event itself was an unprecedented gathering in the United States of foreign ministers and other senior officials from throughout the world who came with the shared purpose of supporting the resolution of the Israeli-Palestinian conflict. The joint agreement reached by the Israelis and Palestinians and announced by President Bush as the conference opened, was a significant achievement. It creates a framework for ongoing, vigorous negotiations between the parties. Both Prime Minister Ehud Olmert and President Mahmoud Abbas have demonstrated courageous leadership and resolve in their desire to tackle the most sensitive and challenging issues that have prevented a settlement of this conflict. The participation of nearly fifty delegations from the Middle East, Europe, the Muslim world and beyond came to support Israeli-Palestinian peace. The large number of countries from the Arab world that sent delegations was unprecedented, and sent an important message that they are intent on assisting the Palestinians in building a future state and realizing the Arab Peace Initiative, whose goals include peace and normalizing relations with Israel.

The next important milestone before us in our international peace efforts is the Donors' Conference for the Palestinian Authority that the Government of France will host in Paris on December 17. Over ninety countries, international organizations, and financial institutions are expected to attend. Secretary Rice will lead the U.S. delegation. Former Prime Minister and Quartet Representative Tony Blair will join France, Norway and the European Commission in co-chairing the event, during which Prime Minister Salam Fayyad will present the Palestinian Reform and Development Plan, or PRDP. The PRDP is more than a budget request. It provides a comprehensive approach to the economic and developmental needs and challenges facing the Palestinian people, and outlines the Palestinian Authority's anticipated budgetary needs over a three year period, including its plans for development, capacity,

and institution building; proposed reform measures; and security requirements. The plan was developed in consultation with the United States and other international donors, and has the endorsement of the international financial community, including the World Bank and the International Monetary Fund.

This plan is ambitious, but realistic and necessary in order to lay the groundwork for a sustainable, democratic and prosperous Palestinian state. Its implementation will create momentum and build the confidence of the Palestinian people in their government, a government that is viewed by both the U.S. and Israel as a true partner for peace.

After Hamas won the January 2006 Palestinian Legislative Council Elections, the U.S. Government made significant adjustments to our assistance programs, both for policy and security reasons, as well as to ensure that we were in strict compliance with all legal requirements. Leading the international community, we established a united front that put the onus for the new government's international isolation squarely on Hamas. Hence, the international community clearly stated with one voice that it would have nothing to do with any Palestinian government that failed to accept three basic principles laid out by the Quartet: namely, the renunciation of violence and terror; second, recognition of Israel, and third, acceptance and compliance with all previous Israeli-Palestinian agreements, including the Roadmap.

Working with the Office of President Abbas, independent Palestinian agencies and certain NGOs, we scaled back and, in some cases, froze any project that could have benefited Hamas. At the same time, we significantly ramped up assistance to meet the basic needs of Palestinians and support civil society and private sector initiatives. In the face of this new reality, the Hamas government was a failure. It lacked the courage to make the changes necessary to transform itself from a terrorist organization into a responsible law-abiding government. Moreover, the Hamas government failed to deliver the basic services they promised to provide to the Palestinian people.

In June of this year, Hamas violently took control of the Gaza Strip. President Abbas, exercising his legitimate right as President, declared a national emergency, dismissed Hamas, and appointed a new government, comprised entirely of non-Hamas, non-Fatah, independent Ministers under the leadership of Prime Minister Salam Fayyad. Following those changes, the new PA government officially endorsed the Quartet principles. The Palestinian Authority's compliance with Quartet requirements allowed the U.S. Government to lift many of the restrictions that had been put in place with respect to our assistance programs. We have been working since that time to quickly ramp up our assistance efforts to support this new Quartet-compliant PA government. The United States, along with Israel and the international community, sees this new government of President Abbas and Prime Minister Fayyad as a true partner for peacemaking, a sentiment expressed publicly by President Bush on July 16, and a commitment that was reaffirmed at Annapolis.

It is on this basis that the United States is working intensively along three parallel tracks. The first is the diplomatic track, as evidenced by the Annapolis Conference and Secretary Rice's frequent trips to the region. Here, we have worked hard to help bring the parties to the point where they can launch negotiations on the establishment of a Palestinian state and the realization of Israeli-Palestinian peace. They will do so on December 12. This political track remains a U.S. foreign policy priority, and we will remain actively engaged with the parties as their bilateral negotiations get underway. The second track is one of implementation. We are working with both parties to address their commitments under Phase One of the Roadmap in order to improve the situation on the ground, establish a sense of security for both sides, build trust between the parties, and create conditions that will allow for the implementation of a peace agreement. Finally, along a third track, we are supporting and continue to work closely with Quartet Representative Tony Blair, Palestinian Prime Minister Salam Fayyad, and other international donors to build the economic and institutional capacity that will serve as the foundation for a stable and prosperous Palestinian state. The December 17 Paris Donors' Conference is the next major step in this effort and generous donor contributions are critical. Intensive efforts following Paris will also be required.

Hamas mismanagement during its period of control of the Palestinian government exacerbated the PA's serious financial straits. Over the past few months, Israel has returned customs and tax payments to the PA that were withheld while Hamas was in office. These funds have helped to keep the PA afloat, but will only last until the end of this year. The current PA government inherited more than \$1 billion in arrears. Starting in January 2008, it will experience a monthly cash shortfall of \$100 million for its monthly budget of \$200 million.

It is critical for the United States and the international community to support the Fayyad government and President Abbas as they seek peaceful reconciliation with

Israel while staving off the violent alternative represented by Hamas. This government must be able to deliver to the Palestinian people and we intend to support them in that effort. The government of Prime Minister Fayyad has committed itself to reforming the PA, extending the rule of law, and building democratic institutions—all critical for the establishment of a Palestinian state that will live peacefully with a strong and secure Israel as a neighbor. To date, the PA government has restored the components of its public finance system, including most importantly, the Single Treasury Account. The PA permanently stopped paying salaries to more than 20,000 members of the security services who had been added to the payrolls under the Hamas Government. Since Salam Fayyad's appointment as Prime Minister, the PA has been able to make full payments to its employees, something that Hamas could not achieve. The role of the judiciary has been strengthened through the PA appointment and training of new staff. This government has adopted money laundering legislation and has closed down or reorganized charities and religious committees that were in violation of PA laws, and may have been providing funding and political support to Hamas. Finally, the government has banned armed militias, confiscated over 700 weapons thus far, taken important steps to end incitement in places of worship, and is working with U.S. Security Coordinator General Keith Dayton to restore law and order throughout the West Bank, beginning with a successful mission in Nablus, a major Palestinian economic and population center that had been a source of lawlessness and extremism in Palestinian society.

