

It is a struggle to decide who, if anyone, has a claim to U.S. foreign aid dollars. It is, after all, money earned by American taxpayers and sent to people who didn't earn it, at least not in the traditional sense. Should it be used to encourage countries to accept American requirements -- or to reward countries that have done so? Should it be only for people who like Americans? That would be a small group. James Lindsay, senior vice president of the Council on Foreign Relations, reminds us, "[Gratitude](#) isn't the primary objective of U.S. foreign aid... Washington doles out aid primarily based on calculations about how to advance U.S. strategic interests."

If the minimal condition is that American money should advance American interests, it is worth considering money spent on the Palestinian Authority (PA) and on Egypt, as well as in support of what remains of the "Arab Spring."

Palestinians: The U.S. interest is in a negotiated "[two-state solution](#)" resulting in a secure Israel and a democratic Palestine. How are the Palestinians doing? Under the leadership of President (though his term expired in 2009) Mahmoud Abbas, the Palestinian Authority:

- Pursues unilateral measures in the UN General Assembly and in UN Committees despite the direct and pointed request of President Obama not to do so;
- Refuses to negotiate with Israel, also undermining the president;
- Uses official media to spew virulent anti-Semitism and trumpet the glories of Palestinians who have murdered Israelis;
- Participates in the international attempts to boycott and delegitimize Israel; and
- Is engaged in "unity government" talks with Hamas, a U.S. designated terrorist organization.[\[1\]](#)

It is generally worth waiting before writing about Palestinian unity agreements and governments; they tend not to last. But it appears that the current conversation has at a minimum led to the ouster of PA Prime Minister Salam Fayyad -- the agreed upon conduit for U.S. and European funds to the Palestinian government. The Western-educated Fayyad was generally considered a fair steward of donor money and thus his departure was a key Hamas demand.

The Palestinian Authority budget -- the last one Fayyad produced -- called for \$3.5 billion in spending, \$1.1 billion in aid, and showed a [deficit of between \\$750 million and \\$1.1 billion](#). That means the Palestinian economy is expected to generate only about \$1.3 billion (by way of comparison Vermont, last on the list of U.S. states, generated about \$26 billion) -- and the PA is spending three times what it produces. Hamas spending in Gaza is not accounted for.

The PA doesn't even need to bring a U.S. and EU designated terrorist organization into its tent to raise eyebrows over its financial management and disregard for American concerns. But the PA *minus* Fayyad and *plus* Hamas should make the U.S. proceed with caution.

Instead, the Obama administration plans to pour more than \$513 million into the maw, including \$200 million for "direct budgetary support" -- money not associated with specific projects that can be monitored; the Palestinians decide where it goes. For example, the U.S. does not fund the Palestine Broadcasting Company because of its anti-Semitism, but you might guess that some of those "direct budgetary support dollars" go there. An additional \$113 million is allocated to the PA security services that are trained by an American general. The unity talks include a plan -- admittedly far fetched at the moment -- to integrate Hamas members into the U.S.-funded and trained PA security forces.

If the money is disbursed, the U.S. will have covered more than half of the projected Palestinian deficit.

Separately, the U.S. provides [\\$232 million](#) to UNRWA, which appears to have a close association with Hamas in Gaza. The EU provided approximately [\\$387 million to the PA](#) and approximately [\\$395 million to UNRWA](#) in 2011.

Egypt: Disregarding high-flying "Arab Spring" rhetoric about democracy and civic institution-building, American interests in Egypt are primarily stabilization of the economy and avoidance of widespread hunger; personal security and basic human rights for the people -- specifically including the Coptic Christian minority; non-aggression toward the neighbors; and secure management of the Suez Canal and the Sinai Peninsula.

The 2012 U.S. aid request for Egypt is \$1.3 billion in military assistance and \$250 million in economic aid; 2013 is the same. The president has also mentioned \$1 billion in [debt forgiveness](#). The distribution indicates that the money is primarily to have influence with the Egyptian military, which has been the source of power in Egypt since the time of Nasser and which we paid to maintain the cold peace with Israel. The money is historically about 25% of the Egyptian defense budget. Today, the Muslim Brotherhood demands the money and threatens to hold the peace treaty hostage to U.S. aid, with [Americans held hostage](#) to internal Egyptian politics.

