

## IRAQ (\$482 Million)

<b>Account (\$ in thousands)</b>	<b>FY 2008 Estimate</b>	<b>FY 2008 Supp</b>	<b>FY 2009 Bridge Supp</b>	<b>*FY 2009 Estimate</b>	<b>FY 2009 Supp Request</b>
Democracy Fund (DF)	0	75,000	0	0	0
Economic Support Fund (ESF)	4,960	424,000	102,500	0	449,000
International Military Education and Training (IMET)	242	0	0	0	2,000
International Narcotics Control and Law Enforcement (INCLE)	0	85,000	0	0	20,000
Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)	15,975	0	4,500	20,000	11,000
<b>TOTAL</b>	<b>21,177</b>	<b>584,000</b>	<b>107,000</b>	<b>20,000</b>	<b>482,000</b>

\*Section 7042(a) of P.L. 111-8 prohibits funding appropriated in P.L. 111-8 to be made available for assistance to Iraq, except NADR funds for the removal and disposal of landmines and other unexploded ordnance, small arms and light weapons in Iraq. FY 2009 country allocations have not been determined and will be transmitted to Congress at a later date as required by section 653 (a) of the Foreign Assistance Act of 1961.

### Summary

President Obama has stated that Iraq's future, and the long-term success of Iraq, depends upon decisions made by the Iraqi people. As the United States responsibly withdraws our troops from Iraq, continued U.S. civilian efforts are needed to ensure we consolidate the security gains our troops have made and help Iraq assume full responsibility for its own country. Better, more accountable governance and stronger adherence to the rule of law will contribute to improved security and stability. U.S. programs will help support Iraqi national elections planned for late this year or early 2010, facilitate real political accommodation, spur private sector growth and diversify the economy, and improve financial management of the Iraqi budget process so the Iraqi people can make wise investments in the country's physical and human infrastructure. The FY 2009 supplemental represents a shift in how the United States will be providing its assistance to Iraq, emphasizing technical assistance to enable Iraqis to assume even more responsibilities. Reflecting that shift, the supplemental funding requested is intended to: promote local and national governance reforms which will enable Iraqi leaders to govern more justly, transparently, and effectively; assist newly elected provincial and national officials to form cohesive governments locally and nationally, and learn to work with the opposition; bolster Iraq's private sector through both micro-lending and macroeconomic reforms; and provide counter-terrorism and capacity building assistance at the provincial level to help Iraq contribute to regional as well as internal stability.

### \$449 million Economic Support Fund (ESF)

#### *Peace and Security (\$45 million)*

ESF funding is requested for the Quick Response Fund (QRF), an important mechanism to strengthen U.S. relations with local Iraqi leaders, provide tools for newly-elected local officials to build their own capacity and leverage resources; encourage expansion of civil society; and

help provide essential services to the local population. These programs are done in partnership with Iraqis and, for projects with governmental entities, will require Iraqi matching funds. With the supplemental funds requested, Provincial Reconstruction Teams will rely on the QRF to support local entities with small grants and procurements. These grants and procurements will be directed at promoting more responsible and accountable local governments and increasing the self-reliance of the Iraqi people.

*Governing Justly and Democratically (\$262 million)*

In January 2009, Iraq held successful provincial elections that sent a powerful message about how far the Iraqi people have come in pursuing their aspirations to live in a peaceful, stable, democratic country. U.S. assistance funding was critical in supporting efforts to build and sustain a robust civil society. Supplemental funding is necessary to continue to support credible elections, further the development of just and accountable democratic institutions in Iraq, including civil society and independent media, and local and national political institutions including the legislature (\$112 million). This funding will also support political competition and consensus building as Iraqis address some very difficult political challenges. The USG seeks to encourage reconciliation and increase competence by strengthening nascent democratic institutions into ones that are sustainable, responsive to the public, and have the consent of the Iraqi people. Because credible, transparent, free and fair electoral events in late 2009 and 2010 are critical to progress and stability throughout the country, the majority of this funding will be dedicated to supporting credible elections. U.S. programs will support training of election monitors, get-out-the-vote and voter education campaigns, non-partisan capacity building for a broad range of political parties, supporting the media's ability to report freely and objectively on elections, and extensive support to Iraq's Independent High Electoral Commission, deferring however to the Iraqi government to assume the bulk of the logistics cost. These funds will also be used to improve anti-corruption measures in the provinces; to support the development of a more robust civil society and independent media; and to assist the Council of Representatives' capacity for consensus building, executive oversight, policy analysis, bill drafting, and other legislative and capacity building activities.