The Palestinian Authority needs considerable help if it is to succeed in reestablishing its authority throughout the entire West Bank while working with Israel to negotiate a peaceful resolution to this conflict. Our Fiscal Year 2008 request was sent to Congress *prior* to the change in the PA government. Due to the new circumstances on the ground that have created an unprecedented opportunity for peace, we are seeking an additional \$410 million in emergency supplemental funding for the Palestinians. First in Annapolis, and now in Paris, we will be showing the world that the United States is fully engaged and committed to providing the necessary support—both financial and political—to assist the parties in resolving the Israeli-Palestinian conflict. A significant U.S. contribution will send a signal to other donors that the time to assist the PA is now and a PA government with the full and public support of the international community will help to build a constituency for peace within Palestinian society.

In preparation for the Paris Donors' Conference, our USAID West Bank/Gaza Mission and Consulate General in Jerusalem have worked closely with Prime Minister Fayyad and his team in order to coordinate our efforts with the PRDP. The \$410 million request includes \$200 million in projects that we will continue to coordinate with the PA. This emergency funding will go directly towards the most urgently needed projects to improve the lives of Palestinians and build the institutions necessary to create a future Palestinian state. Our focus will be on rapid job creation, essential public infrastructure and improved government services through a number of programs. These projects will be tightly coordinated with the PA, and credit will accrue to Dr. Fayyad, President Abbas and the Palestinian Authority, building further support for their moderate and peaceful approach, in stark contrast to that of Hamas.

The Palestinian Authority government will only earn the trust of its people if it remains corruption-free, provides the services its people need, and maintains law and order on the streets. We will be providing funding specifically to address capacity building and transparency in government. Our aid will go toward helping the PA provide services that Palestinians care about most and expect from their government. For example, we will work with the PA Ministry of Health to improve its ability to deliver quality health care services to the Palestinian people. All these improvements will further bolster the Fayyad government.

We are seeking \$150 million to provide direct budgetary support to the Palestinian Authority. We normally do not seek this form of assistance for the Palestinians; however, the extraordinary fiscal circumstances the PA is currently facing and the urgent need to build democratic institutions in anticipation of a peaceful Palestinian state, warrant such direct support. As noted earlier, the PA's financial situation requires immediate budgetary support. We must help President Abbas and Prime Minister Fayyad meet this challenge. Also important is the fact that our assistance will be used to encourage other countries to provide immediate assistance to the PA, including budgetary support. We have instructed our embassies worldwide to meet with the highest levels of governments that are invited to the Paris Conference to urge them to send their foreign ministers to Paris and be prepared to announce major assistance pledges that go beyond past contributions to the Palestinian people.

We are seeking \$25 million for security sector reforms. USSC General Dayton and the U.S. Security Coordinator Mission have been working with Prime Minister Fayyad and PA Interior Minister Yahya to rebuild the PA's capacity to fight terrorism and extend law and order to the West Bank. These funds would be used to sustain and strengthen a comprehensive security sector reform program that the State Department's Bureau of International Narcotics and Law Enforcement (INL) is already implementing using funds appropriated in FY 2006. In order to continue this important work, emergency supplemental funding would be used immediately for additional training and equipping of the Palestinian Presidential Guard and National Security Forces. Deputy Assistant Secretary of State Snyder will speak further to this point. In short, we are still early in this process but our efforts are working to successfully build up the PA's security capacity and we are seeing important results. We are working to provide instructor development, refresher, and basic training to a total of over 1,000 personnel in the Presidential Guard and National Security Forces. We are supplying them with non-lethal equipment such as vehicles, communications and reconnaissance gear, to help them do their jobs. And we are working with the Ministry of Interior to create a Strategic Planning Directorate responsible for developing and coordinating strategies and logistics.

Finally, we have requested \$35 million to support the emergency needs of Palestinian refugees in Gaza and the West Bank and camp rehabilitation in Lebanon. Palestinian refugees are a population that is a prime target for extremist recruitment. Support for the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is critical to achieving the President's goal to secure peace in the Middle East and assist the most vulnerable Palestinians.

Allow me to close my remarks by noting that all U.S. assistance to the Palestinian territories has been, and will continue to be, governed by strict accountability and oversight mechanisms to ensure that taxpayer funds do not fall into the wrong hands.

We look forward to working closely with the Congress to further our goals in the Middle East at this critical juncture. Thank you for your interest and your continued support. I look forward to answering any questions you may have.

Mr. ACKERMAN. Mr. Snyder?

STATEMENT OF MR. CHARLES R. SNYDER, ACTING DEPUTY ASSISTANT SECRETARY, CIVILIAN POLICE AND AFRICAN, ASIAN, AND EUROPEAN PROGRAMS, BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT, U.S. DEPARTMENT OF STATE

Mr. SNYDER. Thank you, Mr. Chairman and members of the committee, for the opportunity to discuss our efforts with the Palestinians. I would like to make just a couple of introductory remarks to give you an idea of what INL's role is in the broader policy picture.

The Palestinian Authority Security Sector Reform program that INL was asked to undertake is not a typical INL program. It is not a traditional police program in the usual sense of the word—in fact, the European Union is doing that through its European COPS program—or a program which focuses on transnational crime and narcotics. Narcotics is not our major concern in Palestine at this point.

However, in its mission to build and strengthen the capabilities of the Presidential Guard and the National Security Force, the program supports a core INL and State Department goal of promoting civilian oversight of law the enforcement function.

The Palestinian Authority Security Sector Reform program is one of the most complex programs that INL will manage. We implemented, under the guidance of the United States Security Coordinator, Lieutenant General Keith Dayton, and together we have designed a comprehensive assistance package for the Presidential Guard, the National Security Forces, and the Ministry of the Interior.

The funding supports four core elements: Training, equipment, infrastructure development, and capacity building. The majority of the funds will go to train and equip the National Security Force and the Presidential Guard. A relatively small amount of the budget will go to build capacity and the Ministry of the Interior. These funds will provide strategic, political, and logistical oversight of the Security Forces through a Strategic Plans Directorate in that ministry.

The program is now in place and progressing rapidly, despite the challenges of working in a highly volatile setting. We are encouraged by the progress already underway in our instructor development course being provided to the National Security Force and the Presidential Guard.

Our Fiscal Year 2008 supplemental request for \$25 million will allow us to sustain the critical training and equipment phases. The supplemental will act as a bridge to our 2009 funding.

Overall, this is a long-term program to equip the Palestinian Authority Security Forces with the resources and skills necessary to improve their professionalism, to maintain law and order, and assume security responsibilities designed for them under the Roadmap.

We appreciate your support for the program. Thank you for your time, and I look forward to answering your questions.

Mr. ACKERMAN. Thank you. Mr. Ward?

STATEMENT OF MR. MARK WARD, SENIOR DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WARD. Good morning, Mr. Chairman, Ranking Member Pence, other members of the subcommittee. Thanks very much for inviting me back to discuss our assistance strategy for the Palestinian people.