The current situation, in which the Brotherhood controls the Parliament but the Army controls the levers of national power, produces a conundrum for the United States. If the money is disbursed, assuming a resolution to the issue of American NGO workers, will it go to the military as it traditionally does? With relations between the Brotherhood and the Army increasingly antagonistic, it is unlikely that the Parliament will permit the Army to decide how to spend it. Can the U.S. turn \$1.3 billion plus \$250 million over to the Brotherhood, an organization that was only recently considered by the State Department to be a terrorist organization? How would the Brotherhood spend it? Mr. Lindsay opined in his CFR essay, "The United States certainly has great interests at stake in how Egypt's political transition plays out even if it doesn't have a lot of [influence](#) over where it ends up."

We may have more than we think.

The Brotherhood's credibility is on the line. Its support, and consequently its electoral standing, among the Egyptian people has always been related to its ability to feed the poor. Egypt imports 40% of its food and 60% of its grain, which has to be paid for with hard currency, and Egypt's reserves are shrinking fast. *Al Ahram* reported in January that by the end of that month, there would be only enough money for three more months of [food imports](#). The Brotherhood has to deliver.

With widespread hunger a real possibility, the Brotherhood will likely take our money even as they claim they don't want it. And to be clear, neither they nor the public wants American aid; a recent Gallup poll showed that 71% of Egyptians oppose U.S. economic aid -- they weren't asked about military aid. And Gallup may be providing only a snapshot of attitudes that will get worse. The Egyptian public's hostility toward the U.S. can only be heightened by the headlines in the Egyptian press. *Al Gomhuria* and *Al Ahram*, major dailies, led this week with the [headlines](#), "America is behind the anarchy," and, "American funding aims to spread anarchy in Egypt."

By large margins, Egyptians said they prefer aid from Arab countries. OK then. But of the \$8.2 billion promised by Saudi Arabia, Qatar, and the UAE, only about \$1 billion has arrived. Egyptians would also be willing to accept aid from international institutions such as the IMF or the World

Bank. (While Lindsay is right about gratitude, it wouldn't be unfair to ask whose money they think that is.)

Money from the neighbors isn't forthcoming, none of America's strategic requirements threaten either the Brotherhood or the Army, and ensuring that the money is spent on food is not difficult. So attaching a bottom line to our money, effectively calling the Egyptian government's bluff, in this case might be reasonable.

The "Arab Spring": Before leaving the region, it is also worth noting that the administration has put \$800 million in the budget for the "Middle East and North Africa [Incentive Fund](#)," designed to "provide incentives for long-term economic, political, and trade reforms to countries in transitions -- and to countries prepared to make reforms proactively," according to the White House [budget document](#). Does that include Libya, where *Doctors Without Borders* packed up and left after finding that they were treating victims of militia/government torture? It does include relatively moderate Tunisia and very muddled Yemen.

Other money, including up to \$2 billion in regional Overseas Private Investment Corporation (OPIC) financing, and approximately \$500 million in the reallocation of existing funds, is also being studied. Money for war zones is in a separate account known "Overseas Contingency Operations." This consists of \$8.2 billion for the State Department and foreign aid, including \$3.3 billion for Afghanistan, \$1 billion for Pakistan, and \$4 billion for Iraq. In each of the last three cases, the ability of the government to use the money for American-supported ends and avoid corruption is limited.

The total total is in excess of \$50 billion. That by itself may not be an excessive sum; we do, after all, have interests that run broad and deep. But it is an enormous amount to be turning over to often-hostile governments that have little concern for American interests, little ability or desire to avoid corruption, and no stable, institutional accountability for the money.

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[1] True, Israel does not march in lockstep with the president either. However, Israel has a democratically elected government; and the U.S. security assistance it receives is a) spent primarily in the United States and b) designed to thwart the overt threats of its neighbors – including the Palestinians. Both conditions have been considered fundamental American interests.