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House Foreign Affairs Committee
Full Committee Hearing
October 29, 2013
“Next Steps on Egypt Policy”

Chairman Royce, Ranking Member Engel, and Members of the Committee, thank you for the opportunity to discuss with you today the impact of the Administration’s recently announced Egypt policy on USAID-managed assistance, and the efforts we are making to continue to meet Egypt’s development needs and support programs that directly benefit the Egyptian people.

Since the start of the January 2011 revolution, USAID’s portfolio in Egypt has focused on responding to the Egyptian people’s demands for jobs, accountability, and rights. In the wake of the events of July 3, these priorities remain intact. We will continue to work with the Egyptian people to address their legitimate aspirations for economic opportunities and democratic governance.

USAID’s assistance program in Egypt is a cornerstone of our bilateral relationship, and we are proud of the accomplishments we have made over the last thirty years. Just to highlight a few accomplishments, USAID has achieved significant impact in increasing access to education. Our recently completed early grade reading program improved fluency by 91 percent in pilot schools, and the scaled-up project reached 1.4 million students in all grade-one classrooms across Egypt. Our assistance has awarded 185,000 scholarships to girls and built nearly 100 schools

(serving over 44,000 students) in underserved communities throughout the country. Since 2011, USAID has helped start 58 innovative Egyptian companies with high growth potential. One third of these companies are owned by women. To ensure sustainability and local ownership, USAID is catalyzing the efforts of local partners to take the leading role in the coordination of entrepreneurship events. We've assisted thousands of women in rural governorates to exercise their political and economic rights, including helping 48,000 women receive government IDs. We are also installing new water pipelines in Upper Egypt—employing hundreds of Egyptians and supplying water service for more than 600,000 people in the five poorest governorates. These are just a few of the examples of the impact our programs have had in recent years.

However, the events of July 3 and the violence of mid-August are deeply troubling to us, and as the President said, we could not continue business as usual. At the same time, we want to make sure that we continue to do everything we can to promote a sustainable, inclusive and non-violent transition to a democratically elected government. We want to continue our valuable work that is aimed at benefiting all Egyptians.

Therefore, moving forward, we want to work with you to continue economic assistance that directly benefits the Egyptian people. We will pursue our democracy and governance programs; continue to strengthen civil society; and encourage private sector growth, including in the agriculture sector which employs many Egyptians. We will also continue programs that improve health outcomes in Egypt, increase educational opportunities for Egyptians, and stimulate private sector growth and create jobs. These programs are essential in demonstrating to the

Egyptian people that the United States will continue to support their aspirations for democratic governance and economic opportunities.

Consistent with current U.S. law and policy, programs that do not directly benefit the government will move forward unimpeded. We will continue our support for programs that benefit a wide range of Egyptian society including youth, civil society, and the private sector. For example, we recently notified to Congress an additional \$60 million to further capitalize the Egyptian-American Enterprise Fund. The Enterprise Fund is designed to promote much needed development of the private sector in Egypt, expand access to credit, and create opportunities for Egyptian small and medium enterprises. Relying on available legislative authorities, we will continue to provide support for projects that work with the government in areas of health and democracy. For example, USAID will support planned electoral events through international election observation, voter and civic education, women's political empowerment, and electoral administration support.

While we will continue to provide support for the Egyptian people, we are not moving forward with the \$260 million cash transfer that was to be provided directly to the Government of Egypt and the \$300 million in loan guarantees that were under consideration for Fiscal Year 2014.

We will work closely with the Congress to ensure we have the authorities necessary to provide economic assistance that advances U.S. objectives in Egypt, including fostering educational opportunities for Egyptian students. In the meantime, where we do not have those authorities, certain projects that provide assistance to the Government of Egypt are being wound-up, consistent with current law and policy. This includes our basic and higher education projects that work

with public sector institutions or public sector employees, and our work providing technical assistance on infrastructure and economic policy to government ministries and authorities. We are working with our implementing partners to develop wind-up plans for these projects, which will allow for completion of certain project components.

We also will not be able to initiate some planned activities in sectors that constitute assistance to the government, like education, infrastructure, and technical assistance. We are considering ways that we can repurpose these funds to more directly support the Egyptian people, such as providing scholarships to private universities or for study in the United States. We intend to work with you as we recalibrate our programs.

Mr. Chairman, Ranking Member Engel, and distinguished Members of this Committee, we want to work closely with you to continue providing assistance to the Egyptian people and build upon the valuable support we have provided to Egypt's development over the last three decades. Consistent with the law and our national interests, such assistance is central to our objective in seeing an Egypt that is making progress on the roadmap and progress towards a sustainable, inclusive, and non-violent transition to democracy.

I appreciate the opportunity to appear before you today, and I look forward to answering your questions.