In addition to traditional governance and democracy building programs, supplemental funds will also be used to improve the capability and effectiveness of Iraqi government officials and institutions at the local, provincial, and national levels. The Local Governance Program (\$55 million) and the Community Action Program (\$35 million) are necessary to support the success and stability of local governments in a federalist system that: balances local and national interests; improves oversight of the delivery of essential services; and is responsive to the public. At the national level, ministerial capacity development programs (\$60 million) will continue to support critical civil service reforms, such as civil service reform legislation, and improve core national ministry public sector functions including transparent financial management systems, effective public budgeting, and procurement. These programs also will strengthen the capacity of provincial Directors General from line ministries, as part of a comprehensive approach, to enhance linkages between local, provincial, and central structures of government following the successful provincial elections in January 2009.

*Investing in People (\$8.5 million)*

Funding is requested for the Marla Ruzicka Iraq War Victims Fund (\$3.5 million) to assist civilian victims of armed conflict. Funding will also support programs to continue assisting Iraqi widows (\$5 million).

*Economic Growth (\$120.5 million)*

The Iraqi economy has experienced tremendous growth the past few years, but is in a precarious position because of falling oil prices, the worldwide financial crisis, and the planned withdrawal of U.S. troops that impacts Iraqis with jobs supporting our soldiers. A diverse economy will help Iraq become stable, prosperous, and peaceful. Funding is requested to reinforce broad-based economic growth and diversification, encourage commerce and trade, and expand market access to create jobs and provide legitimate sources of income. Programs will facilitate the long-term shift to a market-based economy by improving access to capital and human resource development. Funding is also requested to help promote policy, legal, and regulatory reforms (\$50 million) necessary to improve the Iraqi government's ability to create an effective legal and regulatory regime which is necessary for economic growth. Additionally, the Provincial Economic Growth program (\$27.5 million) will continue its support to micro-enterprises and expand lending operations to small and medium enterprise (SME) at private Iraqi banks through the Iraqi Company for SME Finances, a lending facility established with the support of nine Iraqi banks. Funds will also continue to support Iraq's World Trade Organization (WTO) accession efforts and help integrate Iraq into the world economy. Funding for agriculture (\$43 million), the largest non-government source of employment in Iraq, will support cooperatives, associations, and the Agricultural Bank to assist in modernizing credit services for production, processing, and marketing. This funding will also build capacity through training, joint government-industry activities, demonstrations, study tours, and seminars to promote the transfer of necessary skills and technology. Additionally, this funding will be used to continue building up Iraq's agricultural extension services.

*Program Support (\$13 million)*

Funding is requested to support monitoring, evaluation, and reporting of USAID's ongoing programs (\$8 million), and to analyze the economic, security, and political situation across provinces (\$5 million).

\$20 million International Narcotics Control and Law Enforcement (INCLE)

*Peace and Security (\$5 million)*

The Department is requesting funds to support the hiring of dedicated subject matter experts to work specifically on police transition planning. These planners will coordinate with military counterparts from Multinational Forces-Iraq (MNF-I) and will be involved in overseeing the current program of support to MNF-I, defining future requirements based on on-the-ground assessments, defining statements of work for a future program, and engaging with the military

and with bilateral and multilateral partners. The increase in State Department staff is a critical element of the interagency process underway to craft the way forward for future USG engagement in assisting the Government of Iraq as it continues to professionalize its civilian security forces.