Mr. Chairman, as I prepared for this testimony, I read, and then I reread, the invitation letter that Congressman Lantos sent me about the hearing, and then I read and reread the letter that you and Congressman Boustamy—forgive me if I am mispronouncing his name—sent to Secretary Rice on the eve of the Annapolis conference, and I was very impressed by the substantive content of both of the letters and the challenge in both that we find ways to ensure that our projects support lasting change in Palestine.

I believe our programs in the West Bank and Gaza are responsive to your specific suggestions, and I believe that the conditions for sustainable change are better now than they have been before. Let me highlight some of them.

First of all, I am delighted to see that everyone is focusing on governance: This subcommittee; Secretary Rice, in her testimony before the full committee last month; and the Palestinians in the new development plan that Mr. Danin referred to. We are working with several donors to strengthen the capacity of the Palestinian Monetary Authority to identify financial crimes, to deter money laundering, and conduct audits.

We are very pleased with the reintroduction of the single treasury account by Prime Minister Fayyad. And we are also helping, and this is very important, we are helping civil society organiza-

tions and the media do a better job of monitoring government functions to identify corruption.

You asked, in your letters, if our programs are supporting the peace process. All of our quick-impact, infrastructure projects that we have now resumed improve the standing of the new government by showing the people that moderate Palestinian leaders can deliver results.

We also have grants with four NGOs to build grassroots cooperation between Israelis and Palestinians, and our new grant to the Center for the Study of the Presidency, under the direction of former Congressman Tony Hall and Ambassador Dennis Ross, provides opportunities for interfaith dialogue and cooperation.

You asked about improving the quality of life. Since the beginning of 2007, just this year, we have completed over 500 small projects in more than 120 Palestinian towns that support poor families, farmers, and disadvantaged groups. We are helping small- and medium-sized enterprises, particularly in agribusiness, and providing them small loans, 2,500 small loans, to date.

OPIC is also a big, new player on the scene. They are going to be providing over \$200 million in credit so that businesses can also grow.

And, of course, more small- and medium-sized enterprises mean more jobs. Very recently, the President announced the creation of a new, public-private partnership program that will be led by the Aspen Institute and with such luminaries involved as Sandy Weil, the former chair of Citigroup, to raise private money to partner with our public money to build jobs programs and vocational-training programs for the Palestinians.

Effective Palestinian Authority institutions are also on everybody's list of critical changes for the future. Capacity building, I can assure you, is a very large component of the program that we plan to launch with the supplemental funding.

Currently, with existing funding, we are training border-management officials to complement our investment in the state-of-the-art scanning equipment to facilitate faster processing for trade with Israel.

We are also helping to professionalize the High Judicial Council, the Ministry of Justice, the Attorney General, and other judicial bodies, and we recently renovated the Judicial Institute in Ramallah.

You mentioned labor-intensive projects. They are very important. This year alone, labor-intensive projects funded by the United States have created nearly 180,000 person days of employment. Young men and women repaired water and sewage pipes, greenhouses, classrooms, community centers, and wells. We focus potential attention on labor-intensive projects in Nablus to underscore the new government's commitment to restore security and service delivery there.

The water supply project that Consul General Walles and I re-inaugurated in August is underway again. It will provide clean and reliable water to 600,000 Palestinians. We passed out some pictures to you this morning so you can see people at work on that project.

The Qalandia Road near Ramallah is also nearing completion. It will be finished next month. Work is also underway again on several schools and recreational parks.

I am particularly excited about our Youth Volunteer program. More than 1,000 young people are starting community initiatives all over the West Bank, giving young people a role and a voice in their communities that they have not had before.

You are also right to stress the importance of strengthening popular support for peace-seeking Palestinian leaders. At the request of the Prime Minister, when I met with him earlier this year, we are putting his ministers front and center when we inaugurate our new projects.

For example, the opening of the Palestinian Judicial Institute in Ramallah was attended by the Prime Minister and several ministers. Today, our aid director, who you have met, Howard Sumka, attended an opening with the ministers of education and transportation.

Someone once said that all politics is local. In 43 municipalities, we are providing on-the-job training to local officials about how to design and carry out community projects. They are improving sports facilities, building parking lots, and repairing roads, and, obviously, local officials who can deliver projects are going to gain more public support.

Finally, you stressed the importance of increasing international support. The Palestinian Reform and Development Plan that Dr. Danin referred to is very clear and succinct and communicates very well the Palestinian Authority's priorities to the donor community, and that is critical to the success of any donor conference and, I am sure, will be an ingredient in the success of the conference next week.

As Mr. Danin said, the United States is urging the many nations expected to attend the conference next week to exceed their prior support for the Palestinian people, as we will.

So, in closing, let me just say again, I think our programs are responsive to the very good suggestions in the letters that we have received, and I think that the conditions are now right for sustainable progress, with the assistance we will provide.

The Palestinian Authority has learned a lesson about the perils of poor governance in last year's elections, and Prime Minister Fayyad is known for, and committed to, transparency and accountability that we have not seen before. The Reform and Development Plan that has been published is a very public document and commits the Palestinian Authority to a new course. We are investing in change, with a large, capacity-building program for government officials at all levels and with civil society to help keep public officials honest.

Thanks again for the very useful guidance that you have provided us, and I look forward to your questions and more feedback.

[The prepared statement of Mr. Ward follows:]

PREPARED STATEMENT OF MR. MARK WARD, SENIOR DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

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

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

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

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

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

Expansion of USAID Programs

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

We are accelerating our assistance programs, in consultation with other international donors and the PA, to bring innovative and fresh ideas that support Prime Minister Fayyad's priorities.

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

Economic Growth

Long term economic development and job creation are vital components of our overall assistance strategy, including employment generation and long-term economic development and investment. New and on-going job opportunity programs are

generating employment in a range of projects, including construction of two large public secondary schools and renovation of several roads.

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

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

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

Infrastructure

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

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

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

Youth

We remain committed to Palestinian youth. We have refocused existing efforts to empower and provide increased economic and educational opportunities for Palestinian youth. The Technical and Vocational Education and Training program is a new effort aimed to increase the relevance and improve the quality of non-governmental technical and vocational education so that youth have the skills necessary for the labor market. In addition, our Youth Volunteers for Community Assistance is a leadership program that has created a 1,000-strong Youth Corps which has initiated dozens of youth-led community initiatives throughout the West Bank. We have re-focused this program to support the new U.S.-Palestinian Public-Private Partnership initiative I mentioned earlier. Specifically, these young people will be assisting the Ministry of Youth and Sports at three youth centers in Nablus, Hebron and Ramallah and helping develop skills training and job opportunities.

Capacity Building

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

Improving Governance

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

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

Health and Humanitarian Assistance

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

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

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

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

Media Outreach

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

International Donor Community

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

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

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

Looking Ahead

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

supplemental is consistent with the priorities of PM Fayyad and those outlined in the PRDP.

