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**House Foreign Affairs Committee**  
**Middle East and North Africa Subcommittee**

*“The Middle East and North Africa FY 2015 Budget: Priorities and Challenges”*

**April 29, 2014**

Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee: thank you for the opportunity to discuss the FY2015 budget for the United States Agency for International Development (USAID) and our continued efforts to respond to the development needs of the Middle East and North Africa as the region continues to transition. With the Administration’s proposed FY 2015 budget for the region, USAID will continue to effectively deliver the United States’ international development mission as part of America’s strategic security, economic and political interests in the Middle East and North Africa.

For the past three years, calls for transition and change have reverberated across the region. The people of the Middle East and North Africa are faced with similar challenges – weak democratic institutions and processes, high unemployment, underperforming economies, and water scarcity. USAID programs will continue to respond to the needs and aspirations of the people in the region, by facilitating more inclusive economic growth, supporting democratic processes, strengthening civil society, and addressing other key challenges, such as the impact of the Syria crisis. As my colleague Ambassador Patterson said, the United States must remain an engaged partner with the governments and people of the region to provide support for economic and political reforms and to promote security and stability in the region.

This continued engagement is in our U.S. national security interest and it will be supported by the President’s FY 2015 \$7.0 billion foreign assistance request for the Middle East and North Africa, of which approximately \$1.3 billion will enable USAID to implement comprehensive and targeted programs that help us achieve these goals.

**MENA Initiative Request**

This region is evolving, and as such, the President’s FY 2015 request includes \$1.5 billion for the MENA Initiative, which will give us the tools and flexibility to respond to Syria-related and regional contingency needs, and support political and economic reform initiatives across the region. Specifically, the MENA Initiative request includes \$1.1 billion to enable the United States to continue to respond to ongoing humanitarian needs in Syria and neighboring countries. An additional \$225 million will help us spur economic growth, strengthen democratic governance and civil society, and support human rights and rule of law initiatives in the region. With part of this \$225 million, USAID will specifically be launching two initiatives—the MENA Investment Initiative (MENA-II) and the MENA Water Security Initiative—to tackle issues that are evident across borders and present some of the region’s most pressing development challenges.

USAID's new MENA Investment Initiative will aim to create jobs in the region and spur private investment, by targeting start-up and early-stage businesses that struggle to access financing, working through incubators, accelerators and angel investor groups. The MENA-II will leverage U.S. funding to catalyze resources from others and to target promising start-ups. This will involve creating networks of investment partners, including the private sector, other donors, philanthropic organizations, governments and NGOs.

The Middle East and North Africa contains 12 of the world's 15 most water scarce countries. To respond to this, a USAID-led regional MENA Water Security Initiative will provide the opportunity for public and private sectors, civil society, and other organizations to support entrepreneurs, researchers and consumers with opportunities to develop, test and scale up "water-smart" technologies. The MENA Water Security Initiative aims to combine the development of new "water-smart" technologies with economic opportunities to improve long-term, sustainable access to water for 20 million people in the region. This program will target the cross-border issues that hinder efficient and equitable management of shared resources, and it builds on efforts currently supported by USAID bilateral missions and the Middle East Regional program's smaller-scale water programming. The MENA Water Security Initiative will also support public education on the role of citizens as responsible stewards of dwindling water supplies, helping to mitigate potential conflict.

In FY 2015, in addition to the funding requested for the MENA Initiative, USAID will continue to support the transitions going on in the region through our bilateral programs, with a particular focus on economic growth and prosperity and democratic governance. USAID will also continue to support the Syrian people and Syria's neighbors.

### **Economic Growth and Prosperity**

Today, throughout the Middle East and North Africa, tepid or stagnant economic growth and high unemployment among young people remain major challenges. The region has the highest rate of youth unemployment in the world, with 24 percent of young people out of work and just 26 percent of women of all ages participating in the workforce. Education systems and job skills training fail to prepare young people for the workforce, reducing the region's ability to compete in a global economy. Further, the traditional route to employment has narrowed over the past decade as fiscally strained governments have shed public sector positions.

