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

***“The Middle East and North Africa FY 2016 Budget: Priorities and Challenges”***  
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Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee, thank you for the opportunity to discuss the FY 2016 budget for the United States Agency for International Development (USAID) and our efforts to respond to the development needs of the Middle East and North Africa. With the Administration’s proposed FY 2016 budget, USAID will effectively provide the development assistance that is a critical component of advancing America’s strategic, economic and security interests in the Middle East and North Africa.

Today we are facing an unprecedented level of challenges and transition in the Middle East and North Africa. In almost every place where economic frustrations and lack of opportunity originally motivated people to take to the streets, those same economic challenges are still very much a part of daily reality. Most countries where USAID works in the region have long suffered from weak economic fundamentals as barriers to trade and investment stifle private sector growth. Unemployment among young people—who make up as much as 30% of the region’s population—is the highest in the world at 24 percent. The region is also facing substantial water challenges and if it continues on the current trajectory, the Middle East will likely face “absolute” water scarcity by 2030. Further compounding the problem, the region has the world’s second highest population growth rate and excessive water mismanagement and withdrawal, increasing competition for a scarce resource in a region already rife with tension. And of course, instability in a number of the key countries in the region further complicates our work.

USAID’s FY 2016 budget request is focused on addressing these tremendous needs in this critically important region, in line with broader U.S. foreign policy objectives that promote regional security and stability. Throughout the region, USAID is building mechanisms for improvement of and more equitable inclusion in private sector growth, education, civil society development and responsive government. We are investing now in programs that empower individuals and communities on a local level, which will build resilient, stable societies in the future. Our programs represent a long-term investment in the people of the Middle East and North Africa and build on USAID’s mission to partner to end extreme poverty and promote resilient, democratic societies while advancing our own security and prosperity.

USAID’s approach to development is twofold; we work not only with governments, but also at a grassroots level, changing the lives of individuals and transforming communities. I just returned from a trip to the region where I saw both of these approaches in action. In Egypt, I visited a USAID program that helped teachers create more interactive classrooms and assisted in the rollout of an early grade reading program. This program was started by USAID in 166 pilot schools and then was expanded by the Egyptian Ministry of Education for all 16,000 schools throughout the country. On its own initiative, the school had created a space for teachers from all

over to share what they had learned and house interactive teaching tools that the educators themselves had created. While in Jordan, I learned about a parent group that was brought together during USAID's renovation of their children's school; the group continued to meet even after the project was complete, engaging in decisions about school improvement and other community matters.

Our programs touch the lives of millions of people: the Yemeni woman earning an income and helping her community after a USAID program taught her midwifery skills; the Libyan business owner sharpening her plan for growth so she can hire other workers; the young Jordanian man building career skills in the hospitality industry at a USAID-sponsored academy, contributing to his country's growing tourism sector; and the Egyptian who cast her vote for the first time, using the government I.D. a USAID program helped her obtain.

Each of our country programs and regional interventions begin with a careful assessment of local needs and capacity for reform. Security concerns remain a significant challenge in the region, and the security of our staff and implementing partners is paramount. We are constantly innovating and thinking creatively with our partners about how best to operate in high-threat environments while leveraging our limited dollars to address longer-term development needs and advance U.S. interests.

### **Syria and the Regional Humanitarian Crisis**

The Syrian crisis is the largest and most complex humanitarian emergency of our time. There are more than 12.2 million people in Syria in need of humanitarian assistance— more than half of Syria's pre-war population, and equal to the combined populations of New York City and Los Angeles. One in five people displaced globally is Syrian. The emergence of the Islamic State of Iraq and the Levant (ISIL) has exacerbated an already protracted crisis in Syria, where the Asad regime has waged an unrelenting campaign of bloodshed against its own people for four years. In Iraq, there are now an estimated nearly 2.5 million internally displaced people, and ISIL remains the primary constraint to accessing those in need. These crises have had an unprecedented impact on Syria and Iraq, their neighbors, and the region. The humanitarian situation grows more dire and complex by the day.

The conflict has radically reshaped the demographics of a region with an already delicate ethnic and religious balance and scarce resources. More than 3.8 million refugees from Syria have poured across the borders of neighboring states to escape fighting. The majority have been absorbed into local communities in Jordan, Lebanon and Turkey, doubling and tripling the populations of towns that were already hard pressed to provide essential services. Today, Lebanon hosts nearly 1.2 million refugees from Syria – more than one quarter of Lebanon's total population.