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

Vetting and other Anti-Terror Safeguards

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

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

Gaza Programs

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

Time for Hope

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

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

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

Mr. ACKERMAN. Thank you all very much, and thank you for your exemplary careers in serving our country.

First, a question for Mr. Danin. You outlined the Palestinian Reform and Development Plan that is going to be presented in Paris next week. From my meetings with Prime Minister Fayyad, I am certain that this plan, as you say, is ambitious and realistic.

With more than 10 years in this peace process, I suppose it is about time the Palestinians came up with a master plan for building the institutions that will undergird the state that they seek.

My question is, will the international community get behind this proposal, and will we, not rhetorically, not this month, but tangibly and for the long term, is this plan going to become a blueprint for building the guts of a Palestinian state? Are the Arabs going to back the plan, really back it? Are the Europeans? Is there a plan

for burden sharing over the long term, or is Palestinian aid going to continue to look like a bunch of 5-year-olds playing soccer?

Mr. DANIN. Thank you, Congressman. It is an excellent question. It is a challenging and broad question.

With Prime Minister Fayyad now in place, I think we have a new type of Palestinian leadership, one that is a technocratic government, one that seeks to solve problems. We had been beguiled for many years in our peacemaking efforts by the presence of the leadership of Chairman Arafat, corrupt leadership, one that used patronage networks where transparency was absent.

Today, we have something entirely different. Many of you, I am sure, have met and spent extensive time with Prime Minister Fayyad, a man known for his rectitude, his transparency, his accountability, his knowledge of international norms and ways of doing business.

This government recognizes that it has a unique opportunity. This is a government of independents, not Hamas members, not Fatah members. It is an emergency government that is in place to deal with an emergency situation, one that recognizes that it has, looming over its shoulder, a significant challenge that is in Hamas and that now is the time for it to either deliver or fail.

The international community, I believe, recognizes this challenge as well. Paris is, therefore, such an important litmus test for this. We believe that Paris will provide the kind of support that you referenced.

I attended a preparatory meeting last Friday in Paris in anticipation of next Monday's meeting, and it is our sense that both the European community and its members are prepared to announce significant pledges, and so are many members from the Arab world.

One of the approaches that this administration has tried to take toward peacemaking, in contrast to the previous administration, of which I was a member, was to recognize that peace cannot be realized solely through the efforts of Israelis and Palestinians alone and with the United States' support only; that it takes regional support, regional backing, international support and international backing. That is why we have the Quartet now. That is why we have this Paris conference, to try to bring in others so that the burden sharing is international.

One of the things we took great comfort in, from the Annapolis conference, was that there was such great interest from so many countries in participating, in supporting this effort. So we believe that the international goodwill is there.

Now is the time to urge those countries to literally put their money where their mouth is, and we are working intensively now, in the preparation for Paris, to urge those countries to come through and make the maximum pledges and demonstrate that their support is not just rhetorical but is material.

Mr. ACKERMAN. Is there any real reason to believe that this is going to be different, that they are really going to "pony up," as we say, or is this going to be the kind of support where it is slap you on the back and say, "Hey, good luck, kid. Go get them"?

Mr. DANIN. Well, I think one element that is different here, and this is where the French proved to be so adroit in the Lebanon donor conference was in actually putting the onus on each indi-

vidual country to demonstrate what its actual support for the host country will be. Each country coming to Paris next Monday, and there are some 90 delegations, will be put on the spot to show, what are you doing to support the Palestinian people? So this will be a real litmus test.

I think the regional developments have also galvanized and concentrated many of the countries in the region. They recognize that there is an opportunity cost here, that there is a price of inactivity, that failure to support the Palestinian Authority, and that failure of this effort to move forward could have dire consequences, not just for Israel and the Palestinians but for themselves as well, and contribute to the instability in the region.

So, whereas, in previous efforts in, say, the year 2000, peacemaking was desirable but not seen as necessarily, by parties in the region, as a national security threat. I think, given some of the other threats in the region, given the fact that there are countries in the region—Iran, Syria, others—who are implacably opposed to Israeli-Palestinian peace, that it is important, and the countries in the region recognize that they need to get on the right side of this.

Mr. ACKERMAN. I guess we will know when the checks clear.

Mr. WARD. May I add, Mr. Chairman?

Mr. ACKERMAN. Sure.

Mr. WARD. One thing I noticed in the Palestinian Reform and Development Plan that I have not seen before in similar plans—and I have been involved in a lot of donor conferences—is the commitment right up front, very transparently, that, as Dr. Danin said, the Palestinians are going to report on how people follow up on their pledges, and that kind of public scrutiny and attention to the promise that are made in Paris and whether they, in fact, come through, I think, will make a difference.

We have not seen that before. It is something that has been left to the media and certain watchdog groups in the past. It has, frankly, been hard to get the information. But I think this is a very mature step that the Palestinians are taking to say, We are going to report on this; and, they are being, again, very transparent about it. They are telling people this as they go to Paris: “Be aware that we are going to follow up on this.” As you know, that has been something very disappointing in prior donor conferences, where you get these great pledges, and then you might not necessarily see the disbursements following.

Mr. DANIN. If I may just add one final point to that, former Prime Minister Tony Blair, who is one of the co-chairs of the Paris conference, intends to follow up on the pledges there, so he will be holding governments accountable as well. I think that they have told us that that is their intent.

Mr. ACKERMAN. If I can go back to you for a moment, Mr. Ward, in your testimony, you mentioned some projects are being undertaken in Annapolis in conjunction with Palestinian Authority security measures and some significant construction projects: Renovating roads, building schools, et cetera. The East Hebron Bulk Water Supply project fits into that category as well.

Members of Congress are very interested to know that the people who receive this assistance in the Palestinian areas know from whence it comes. The goodwill that that inures to those who give

it is very, very critical. You know, it is the bigger picture of public relations and public policy. We know how important it is in our business, and that is, sometimes unfortunately, a big part of our business, taking credit. There are Members of Congress, I have heard, that even go so far as to take credit for other people's projects. No names are being mentioned here.

The fact of the matter is that the Government of the Palestinian Authority seems, at times, to hang on a thread. The election that the Fatah lost to Hamas for control of the legislature; most people credit, in good measure, being because Hamas had more credits, by far, for helping and providing projects or direct assistance, or whatever category you might want to put that.

Does the Palestinian Authority know how to do that? My many discussions with Abu Mazen reveal a tremendous modesty and reluctance, on his part, to get out there, up front, and take credit for stuff that the Authority is actually providing. Without that, I believe they are doomed to fail. I believe that is, in good measure, why they lost the election.

Do we insist, when there is a project in effect, that they have a press secretary, that somebody who says, you know, "This is another nice thing being brought to you by your government"? Because, without that, without the credits, these guys are not going to win?