USAID programs work to address these challenges through a multi-pronged approach. We have established Enterprise Funds in Tunisia and Egypt to provide investment in the economy and develop the private sectors in both countries, by expanding access to financing and creating opportunities for small and medium sized enterprises. Additional support to the Enterprise Funds is planned in FY 2015.

USAID is also working with regional governments and local partners to create business-enabling environments that reduce barriers to starting a business and support them once they are operational. For example, in Egypt and the West Bank, we are investing in "one-stop shops." In Egypt, these shops have reduced the time it takes to register a business from over a week to

about an hour. I witnessed citizens in the West Bank using these “shops” to engage with, apply for, and receive services from their local governments quickly, transparently and hassle-free.

Our economic empowerment programs offer small and medium enterprises seed capital, training in business skills, mentorship and regional networking opportunities for entrepreneurs running small and medium enterprises, especially those managed by women. Earlier this month, during the Morocco Strategic Dialogue, I met with local early-stage entrepreneurs who are working with USAID to expand their businesses and improve the business-enabling environment in Morocco. In Libya, USAID’s Women’s Economic Empowerment program has trained 177 entrepreneurial women on fundamental business skills. The program is among the first of its kind in Libya to offer training for entrepreneurs, and it is the first to systematically focus on women. The women are developing their business plans and strengthening their business networks as a result of the training program.

USAID is also targeting job training and workforce skills development for growing economic sectors, preparing the region’s young people for employment. In Jordan, USAID has prepared hundreds of thousands of students—nearly 110,000 last year alone—for the job market through a nationwide entrepreneurship program, vocational training in the tourism-hospitality sectors, and internships and regional job fairs for recent graduates. In Tunisia, USAID is encouraging job creation in high-impact sectors of the economy, like information communications technology (ICT), where our work with this sector has generated over 2,600 new jobs and connected thousands more with potential employers. In Iraq, USAID support to private sector workforce development has helped Iraqi jobseekers to fill more than 5,300 positions in over 550 businesses operating in Iraq. We did this by providing training modules to over 10,000 jobseekers to bridge skills gaps and by supporting an online jobs portal in partnership with Microsoft.

Keeping young people in school and reducing dropout rates are key to regional economic growth and stability. Throughout the region, USAID is partnering with ministries of education and schools to roll out early grade reading programs to increase literacy rates, encourage retention and expand girls’ access to education and a brighter future. In Yemen, USAID developed the Early Grade Reading workshop, which is encouraging teachers to engage with students by moving from rote memorization to interactive classrooms. By the end of the initiative, we expect that 10,000 teachers and 300,000 children throughout Yemen will be involved in the program. The Yemeni Ministry of Education now plans to replicate the program throughout the country. In Morocco, our early grade reading program aims to increase the recruitment of female teachers and improve the retention rate. This program aims to increase opportunities outside of school to promote reading by engaging with and supporting community based groups.

## **Democratic Governance**

For the region to truly be stable and prosperous, citizens’ demands for inclusive, responsive governance need to be addressed. USAID is committed to helping the region build participatory democracies, improve transparency and accountability of governments and engage civil society, youth, minorities and women on issues like improving human rights and increasing political participation. For example, in Egypt we’ve assisted thousands of women in rural governorates to exercise their political and economic rights, including helping 48,000 women receive

government IDs. In Libya, USAID is working to ensure that minority group voices are included in the drafting process of that country's constitution. Similarly, in Yemen, USAID helped minority ethnic and religious groups, youth and women weigh in on the future of their country through contributing to the National Dialogue Conference. We will continue our focus on inclusive development with our FY 2015 request.

USAID continues to work with and help build the capacity of civil society organizations to promote indigenous democratic reform and to fully empower women and youth. In Tunisia, Iraq and Libya we have been able to take advantage of political openings to encourage early reformers to adopt consultative government-civil society processes that have led to improved civil society legislation, which in turn will pave the way for further political openings. For example, in Tunisia, we worked with civil society and the government to foster a consultation process that led to the implementation some of the most progressive NGO laws in the region. This process is now being used as a model throughout the region. For example, the new Libyan draft civil society organization law is based on peer consultations with Tunisians on their law.