The influx of over 620,000 Syrian refugees is having a severe impact on neighboring Jordan, where the government's ability to provide essential services has been stretched thin and scarce water resources are being tapped at an alarming rate. This population bulge in Jordan and Lebanon has overwhelmed basic infrastructure, and the U.S. provides critical support to host

communities by constructing additional schools, renovating and expanding health facilities, and increasing access to water.

### ***Syria***

The United States is the single largest donor of humanitarian assistance to people affected by the Syrian crisis, providing more than \$3 billion to date. The Administration is committed to a comprehensive response to the conflict in Syria – bridging humanitarian, transitional, and development interventions to address the needs of conflict-affected Syrians and host communities both within Syria and regionally.

In addition to providing humanitarian assistance, administering strategically targeted development assistance is essential to broader U.S. goals of minimizing the impact of the Syria crisis. The FY 2016 request will support a broad range of non-lethal assistance programs in Syria, managed by both the Department of State and USAID, intended to bolster the moderate opposition's ability to maintain basic security, governance and services, and to provide alternatives to regime and violent extremist groups. Specifically, USAID will continue to support the restoration of essential services, such as water and electricity and to improve community governance capacity to manage and deliver these essential services. USAID will also continue its leadership role in the Syria Recovery Trust Fund, which addresses critical needs through a multi-donor mechanism.

USAID will continue to provide assistance in support of Syria's democratic development to build relationships across civil society and local and national institutional structures. Democracy and governance programming will build the confidence and skills of women leaders inside Syria to play a more active role in responsive and effective service provision. We will also provide direct assistance to provincial and local councils and civil society organizations in opposition-held areas to help bolster the visibility and legitimacy of these moderate authorities.

### ***Jordan***

The FY 2016 request will continue to support Jordan's economic stability and its ambitious economic reform agenda, in addition to alleviating the strains caused by the influx of refugees. USAID will work to improve the business enabling environment, increase private sector competitiveness, create a well-prepared workforce, and help vulnerable groups benefit from economic opportunities. To help Jordan cope with increased energy prices, we will also help public and private institutions maximize the use of renewable energy sources, especially solar power.

United States programs will also improve the Government of Jordan's ability to strengthen the quality of basic, essential services, especially those related to education, health, and water. Programs will improve learning environments through infrastructure improvements, improve the quality of reading and math instruction in grades K-3, train teachers in how to integrate psycho-social support into their classrooms, and provide informal education opportunities to Jordanian and Syrian refugee youth who have dropped out of school. We will expand and renovate hospitals to help the government cope with the increased demand on health services due to the influx of refugees. Programs will also strengthen maternal and child health interventions and support government efforts to promote family planning and reproductive health services.

In one of the most water scarce countries in the world, the FY 2016 request will increase the availability of clean water by boosting the water supply, reducing water loss, and improving conservation. Projects will include policy reforms, improving water conservation through technologies and behavior change, and physical improvements to water and wastewater infrastructure with a particular focus in the north, where the refugee population has the greatest impact on infrastructure.

### ***Lebanon***

In Lebanon, FY 2016 funds will provide additional support to Lebanese host communities under strain due to the influx of refugees through programs that bolster Lebanon's ability to provide basic services and governance, like water infrastructure and basic education. The United States will support Lebanese institutions that advance internal and regional stability, combat the influence of extremists, and promote transparency and economic growth.

Our education efforts are training teachers, providing 126 schools with information technology equipment, and supporting extra-curricular and psychosocial activities to mitigate tensions between Syrian refugees and host communities. Activities benefit both Lebanese and refugee students in the public schools.

To support communities struggling to cope with a decline in economic opportunities, USAID's microfinance program has distributed 922 loans to businesses and individuals, including to women and youth, in two of the areas heavily affected by the influx of Syrians. Our programs have further enabled the expansion of and provided reliable access to potable water for a significant portion of the population in Lebanon.

Lebanon's Community Resilience Initiative aims to mitigate sectarian and host community-refugee tensions and counter the influence of violent extremist groups by bringing community groups together to address problems. The program pays special attention to youth empowerment and participation.