*Governing Justly and Democratically (\$12 million)*

Funding is requested for programs that will continue to help the Iraqi government build capacity as it erects a more effective and fair criminal justice system with broad legitimacy and consent of the Iraqi people. Assistance to the judiciary (\$9 million) focuses on judicial training, judicial security, and court administration. Judicial training programs are designed to improve the functioning of judges and investigators in Iraq's criminal justice system. Additionally, rule of law advisors (\$3 million) will provide technical assistance to the judiciary at both the federal and provincial levels, advising judges and prosecutors in order to improve coordination and management of cases.

*Program Support (\$3 million)*

The State Department Bureau of International Narcotics and Law Enforcement Affairs (INL) is undertaking a wide range of projects in Iraq related to the development of the criminal justice system. To ensure appropriate project development and management, as well as effective enforcement of internal controls and oversight, it needs sufficient staffing and related support. Supplemental funds will be used to pay salaries, benefits, and related expenses (e.g., travel, office supplies) of direct-hire staff to carry out program planning, design, implementation, monitoring, and evaluation.

\$2 million International Military Education and Training (IMET)

*Peace and Security (\$2 million)*

Funding is requested to continue military education and training for Iraqi Security Forces (\$2 million) to further develop the values and the capacity of a professional Iraqi military.

\$11 million Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)

*Peace and Security (\$11 million)*

With the Iraqi Government concluding a bilateral Security Agreement with the United States and with the anticipated drawdown of U.S. combat troops, supplemental funds requested will be critical for training Iraqi Security Forces to provide stability to Iraq, protect U.S. diplomats and other civilians in Iraq (\$6 million), and improve terrorist interdiction capabilities (\$0.5 million). Supplemental funds also will build the capacity of the Government of Iraq to improve border security and export controls (\$2 million), control the spread of WMD technologies, equipment, and material (\$1 million), and properly dispose of nuclear waste (\$1.5 million).

## **LEBANON (\$98.4 Million)**

<b>Account (\$ in thousands)</b>	<b>FY 2008 Estimate</b>	<b>FY 2008 Supp</b>	<b>FY 2009 Bridge Supp</b>	<b>*FY 2009 Request</b>	<b>FY 2009 Supp Request</b>
Economic Support Funds (ESF)	44,636	0	0	67,500	0
Foreign Military Financing (FMF)	6,943	0	32,500	62,200	98,400
International Narcotics Control and Law Enforcement (INCLE)	496	0	0	6,000	0
International Military Education and Training (IMET)	1,428	0	0	2,130	0
Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)	4,745	0	0	4,600	0
<b>TOTAL</b>	<b>58,248</b>	<b>0</b>	<b>32,500</b>	<b>142,430</b>	<b>98,400</b>

\*FY 2009 country allocations have not been determined and will be transmitted to Congress at a later date as required by section 653 (a) of the Foreign Assistance Act of 1961.

### **Summary**

U.S. assistance to Lebanon supports the government's ability to exercise sovereignty over all Lebanese territory. To accomplish this, the United States Government (USG) will work to enhance and professionalize the Lebanese Armed Forces (LAF) through training and equipping them to be the credible source of security throughout the country. Hizballah's militias and militant groups in Palestinian refugee camps, such as Nahr al-Barid and Ain al-Helwa camps, routinely act outside government authority to destabilize Lebanon and the region and prevent the Government of Lebanon from maintaining a monopoly over the use of force. Hizballah's incursion into Israel in the summer of 2006 provoked an Israeli military response that devastated Lebanon's infrastructure and raised tensions across the Middle East. Supplemental security assistance funds will help maintain and expand current efforts to enhance the government's ability to prevent or respond to activities of militant groups. As part of a longer term U.S. goal of strengthening the LAF, a key institution of the Lebanese state, this supplemental funding will help ensure that the U.S. can continue to provide robust security assistance until security goals are met. It is vital that the Government of Lebanon (GOL) be ready and able to extend its presence, provide services, and extend its judicial authority in order to legitimately govern contested spaces.