Modesty has to be set aside here, if that is what it is, or whatever the lack of interest is in doing that on the part of so many people on the Fatah side, to me, does not bode well until they grasp that. Where you have people in Hamas, who are not a political party and never intended to enter power by virtue of democratic political processes, who beat the pants off them because they understood the necessity of that.

Do we make an insistence on that, and if we do not, at this point, should we? I, for one, do not believe that we should give a nickel for a project that does not go with a press secretary aspect.

Mr. WARD. Thanks, Mr. Chairman. You and I have had this conversation before, with respect to Lebanon, and we have a term we use for this in a number of the countries that we work in. In fact, we were just talking about it this morning. In Afghanistan, we call it "STRATCOM," strategic communications.

It is very much a part of our new capacity-building effort to do exactly what you are talking about, to be sure that the ministries that we are engaging with on these various infrastructure projects, in particular because those are the most visible, have decided what their role is going to be, how they are going to present it to the public, and how they are going to work the media.

To be honest, sir, we are doing most of that now. We are making those kinds of arrangements. In response to Prime Minister Fayyad's request to us and to the consulate in Jerusalem, we are inviting his ministers, we are inviting senior officials—governors, mayors, and all—to these openings, but they need to start learning how to do this for themselves.

The other thing that we are trying to do, and if you will look at page 2 of what I handed out this morning, the pictures of the Qalandia Road, notice that the sign on the road has their symbol

as well, and that is very important. We have standardized, and we are in the process of standardizing, the way we brand.

If you had seen the way we branded projects in the past, in some cases, you might have been hard pressed to figure out that the United States was even involved in it, that it was not just the product of some NGO that had gone out and raised money privately.

So we have insisted now that all of our projects feature our flag and the symbol of the Palestinian Authority so that the people know that we are working together, so that the United States gets some credit, but just as important, as you are saying, sir, that the Palestinian authorities that we are doing these projects with are also getting that credit.

So this is a work in progress. We are making that a part of our capacity-building program.

Mr. ACKERMAN. I would like to see some insistence on the presence of Fatah officials at ribbon-cutting ceremonies. I told Abu Mazen that the next time I see him, I am bringing him a gift. It is going to be one of the big, plastic, red scissors that I use at ribbon cuttings. He has to learn how to use his elbow to get into the picture.

If it is not him, then it is high-profile people wearing his team shirt that are there taking credit for the team for doing these things.

One further question before I turn it over to Mr. Pence, and that deals with Hamas. Maybe, Mr. Danin, you describe in your testimony our policy in relation to Hamas, and you cite, "The agreement was in the Quartet on what Hamas has to do to become a legitimate interlocutor."

What you leave out are what I consider the essential questions about Hamas. I guess the first is: Do they have to stop being Hamas in order to be an interlocutor?

The second thing is, how do the Palestinians put Humpty Dumpty back together again? Who is going to make peace with half of a wannabe country? Do they have the capacity to do that? Is there a plan to do that?

Second, we have a position on Hamas, which appears to be shared by the Quartet and the Israelis and even the Palestinian Authority, but what about the Arab states? Can we really force Hamas to make a hard choice for peace if we cannot persuade the Arab states?

Mr. DANIN. Okay. Thank you. You asked, "Do they need to stop being Hamas?" When the Hamas government came to power through elections, we were, obviously, confronted with a dilemma or a challenge as to how to relate to this new entity, and as I referred to in my prepared remarks, the international community very quickly came up with a set of criteria which any Palestinian Government would need to meet.

It was a rather simple, elegant set of principles: Recognition of previous agreements, recognition of Israeli, renunciation of violence. We think this was a *sin quo non* for any responsible government.

What we said to a skeptical international community was that a government that emerged that accepted that, we would say yes to, and that is what happened. A government did emerge that we

could say yes to, and were Hamas to agree to those principles, then we would look upon it favorably.

Would that mean that Hamas stopped being Hamas? I do not know. Hamas has a very strong ideology, but, at the same time, there are analysts who seem to believe that there may be different schools of thought within Hamas. That is a question we are constantly probing without conclusive answers, but it is one that we need to continue to probe.

Obviously, Hamas has a great deal of support within certain Palestinian circles. You referred to the victory of Hamas in the election. It was our reading of the election that it was less of support for Hamas as much as a negative vote, or a protest vote, against some of the sclerosis that had been existent in Palestinian politics in the Arafat era and immediately afterwards.

How do we put Humpty Dumpty back together? This is not the first time that a government would not be in control of all of its territory. We treat the Palestinian Authority Government today that is in control of the West Bank but not in control of Gaza, as the legitimate governing authority. We believe that Gaza falls under its areas of responsibility and should do so. What took place, we consider to be a coup against the Palestinian Authority that was successful, in part, in Gaza.

How do we reverse it? We present the Palestinian people with a choice. We demonstrate, on the one hand, that a peaceful, responsible, democratic path is one that produces results, while we see that, in Gaza, the Hamas government that took over violently, which is repressive, which is not transparent, is not delivering goods and services to its people. We hope that the choice, then, will be put before the Palestinian people, and they will be in a position to choose.

Mr. ACKERMAN. I understand that. It is a very academic and esoteric argument, but can the Government of Israel and the Israeli people be at peace with the Palestinians in the West Bank and at war with the Palestinians in Gaza? How do you do that? When a country surrenders, the whole country surrenders. When a country makes peace, the whole country makes peace.

The first responsibility of a government, and that would include the government of Abu Mazen, is to maintain law and order. If they have lost a part of their country, without putting percentages on it, but a significant part of their country that has the ability to do damage and harm and cause mayhem and be destructive, would not that have to come together for them to be able to maintain law and order throughout their areas in order to be a legitimate government? How does that happen? We know that it has to happen. Do we wait for that to happen? Evidently, not.

Mr. DANIN. No. We work, sir, to try to build the capacity of the Palestinian Government to be in a position to rule over its territory.

Mr. ACKERMAN. But here is what happens. The *New York Times*, today, and I will not burden the record by putting the entire article in the record, but the *New York Times*, today: "Gazans' Passage to Mecca Is Seen as an Insult to Abbas."

"What happened?" This is the first paragraph: "What appeared to have been a decision by Egypt and Saudi Arabia to cooperate

with Hamas rather than the Palestinian President, Mahmoud Abbas, allowing people to go from—” I will summarize—Gaza to Mecca on a pilgrimage, is causing friction in Palestinian, Israeli, and western circles.

Continuing: “Some officials said the move was an insult to Mr. Abbas, a moderate. Only 2 weeks ago, Egyptian, Saudi, and other international representatives gathered in Annapolis to support him and the embryotic Israeli-Palestinian peace effort.”

Now, at this very moment, the people who were there that we are talking about, how have to be supportive and who have to write checks, or even more important than writing checks, sending a message that they will deal with the terrorist organization, insulting the legitimate, duly elected President that everybody, at least, verbally agreed.