### ***Iraq***

To date, the U.S. government has provided more than \$219 million in humanitarian assistance to meet the growing needs of those displaced by the spread of violence in Iraq since ISIL's takeover of the city of Mosul last June. Working through 23 United Nations (UN) and other international and non-governmental organizations and partners, the U.S. government has delivered relief supplies; addressed emergency health needs; provided water, sanitation, and hygiene support; ensured emergency and transitional shelter; and addressed the massive protection and trauma needs of populations who have fled untold horrors.

We anticipate enormous assistance needs in liberated areas to help the thousands of displaced return home in safety and dignity and to help communities recover. The U.S. government together with our international coalition partners and the UN will support the Government of Iraq (GOI)-led efforts to meet the expected needs. USAID is part of a team led by General Allen that is in Baghdad this week offering technical guidance to the Iraqi government in their own efforts to map out their strategy for stabilization and recovery.

Even before the emergence of ISIL, the U.S. government was committed to addressing the root cause of conflict in Iraq—lack of inclusive governance and respect for human rights. For over a decade, the United States has laid groundwork for the decentralization of power and rule of law promotion in Iraq, and at a local level there have been results, including greater empowerment of women and minorities.

USAID's ongoing Access to Justice (A2J) Program, which established a legal assistance network of 25 civil society and law school clinics across 13 governorates, has helped 18,000 Iraqis file for identity documents and seek legal protections. Three-quarters of these have been women, including many who needed to register their marriages so that they could receive benefits to which they are entitled under Iraqi law.

When entire communities were displaced by ISIL, they often left behind or destroyed identity documents as they fled out of fear of retribution if identified as part of a religious or ethnic minority group. In response, the A2J program pivoted to work with the GOI to help 2,000 IDP heads of households to replace identification documents essential to government and international assistance, greatly easing the burdens of Christians and other minority groups who had fled and restoring their sense of identity and security.

The majority of our current development programs in Iraq will be completed by the end of 2015. However, with the strong endorsement and concurrence of U.S. Ambassador Stu Jones, in FY 2016, USAID plans to continue a narrow portfolio of targeted assistance that supports critical Iraqi needs in the areas of revenue generation and service delivery with a limited amount of resources. We will remain poised to engage more robustly as needed.

Beyond our assistance to those countries directly impacted by the regional conflict in Syria and Iraq, we are also engaged more broadly in the region as it contends with a complex set of challenges.

## **Libya**

Given the unstable security environment and national-level political uncertainty in Libya, USAID's programming continues, albeit at a slower pace and smaller scale. Despite these challenges, the United States remains committed to advancing a peaceful, democratic transition and prosperous future in Libya that is inclusive of all Libyans. USAID's FY 2016 request will enhance ongoing efforts to support the country's transition to a democratic and peaceful nation, improve governance capacity at the national and local level, promote the rule of law, and aid in nurturing a vibrant civil society.

We are impressed by the commitment of our Libyan counterparts to USAID programs, which continue to be implemented by local partners, despite the recent increase in instability. When their office was hit by mortar fire and local staff experienced insurgent fighting in their neighborhoods, staff of USAID's Libya Women Economic Empowerment program continued to work as they could, and where they could, with Libyan businesswomen to take their small businesses to the next level. Throughout the Middle East and North Africa, the United States is

building local connections with individuals, like these Libyans, who despite the turmoil are seeking our help to move their countries toward more resilient, stable futures.

## **Yemen**

With a new country development strategy focused on building the resilience of Yemeni institutions and communities to shocks both natural and man-made, the mission's programming has continually adjusted throughout the past eight months given the dynamic security situation in Yemen. Although our embassy in Sana'a suspended operations, USAID's programs in Yemen remain operational and important activities continue, including early grade reading programs, demand-driven information technology and health workforce development, maternal mortality reduction programs, and agricultural programs using smart water technologies. Our implementing partners are to be commended for finding ways to continue to engage with Yemeni counterparts, especially the many civil society, women and youth leaders eager for peace and continued progress on the National Dialogue reform efforts. Our dedicated local Yemeni staff continues to oversee and monitor the delivery of essential technical assistance and humanitarian relief efforts by our partners on the ground.

The United States also continues to provide life-saving humanitarian assistance –more than \$127 million in Fiscal Years 2014 and 2015 —to people in 19 of Yemen's governorates, addressing the most critical needs of food, water, treatment of malnutrition, and agricultural support.