### **\$98.4 million Foreign Military Financing (FMF)**

#### *Peace and Security (\$98.4 million)*

The LAF remains thinly stretched, unable to fully implement United Nations Security Council Resolution 1701, and ill-equipped to respond effectively to emerging crises. Supplemental funding will continue to address urgent LAF requirements and programs supported with FY

2009 Bridge Supplemental funds aimed to improve the stability and security of Lebanon. These efforts include providing the LAF new capabilities specific to its counterterrorism and border security missions not addressed with previous funding as well as sustaining a comprehensive training program—launching this summer—designed as the core of international security sector reform efforts in Lebanon.

Supplemental funding will provide additional equipment and training to improve the Lebanese government's ability to prevent cross-border smuggling now that the government plans to expand a pilot border security program, including secure communications equipment, additional tactical unmanned aerial vehicles for border surveillance, and individual equipment including night vision systems to enhance the LAF's night and inclement weather capabilities. Without these items, the undermanned LAF will be unable to monitor the entirety of its smuggling-plagued border with Syria or deal with the myriad of criminal syndicates and militant groups moving everything from cigarettes to long-range rockets across the frontier. In addition, supplemental assistance will fund the acquisition and refurbishment of a small number of armed coastal patrol crafts to help the LAF prevent smuggling across its maritime boundary.

Assistance will also anchor nascent efforts to address the LAF's critical lack of ground and air fire support assets. This is a key weakness in the fight against Fatah al-Islam militants that led to the leveling of the Nahr al-Barid refugee camp in summer 2007. This assistance will provide funding to programs to upgrade and purchase a limited number of new armored vehicles, artillery assets, and close air support aircraft with precision weaponry.

Supplemental funding also will focus on continuing to improve LAF mobility by purchasing additional trucks and armored vehicles as well as spare parts that will allow the LAF to cover more ground with fewer troops. The equipment will help the Lebanese government maintain law and order, prevent demonstrations from erupting into violence, and contain or confront threats from armed groups throughout the country.

Finally, after two years of preparation, supplemental funds will allow the launch of a CENTCOM-directed comprehensive training program in mid-2009 that over the course of several years will transform the LAF into a lean but credible force capable of confronting internal threats to Lebanon's security and supporting political progress towards the disarmament of all militant groups in Lebanon. The program will provide basic and advanced skills, restructure the LAF, and serve as an important first step toward comprehensive security sector reform in Lebanon. Supplemental funding will also fund trainers, basic training equipment, and supplies to ensure effective U.S. manage and monitor the program.

**WEST BANK AND GAZA (\$715 Million)**

<b>Account (\$ in thousands)</b>	<b>FY 2008 Estimate</b>	<b>FY 2008 Supp</b>	<b>FY 2009 Bridge Supp</b>	<b>*FY 2009 Request</b>	<b>FY 2009 Supp Request</b>
Economic Support Fund (ESF)	217,986	171,000	150,000	75,000	556,000
International Narcotics Control and Law Enforcement (INCLE)	0	25,000	50,000	25,000	109,000
Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)	0	0	0	0	50,000
<b>TOTAL</b>	<b>217,986</b>	<b>196,000</b>	<b>200,000</b>	<b>100,000</b>	<b>715,000</b>

\*FY 2009 country allocations have not been determined and will be transmitted to Congress at a later date as required by section 653 (a) of the Foreign Assistance Act of 1961.

**Summary**

The United States is committed to a comprehensive peace between Israel and its Arab neighbors, including a two-state solution to the Israeli-Palestinian conflict. With the requested FY 2009 Supplemental funds the United States will coordinate with the Palestinian Authority (PA) to address critical humanitarian, budgetary, security, economic and social development, and infrastructure needs. While the funds will respond to immediate and urgent needs, this assistance is a foundational part of the longer-term approach to fostering conditions in which a Palestinian state can be fully realized.

Based on a rapid damage and needs assessment, the PA has drafted a \$2.8 billion “Early Recovery Plan” for Gaza. Implementation of this plan will bolster the Palestinian Authority’s leadership. The PA has identified priority projects which require financial resources beyond the PA’s current ability. At the March 2009 Sharm al-Sheikh Donors Conference, which brought together the international community and the PA to address this plan and the multi-year overarching Palestinian Reform and Development Plan (PRDP), the U.S. Government (USG) pledged over \$900 million toward the priorities set out by the PA, including \$200 million in ESF budget support for the Palestinian Authority.