What is going on here? It is more than duplicitous. It is destructive of any real order that the entire international community has to agree upon. They agreed upon it in Annapolis and then blow it up in the morning. How does this get done?

Mr. DANIN. Well, the incidents you referred to are, obviously, very complicated. I will just try to be nonacademic and non-esoteric.

We were disappointed that the Egyptians did—

Mr. ACKERMAN. I was not criticizing academics.

Mr. DANIN. I can go back to being esoteric and academic.

Mr. ACKERMAN. Be whatever you want to be.

Mr. DANIN. Thank you. Hamas put a challenge to the Egyptians here. It is the Hajj period. A mechanism was put in place to try to allow for Hajjies from Gaza to come out, but, frankly, the Hamas wanted to embarrass the Egyptians, so what they did was they sent 1,500 people to the border and presented the Egyptians with a choice: Are you seen to be the ones who are standing in the way from people fulfilling their religious obligations and keeping them bottled up and being seen as Israel’s policeman here, or are you going to let them go and, therefore, seen as, you know, duplicitous, undermining the Palestinian Authority? Not a choice that I think the Egyptians wanted to confront.

In my visits to Egypt recently, what I heard from the Egyptians were that they were on the horns of a real dilemma here. They do not see Hamas as leaving tomorrow. They do not want Hamas to succeed in Gaza, and yet, at the same time, they feel they cannot be seen as Israel’s policeman on the border there.

So they are dealing with a very complicated set of choices. I do not want to sound as if I am an Egyptian Government spokesman here, but I do appreciate that they do have some difficult choices there, and in the case that you referred to, when you have Hajjies storming the border, the Egyptians had to call an audible, and this is where they came out.

Were we pleased with this? Do we believe that Rappa should be open? No. Do the Israelis or Palestinian Authority? No.

So one thing I can point to is, in my recent trip to Israel and Egypt that was specifically oriented toward this specific problem, and that is on the issue of the smuggling, the border, that both sides committed themselves to better coordination. Prime Minister Olmert traveled then to Egypt, met with President Mubarak. What

I heard back from both Israeli and Egyptian senior officials were that they were pleased with the outcome of that meeting.

They have a challenge ahead of them. There is further work to do. We have availed ourselves to help. The Egyptians have asked, at times recently, for us to help in bringing the two sides together, and our good services have not been sought by both sides at this time.

All I can say is this is not a welcomed development; it is a difficult one.

Mr. ACKERMAN. That is for sure. The chair would remind all that the public is here, in an open process, to observe the proceedings. Their opinions are welcomed by the committee but not my holding up signs and messages. So we would ask you, if you have an opinion, no matter how helpful it might appear to be, that you communicate with us by letter or phone call. Thank you.

Mr. PENCE?

Mr. PENCE. Thank you, Chairman. I want to thank these three public servants, all of whom serve our country with great distinction, and if I seem a little impatient, it is not directed at any of you.

Dr. Danin, you used a term that resonates with me earlier, just in passing, and that was the idea of opportunity cost. You said the nations involved here, and, particularly, Israel and the Palestinian Authority, recognize there is an opportunity cost in not going forward.

Mr. Ward, you reflected on, particularly, former Prime Minister Tony Blair's intentions in Paris in a few days to hold nations accountable to donations. When I think of costs and accountability, my focus is on the Palestinian Authority. It seems to me that Annapolis, however well intentioned, could very possibly have set into motion the kind of negotiations that will result in public and global expectation that could be very much against the interests of our truest ally in the region, Israel.

So my focus is on Palestinian accountability in determining what both the opportunity and the cost potentials here are, particularly, first, given that President Abbas, after he has received substantial American and foreign aid, he has repeatedly failed, from where I sit, to combat terrorism and has reneged on promises not to enter into the coalition government with Hamas, as long as they did not adhere to the Quartet principles that you just described.

My first question, Dr. Danin, is, What has changed? I had the privilege, as the chairman did, of attending some meetings in the run-up to Annapolis, the day before, with many of the participants, and there just seemed to be a tremendous amount of optimism, which may have simply been derived from the fact that people showed up. Many people showed up who have never showed up.

As the chairman attested, even in this morning's papers, it did not take very long after Annapolis for people to respond in type, and I have to think that this morning's news in Lebanon makes us all wonder how serious Syria was in changing its posture in the region. I wonder out loud about that.

Now, let me also ask, Dr. Danin, there were news reports that the State Department, on May 14th, sent a letter to the European Union, in effect, under Secretary Welch's signature, assuring them

that they can channel funds through the Palestinian Authority employees into a PLO account run by the Finance Minister, Salam Fayyad.

Given the history of embezzlements by PLO leaders, including the outright theft of tens of millions of dollars by the late Yasser Arafat, the utter lack of transparency and proper management of PA finances in the past, I would love you to speak to where comes the confidence now? What type of oversight and auditing will be conducted about those transfers?

I have to tell you, the people in eastern Indiana—I do not know about the people in New York—the people in eastern Indiana are preoccupied with the safety and security of Israel as a Jewish state, and it is anathema to the people I represent that one cent of their money could inadvertently reach those who desire the elimination of Israel. So I would like you to speak to that.

Lastly, if you could speak to what substantive steps the Finance Minister has taken to improve that accountability, and what results has he achieved? I hear an awful lot about Mr. Fayyad. Members of this committee, leaders in this Congress in both parties, will speak very glowingly of him, but I am a show-me guy, and I would love to know, from your perspective, Dr. Danin, what have they, in fact, done that can give us confidence about the flow of these resources?

As I said in my opening statement, and, Mr. Ward, you can speak to that, too, I would expect, with authority, as I said in my opening statement, I think there is no one on this committee and no one in Congress that does not want to find some way to seamlessly provide humanitarian aid to people suffering in that region.

In fact, I would say, on behalf of the people of this country, it is absolutely verifiable, from an arithmetic standpoint, that the people of the United States have invested more in the well-being of the people in that region, from a humanitarian standpoint, than other people in the region have done over the decades. And I think that getting credit for that is an important part of changing the metric of our relationship with the region and Israel's credibility in the region. That is my focus.

I am glad to hear we are going to hold donors accountable, but what has changed, I guess, with the Palestinian Authority that would give us confidence about current or the kind of expanded aid to the PA that I expect will be contemplated in the months ahead?

Mr. DANIN. Well, thank you. The question as to what has changed, I would say there are two fundamental, strategic changes that I would point to that have really changed our attitude toward peacemaking in this part of the world and has led to a galvanized effort on our part.

The first was the firing of the Palestinian Authority Government led by Hamas by President Abbas. He dismissed them, and, instead, put in its place an emergency government led by technocrats, neither Fatah nor Hamas, people who are known for their skills and their acumen, not for their party affiliations.