In FY 2015, the State Department and USAID will utilize the requested MENA Initiative to work with citizen groups and all levels of government to help bridge gaps, increase openness and access to information, improve governance and ultimately increase trust between governments and their citizens. These funds would focus on connecting officials and civil society in many countries, while bilateral programs focus on ongoing planned efforts at the country level.

### **Impact of the Syria Crisis**

The crisis in Syria has become a regional challenge of daunting proportions, with 6.5 million people displaced inside Syria, 9.3 million in need of humanitarian assistance and over 2.6 million refugees spilling over into neighboring countries. USAID is providing life-saving humanitarian assistance to vulnerable populations who are affected by the ongoing conflict in Syria. USAID is providing more than \$669 million to help over 4.2 million people inside Syria and more than \$232 million to help Syrian refugees in neighboring countries. USAID has responded to needs of the most vulnerable in all 14 Syrian governorates and Syrian refugees in five neighboring countries—Jordan, Lebanon, Turkey, Iraq, and Egypt. In addition to humanitarian aid, USAID is also providing \$77 million in assistance to help the Syrian Opposition Coalition (SOC), local councils and others provide essential services to their communities, improve governance and women's participation and enhance the credibility of moderate voices inside Syria.

In FY 2015, USAID will continue to respond to the critical needs of internally displaced persons in Syria, and conflict-affected communities by providing food and other life-saving humanitarian assistance to all those in need no matter where they reside. USAID will also continue to address critical food assistance needs of Syrian refugees in neighboring countries. We will continue to prioritize food assistance, emergency and basic healthcare, relief supplies, water and sanitation services and protection programs.

USAID is committed to a comprehensive response to the conflict in Syria—combining humanitarian, transitional and development interventions to address the needs of conflict-affected Syrians and host communities both within Syria, and regionally. Supporting neighboring

countries as they cope with both the short- and long-term effects of the Syria crisis is a top priority for USAID.

### *Jordan*

In Jordan, approximately 80 percent of the close to 600,000 Syrian refugees live not in refugee camps but within Jordanian host communities. USAID is helping address the tremendous challenges caused by the ongoing influx of refugees. Since FY 2012, in addition to the annual budget support to the Government of Jordan, the U.S. Government has provided another \$300 million in direct budget support. In 2013, we provided a \$1.25 billion loan guarantee, and we are preparing an additional \$1 billion guarantee in FY 2014.

USAID has provided critical assistance to communities including hospital renovations and water infrastructure repair and maintenance to alleviate increased demand for services. We added additional funds to fast-track the expansion of 20 schools in northern Jordan serving over 11,000 students, and we have helped train teachers for crowded classrooms and students who have lived through trauma. A USAID community engagement project is in place to alleviate community tensions by promoting dialogue and addressing stressors including trash removal, small infrastructure projects, such as bridges and parks, and improvements to schools and community centers. The influx of Syrians into local communities has increased the pressure on limited and already strained water availability in Jordan. A Complex Crises Fund project is helping these communities to manage their precious water resources and mitigate the potential for conflict. That project has set up a revolving credit fund so families can access loans to install cisterns for harvesting rainwater. Half of the borrowers are women, repayment rates are extremely high and—most importantly—this effort has helped tens of thousands of people secure access to water.

### *Lebanon*

In Lebanon, where Syrians now make up more than 25 percent of the total population, USAID has reoriented its ongoing development assistance to focus on heavily affected areas like the Bekaa Valley. Our assistance focuses on water and education as well as a value-chain development to advance small-scale agriculture. USAID helped equip 12 schools across the Bekaa Valley with desks, whiteboards, tables, printers, photocopiers, closets, and generators. We have also rehabilitated 183 public schools throughout the country, providing better educational environments for thousands of Lebanese and Syrian students. Efforts like this are helping address community tensions and reduce the strain on the education system, while ensuring high-quality education for both Lebanese and Syrian students. Since January 2013, USAID has rehabilitated thousands of Lebanese-owned residential units for refugees, increased access to water or other municipal services for over 125,000 people, reached nearly 100,000 children and at-risk youth through supplemental education activities and implemented over 280 community cohesion activities and social improvement projects. In FY 2015, USAID will continue to identify programming opportunities that help alleviate the strains on Lebanese communities hosting Syrian refugees.