In Gaza, \$156 million in project funding will address basic human needs and assist families in Gaza to avoid dependence on humanitarian distributions. In all cases, USG assistance programs in Gaza will work with private sector and organizations, and public international organizations, to meet humanitarian objectives and will be carried out in a transparent, accountable manner through proven project mechanisms.

Implementation of programs in Gaza is dependent on the establishment of a durable ceasefire, the creation of an operating environment in which Hamas does not interfere with USG-funded programs and activities, and the ability to move essential materials and commodities into Gaza. We will work with the Palestinian Authority and our implementing partners to follow established safeguards that will ensure that our funding is only used where, and for whom, it is intended.

## \$556 million Economic Support Fund (ESF)

### *Investing in People (\$347 million)*

In order to maintain the level of support for PA programs and priorities in the West Bank, FY 2009 supplemental funding of \$93 million will continue Investing in People programs in the West Bank to help improve the quality of Palestinian service delivery systems. Funding will focus on health, water supply and sanitation, and education, including essential infrastructure investments. Our support for integrated institutional capacity building will improve the quality of services at PA-controlled public and approved non-governmental hospitals, clinics and health education institutions, promote more effective management practices, and improve community health. Additional investments in basic education and complementary youth-oriented programs will support the development of a democratic Palestinian society and equip Palestinian youth to find employment in the private sector.

Budget support to the PA through a \$200 million cash transfer will assist with the PA's single highest priority and avoid fiscal insolvency which could lead to the collapse of the PA as a governing authority. This \$200 million in USG budget support is expected to follow the model of previous FY 2008/2009 cash transfers by paying PA debt to private sector creditors.

In Gaza, USAID will provide \$54 million in humanitarian assistance for basic human needs and job creation programs to provide immediate livelihood support to Gazan families while restoring essential services provided by NGO and other private sector actors. The Palestinian Authority, United Nations agencies, international organizations and NGO post-conflict assessments have revealed extensive damage to private property and facilities. An estimated 60 percent of agricultural land was damaged or destroyed; 700 private sector production facilities were damaged or destroyed, resulting in an estimated \$140 million dollars in damage; two private schools were destroyed and fourteen were damaged; and as many as six NGO and private hospitals and numerous clinics were damaged. USAID will assist in restoring essential services provided by NGO and private sector organizations, and assist in reviving private sector operations disrupted or destroyed during the conflict in order to address basic human needs and provide relief to the general population. Through labor intensive projects USAID will assist private sector partners, non-public sector schools, and health facilities in cleaning up and restoring their operations. Support will be provided to reopen private schools and provide tuition assistance for students in private schools to relieve the economic burden on families in Gaza and ensure the continued existence of the schools.

### *Economic Growth (\$80 million)*

To support PA priorities in the West Bank, FY 2009 supplemental funding of \$60 million in Economic Growth assistance will increase employment opportunities and improve the prospects for social stability in the West Bank through programs that develop private enterprises and promote investment. Efforts to improve the movement of people and goods will bolster the economy and promote trade. USG support for road construction and renovation efforts, and other transport-related infrastructure, will help ease the movement of goods and services throughout the West Bank.

In Gaza, priority programs will provide \$20 million in supplemental funding to support household-level economic recovery, reduce food insecurity, and support microenterprises operating at the household level. The household economic revitalization will increase low scale agricultural and livestock production to improve household food security and to increase food supplies in local markets. Home-based enterprises will be restarted through strategic grants and credit programs to generate household income and reduce dependency on humanitarian assistance distributions. Destruction of local food production has caused a significant increase in food prices. USAID, working through local NGOs and private producer cooperatives, will repair and replace destroyed agricultural infrastructure and restore local food production capacity and create needed employment opportunities. The repair and replace program will also help small and medium size companies to renew operations and generate employment.