This is something new and welcome. The people who were brought in are clean, do not carry baggage. It is true that this was put under someone we welcome, Dr. Fayyad, someone who was

known to us because he spent 10 years working with the IMF, earned his doctorate at the University of Texas. He speaks American.

He knows the means and ways of accountability, and I will ask my colleague, Mr. Ward, to speak a little more to that in a minute because he is better versed than I to get into the nitty-gritty about the sort of transparency and oversight mechanisms that Dr. Fayyad brought in while he was Finance Minister under Yasser Arafat. That was one of the most astounding things, that despite the presence there of Arafat, Fayyad managed to work around him and actually, in many ways, undermine a lot of the patronage networks that Arafat had put into place.

Once Arafat was gone, and now that he is Prime Minister, he actually has clear running room, and that is why we are so encouraged by that.

So one big change was the removal of the Hamas government and the appointment of a technocratic, clean, new government, something the President had called for in his June 2000 speech: A new Palestinian leadership not tainted by terror.

The second was a fundamental strategic choice made by Prime Minister Olmert of Israeli. Following the Lebanon war and the death and destruction that both Lebanon and Israel encountered in that, Prime Minister Olmert, through his discussions with President Abbas, came to the conclusion that it served Israel's interests to pursue a peace process, to pursue a path forward toward a negotiated solution.

If you recall, Secretary Rice encouraged the parties to begin discussions on the political horizon. This evolved. This stuck. The two parties developed chemistry, and it was out of that process that the two were able to reach a point where they both see it in their interests to move forward, to the point that Israel, under Prime Minister Olmert, as did Prime Minister Sharon, sees it as an Israeli national interest that there be a Palestinian state.

Mind you, it is not just out of altruism; it is out of concern to preserve the Jewish democratic nature of the State of Israeli and to end the occupation that began in 1967. So that was the other big, strategic thing that changed.

If I may, regarding Syria, you suggested that Syria had changed its posture. That is not my assessment. Syria remains Syria, and its unhelpful actions continue, be it in Lebanon, be it in Iraq, be it in the occupied territories, be it toward its own citizens. Syria came to Annapolis as part of the Arab Follow-on Committee, and we tried to be polite hosts, and so we used that opportunity to be polite and not embarrass anyone coming to our country. But I think there is a misunderstanding by some that this marks some sort of strategic change in our approach, and I would not take it as such.

Finally, when you refer to the May 14th letter, if I may, there, I would ask Mr. Ward to speak to, if I may, just simply because he is better versed on some of the technicalities on the transparency mechanisms that I referred to that Dr. Fayyad has been working to put in place.

Mr. PENCE. And, Dr. Danin, let me say, I appreciate you clarifying United States policy in our assessment of Syria. This member

is very concerned about some of the public discussion in this country that derived just from Syria showing up at Annapolis, and, again, I have no information to suggest their involvement in this morning's tragedy. But it sure makes me awfully curious, and I am glad to hear that the United States remains in the position we have been in, which is one of great suspicion about Syria and its activities from Lebanon throughout the region, so thank you.

Mr. Ward, if you want to respond to that, then I could yield back.

Mr. WARD. Some of the things that are impressing us about the Prime Minister's leadership I mentioned in my comments at the beginning, the reestablishment of the single treasury account, which the IMF and the United States and other donors have lauded.

What is really important about this is that there is now a single account that we can all keep our eyes on. In the past, there were several different government institutions within the Palestinian Authority that had their own funding mechanisms. They are gone. It is all now going through this single treasury account, and so those of us that have an interest in seeing where the money goes can, with laser precision, now keep an eye on one account, and that is a very positive development, and we have the Prime Minister to thank for that.

The Authority has permanently stopped paying salaries to more than 20,000 members of the Security Forces that had been put on the payroll by the Hamas government.

Mr. PENCE. Are you referring to incident that some have characterized as a "glitch"?

Mr. WARD. Are you talking about the May letter?

Mr. PENCE. The payroll. The Finance Ministry paid salaries of members of Hamas. That was referred to as a "glitch." You are saying that that has been—

Mr. WARD. I will have to look into that, but what I am talking about is a fairly recent development, and so it may just be a difference in chronologically, but we will look into that, and I would be happy to talk to somebody afterwards to get the details on that.

Mr. PENCE. That would be great.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM MR. MARK WARD TO QUESTION ASKED DURING
THE HEARING BY THE HONORABLE MIKE PENCE

The first time the current Palestinian Authority (PA) paid civil service salaries in August 2007, a "glitch" occurred whereby members of Hamas' Executive Force, who had been put on the payroll roster by Hamas, were also paid.

We believe this was an honest mistake and the Palestinian Authority worked quickly to correct the error. The Palestinian Authority acted responsibly to contain and correct the problem, immediately informing the U.S. and the Government of Israel of the problem; and, they instituted procedures that should prevent this from happening again.

Mr. WARD. Similarly, they are meeting the payroll now for the civil servants that are still on the payroll, and that is something, again, that Hamas was not able to achieve.

We are impressed with the focus that the Prime Minister has put on resurrecting the role of the judiciary. I mentioned the work that we are doing with the High Legislative Council, the Attorney General's Office, the Ministry of Justice, and the courts. We have built a new institute for them.

This is terribly important, to reestablish the rule of law and to make this a more attractive environment for economic growth. Obviously, businesses thinking about investing and growing are looking for a legal system where they can get redress of their contractual disputes and other things.

The new government has adopted money-laundering legislation and closed down or reorganized several charities and religious committees that were in violation of prior laws and may have been providing funding to the wrong people.

Finally, I note that the government has banned armed militias, confiscated over 700 weapons, and taken steps to end incitement in places of worship, working very closely with General Dayton, in particular, in the work that we have both talked about that is going on right now in Nablus.

And there is more than that. A couple of things that we have mentioned before, I think, are worth repeating. This plan that Prime Minister Fayyad and his team have put together, with some help from the donors, the Palestinian Reform and Development Plan, is a very public document, and that is important because people can hold them accountable to the goals that they have set for themselves. We have not seen that before.

Civil society is getting the tools they need from us, from the United States, and other donors to hold the government accountable. We are showing them how to do it, and we are working with the media to show them better how to do it. We have got 24 different, independent broadcast companies that we are working with on that effort.

Then there is our growing capacity-building program, getting into ministries, including the Ministry of Finance, to show them how better to track the money, report on the money.

Then, finally, with reference to your question about ensuring the people in east Indiana where every dollar is going, if the United States is providing the money, the United States ultimately is going to audit the money. So, at the end of the day, and sometimes the day ends every year, because, depending on the size of the grant, we audit every year, we will send our auditors, Foreign Service auditors, in to see where the money went, and those reports are very public and can certainly be made available to you.

So these are some of the things that have changed. I hope we get the opportunity later to respond to your questions about UNRWA and the Islamic University.