## **Other Regional Priorities**

I would also like to highlight some key bilateral programs—West Bank and Gaza, Egypt, and Yemen.

### *West Bank and Gaza*

The U.S. Government pursues comprehensive Middle East Peace by supporting Palestinian institution-building so that a future Palestinian state will possess the capacity to govern, provide services and ensure security and stability within its borders and also with its neighbors. Through our Fiscal Year 2015 request of \$370 million, USAID will continue to support peace efforts by building the capacity of institutions necessary for a future Palestinian state through assistance in the areas of democracy and governance, education, health and humanitarian assistance, private enterprise, water resources and infrastructure. USAID budget support will ensure the continued viability of the Palestinian Authority (PA) and its ability to both actively support peace efforts and respond to the needs of the Palestinian people. We are following closely the latest reconciliation talks between Fatah and Hamas. If a new Palestinian government is formed, we will assess it based on its policies and actions and will determine the implications for our assistance based on U.S. law.

In FY 2015, USAID will continue supporting the ICT industry, which is creating sustained job growth by supporting partnerships between multinational and Palestinian ICT companies. USAID has facilitated partnerships between Palestinian software development companies and U.S. companies, including Cisco, Microsoft, Intel, Hewlett-Packard, and Oracle. For example, USAID worked with Intel to sign three deals with Palestinian software development firms. Intel now employs 40 Palestinians to work on projects for Intel Israel.

USAID and the U.S. Embassy Tel Aviv are also supporting programs promoting peaceful coexistence among Israelis and Palestinians. Since 2004, 69 Conflict Management and Mitigation grants have supported people-to-people activities in Israel, the West Bank and Gaza that improve mutual understanding between communities.

### *Egypt*

In the wake of the events of last year, we have reoriented our assistance to Egypt to more directly support the Egyptian people. We will continue this support with our FY 2015 request of \$200 million. A targeted approach, when combined with prior year funds available for Egypt, is sufficient to meet these goals. In Egypt, we are focusing resources on programs that provide tangible results for Egyptians and lead to increased economic productivity in the long term. Our assistance will focus on growing jobs in high employment sectors like agriculture and tourism, especially for young people and women, building the skills of young Egyptians to meet private sector job demands through higher education and helping Egyptians advocate for improved rights and governance and strengthen the democratic process.

## *Yemen*

Yemen's National Dialogue Conference concluded in January 2014, marking a major milestone in the Gulf Coordination Council (GCC) initiative. Diverse actors in Yemen were able to come together through the National Dialogue Conference to choose dialogue over civil war and lay out their collective hopes for the country's future. Going forward, it will be critical for the Government of Yemen to demonstrate meaningful progress both on the broader reforms laid out in the dialogue and forthcoming constitution. President Hadi named a National Organization to oversee implementation of dialogue recommendations, and an inclusive drafting committee is preparing a draft constitution based on dialogue outcomes. Once a constitution is in place, a new round of elections will mark the completion of the GCC initiative milestones.

USAID's FY 2015 request is \$74 million, a level appropriate to the significant needs and opportunities that Yemen will face when the GCC timeline comes to an end and that are likely to occur in the FY 2015 timeline. Our request will provide funds to support Yemen as it moves from the completion of the transition and begins the long term work of building more responsive institutions that better meet basic citizen needs, while promoting free market economic growth and supporting the delivery of essential services.

### **Conclusion**

Alongside the investments the United States has already made in the Middle East and North Africa, the President's FY 2015 budget request ensures USAID programs will continue to support the needs and aspirations of the region's people during this critical period of change. Our continued engagement with the people of the region serves as the foundation of our partnership with the countries of the region and will allow us to contribute to lasting growth, prosperity and peace.

I appreciate the opportunity to appear before you today, and I am happy to answer your questions.