*Governing Justly and Democratically (\$51 million)*

Building on the assistance programs initiated last year, FY 2009 supplemental funding of \$30 million in Governing Justly and Democratically assistance for West Bank programs will support essential governance and rule of law programs in order to increase public confidence in the credibility of Palestinian Authority (PA) institutions. Technical assistance and in-kind grants will be provided to local governments, private broadcast media, and non-governmental organizations. These programs work to improve the ability of civil society and local governments to respond to citizen needs. Assistance will enhance the PA's ability to provide law and order by strengthening PA justice sector institutions and increasing the public's confidence in the justice system. As needed, funding will be provided to electoral assistance programs. Funding will also support programs that strengthen management systems and improve the skills of staff in key Palestinian ministries, and increase the ability of the PA to respond effectively to constituent needs.

In Gaza, USAID will provide \$6 million in supplemental funding to address basic human needs, working with non-Hamas municipalities and communities with which USAID has partnered in the past and which have experienced extensive damage. Assistance will focus on small-scale community improvement and rebuilding projects. Funding will also allow replenishment of \$15 million in West Bank program funds that were used to provide early humanitarian assistance grants to NGOs during the conflict and immediate-post conflict period.

*Humanitarian Assistance (\$73 million)*

In order to maintain the level of support for PA programs and priorities in the West Bank, building on the assistance programs initiated last year, FY 2009 supplemental funding of \$12 million will be used for Humanitarian Assistance in the West Bank, including the provision of health commodities such as medicines, medical supplies, and equipment. These supplemental funds will also allow the United States to extend its current grant with the World Food Program (WFP) beyond the summer of 2009 to provide food aid to the neediest Palestinians.

In Gaza, USAID will provide \$61 million in supplemental funding for direct humanitarian assistance through NGO and international organization partners. Funding will allow continued

food assistance in Gaza and replenishment of the WFP program for funding directed to current Gaza emergency distributions in order to maintain our level of commitment to the PA for West Bank programs. USAID will provide urgent medical assistance, including health commodities such as pharmaceuticals, medical supplies, medical equipment and spare parts, to approved NGO partner organizations that are providing clinic, hospital and rehabilitation care services. USAID will provide direct grants and in-kind support through approved NGO partner organizations for “non-food item” humanitarian assistance.

*Program Support (\$5 million)*

Supplemental funding of \$5 million will be used for essential Program Support costs. Funds are required for program management and security to effectively implement, manage, and oversee this large scale and quick-impact assistance program.

\$109 million International Narcotics Control and Law Enforcement (INCLE)

*Peace and Security (\$109 million)*

This supplemental request fulfills existing security assistance requirements and responds to new opportunities in the Palestinian Territories, supporting efforts by the Deputy Envoy for Security, LTG Dayton. The bulk of the request is to sustain and accelerate the critically important and effective effort to train, equip, and garrison the Presidential Guard and Special Battalions of the National Security Forces to crackdown on terrorism and bolster and backstop the efforts of the Palestinian Civilian Police to maintain law and order. In addition, the request contains funds to begin developing new programs that the European Union and other donors are not supporting, but have been identified by the Special Envoy for Middle East Peace, Senator Mitchell, as critical to the overall effort to create a competent and professional Palestinian Authority Security Force. Accordingly, the principal areas of focus for supplemental security assistance will be to fully develop two more National Security Force Special Battalions; train a second Presidential Guard battalion; train, equip, and support civil defense first responders; sustain and expand security and law enforcement-related specialized training; develop a border integrity capability; and augment program development and support funding to address expanded logistical, administrative, and related requirements of the program.

This supplemental request also provides law enforcement-related training and equipment to enhance border integrity along the Gaza border. This assistance is intended to help further stabilize and control this border following the Gaza conflict. Funding would be used for training in a full range of border integrity disciplines and will provide non-lethal equipment to these trained forces.

\$50 million Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)

*Peace and Security (\$50 million)*

Programs funded with NADR will support border security programs to prevent smuggling in Gaza.