Mr. PENCE. I would welcome that, if not in person, in writing. I am going to yield back to the chairman, but the incident was reported this summer that Salam Fayyad's Finance Ministry was paying salaries to members of Hamas. That was reported as a glitch in the system.

I would welcome whether or not, in fact, number one, it was a glitch and was unintentional; and, number two, whether or not, as you suggest, in recent months, there have been significant changes to ensure that that funding stream does not occur.

I thank the witnesses and thank the chairman and yield back.
Mr. ACKERMAN. I thank the gentleman from Indiana.

Just on the payroll thing for a minute, if I may, my understanding of it is that it was, indeed, a glitch, an unfortunate bureaucratic glitch, that did embarrass the Fatah as well.

Their intention is to keep and maintain people on the payroll in Gaza who are Fatah members and Fatah security people and pay them not to show up to work for the Hamas faction, and somehow things got a little bit boxed up, but they did, indeed, have the capacity to withdraw some of that money that had not been taken out of the bank because, under the Fayyad-Abu Mazen government, they pay by check now and direct deposit rather than handing out cash to security people. So they do have that electronic ability.

Let me just add, first, I thank the gentleman for his unwavering support and consistent support for the strength of the U.S.'s relationship, which I presently appreciate. I am fascinated by the fact that the people of east Indiana are preoccupied with the security of Israel. I would not describe my own district as being preoccupied with it.

Mr. PENCE. Come visit.

Mr. ACKERMAN. I accept the invitation.

Let me also say that, although we concentrate today to match the money with the mission, there are things that the Israelis can certainly do to loosen up some of the tensions, and some of those things have nothing to do with their security interests, which they should not loosen up on. That is not the focus of this hearing, but I just wanted to indicate that as a matter of record, and I now turn to Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it very much. Gentlemen, thank you for your distinguished service and your testimony here today.

I have a question. Today's International Herald Tribune reported that, yesterday, the Israelis and Palestinians met for the first time in 7 years to resume peace negotiations. The meeting took place with the backdrop of an outbreak of violence in Gaza. The militants fired 16 rockets into Israel, and the incursion penetrated two and a half miles into Gaza before the tanks ultimately retreated.

The Islamic Jihad militant spokesman, Abu Amas said, and I quote, "The resistance is going to escalate the operations targeting the Zionist colonies in the coming hours."

I know you were optimistic in your testimony that the Annapolis conference generated enthusiasm to jump start the peace process, but with ominous threats like that of the Islamic Jihad, how can we hope to help broker peace, and, more importantly, can we trust our financial assistance to not be falling into the hands of those that would harm our allies like Israel.

If you can all address that, I would appreciate it.

Mr. DANIN. Thank you, Congressman. The ongoing rocket fire out of Gaza that has been going on since Israel withdrew from Gaza during the summer of 2005 has been of ongoing concern, obviously, to the Israeli Government, to us, to the responsible members of the international community.

I noted, this morning, that there was a full strike on Starote, and, indeed, the mayor of Starote today resigned, not a surprise, given the undue pressure that he has been facing to his constituents to a city that has been evacuated and traumatized as a result

of these ongoing rocket attacks, and, hence, the incursion into Gaza that you noted. I believe that the Israelis—I do not want to speak for them, but they, obviously, face some very difficult choices here.

Any democratically elected government has to respond to the security needs of its people. On the other hand, going into Gaza is a very daunting task that I do not think any Israeli Government really wants to undertake, recognizing the dangers therein.

How to address this? I think what we are trying to show, or trying to support, is an effort in which there is a demonstrable alternative so that the people of Gaza themselves are asking the question, why are rockets coming out of here, and why are our lives so miserable when, in contrast, the people in the West Bank are living under a different type of rule, enjoying security for themselves, freedom, the sorts of things that we are starting to see in Nablus and, hopefully, soon elsewhere. So we are trying to heighten the contrasts here. This is how we hope to bolster peace.

As I said earlier, this would not be the first time in which a government is not in control of all of the territory under its jurisdiction, if you will. Gaza, right now, is under the control of a hostile entity, and that is Hamas, and, clearly, there are people in Gaza who want to invite Israeli retaliation to provoke violence to derail these peace efforts. They do not want our efforts to succeed. These are people who are aligned with malignant forces in the region, be it Iran and others.

So we have to continue on and support our friends and support a better alternative to the miserable one that Hamas and Islamic Jihad has provided.

Mr. BILIRAKIS. Thank you. Would anyone else like to respond to the question?

Mr. SNYDER. We have been into the weeds on the mechanics of how we are ensuring, at least in the Security Forces sector, that none of this training goes to foreign terrorist organizations. We have developed a very careful vetting process, a quite detailed vetting process, and we just signed an agreement, in fact, with the FBI to use their terrorist screening system for the rest of the people that we are going to train, the next 1,000 people that will begin training.

In terms of the equipment and those kinds of things that we are handing over, we have in place the usual restraints of our letters of agreement, but we have put in place an extraordinary recheck system in which we will go out and visibly view the vehicles, check serial numbers, that kind of thing, more intensively in the beginning until we are reassured that everything is in the places that they are supposed to be in.

So we are going to do a heavy presence screening. In fact, INL itself has opened an office inside the Embassy in Jerusalem, staffed by our own people, to allow us to have people, particularly contract-management people, on the ground to watch this. We are very conscious of this concern, and we are going to take extraordinary steps to see that none of these funds go astray.

Mr. BILIRAKIS. Mr. Chairman, can I ask one more question?

Mr. ACKERMAN. Please.

Mr. BILIRAKIS. Okay. Thank you. At the upcoming donor conference, Palestinian President Abbas wants the international com-

munity to nearly double aid through 2010, for a total of \$5.8 billion. While the Abbas plan appears to be fully endorsed by the World Bank and IMF, Mr. Ward, I would like to ask this question to you.

I know you stated that this was a very public plan. What specifics does it articulate for how Gaza would benefit?

Mr. WARD. It certainly expresses the goal of reintegration and spreading the development projects and budget resources that we hope to make available after the donor conference for the West Bank to Gaza.

In the short term, it focuses on sustaining the humanitarian effort there, which is what the United States is doing. So it, in many ways, reminded me of our own approach right now, looking forward to the day when we can do more, but, in the short term, supporting the humanitarian effort there, expressing the desire that there can be some easing of the crossings so that the private sector in Gaza can continue to carry out some trade with Israel and other, more distant nations. But I think it is a fairly realistic assessment of the current situation that the real focus now is on the crossings and on the humanitarian situation.

Mr. BILIRAKIS. Thank you. Thank you, Mr. Chairman.

Mr. ACKERMAN. Well, this has been most informative and very, very helpful. I want to thank our three expert witnesses for their appearance today, for their statements, and for such a cogent answering of the questions posed by our committee. Thank you again. We are adjourned.

[Whereupon, at 11:35 a.m., the subcommittee was adjourned.]