In FY 2016, as the political situation evolves in Yemen, we remain well-positioned to support any positive developments that may emerge from the ongoing political negotiations while continuing to promote civic participation, support moderate elements, and uphold inclusivity. We strongly believe we must continue to demonstrate a commitment to the Yemeni people—a point our U.S. Ambassador notes is critical in our overall engagement with Yemen. Our assistance is one of the few narratives in Yemen countering the message that the USG is only interested in counterterrorism efforts.

## **West Bank and Gaza**

We also remain committed to the pursuit of a negotiated two-state solution to the Israeli-Palestinian conflict. To that end, in FY 2016 the United States will continue to support peace efforts by building the capacity of institutions necessary for a future Palestinian state and by funding programs in democracy and governance; education and youth; health and humanitarian assistance; private enterprise; and water resources and infrastructure.

During my recent trip to the region, I was able to meet with a strawberry farmer, Osama, who received USAID assistance to introduce hanging grow methods in his greenhouses that utilize a computerized irrigation system, allowing him to monitor the nutrients that feed his strawberries and decrease the amount of water he uses, thus preserving a precious resource for both Palestinians and Israelis. Osama spoke with unambiguous pride, saying “The strawberry production in my farm means that I contribute to the national economy.” In FY 2016, we intend to continue to support farmers, and entrepreneurs, and tour operators, and “techie” like Osama, because a strong Palestinian economy is good for everyone.

In FY 2016, we will also continue our decades of work to build peace between Israelis and Palestinians, through conflict management and mitigation programs, which have benefitted more than 30,000 Israelis and Palestinians in the last two years alone. For example, we have supported efforts to bring Arab and Jewish youth together to prevent violence in mixed Israeli towns as part of “The Youth Parliaments of the Mixed Towns of Israel” project. These Youth Parliamentarians serve as ambassadors of peace, charged with promoting and deploying non-violent conflict mitigation mechanisms. These skills were tested this summer but, as expected, participants rose to the challenge, holding 11 joint activities. As one graduate testified, “I learned to respect other people and try to understand their opinions, even if I don’t agree with every word they say.”

We also continue to work with local organizations to promote the rule of law, increase civic engagement, and enhance respect for human rights. For example, USAID continues to partner with Palestinian municipalities to improve municipal services, enhance citizen engagement, and promote good governance practices. During my recent trip, I was able to see this progress first hand in Bethlehem, where we’ve worked with Mayor Vera Baboun to establish a Citizen Service Center, where citizens can go to get quick and transparent services, and where we’ve partnered to realize Bethlehem’s potential as a world class tourist destination.

Finally, we will also remain committed to addressing the humanitarian needs of Palestinians in Gaza, where this summer’s conflict exacted a heavy toll. At the height of the conflict, at the request of the Palestinian people, Israel, and the international community, USAID provided water, food, hygiene and health kits, and shelter materials to hundreds of thousands in Gaza. Since the end of the conflict, the U.S. government has made good on our promise to contribute to reconstruction and rehabilitation efforts, obligating more than 95% of the funds pledged between the start of the conflict and the reconstruction conference in Cairo in October.

In light of the Palestinian Authority’s actions at the International Criminal Court—which we strongly opposed—we continue to review our programs and our assistance to the Palestinian Authority to determine how it can best be used moving ahead, in compliance with U.S. law. We look forward to having a substantive dialogue with Congress as we further develop these issues. It remains important to note, however, that U.S. assistance has played and continues to play a critical role in promoting stability and prosperity not just for the Palestinians, but also for Israel. We do this by helping keep young Palestinians off the streets and in youth centers and schools, helping to counter violent extremism in the West Bank.

Our work remains critical to stability in the West Bank and Gaza, Israel, and the region. In FY 2016, we will continue the challenging but critical work of building the institutions of a future Palestinian state that will be a partner in peace, security, and prosperity.

## **Egypt**

Egypt continues to be a key strategic partner in the region and our programs contribute to the overall U.S. assistance goal of a stable and prosperous Egypt. In FY 2016, the United States will continue to support key initiatives that directly help the Egyptian people.

Since 2011, we have intensified our commitment to assist the Egyptian economy to become more competitive and more inclusive so that growth benefits all Egyptians equitably. This is being achieved through targeted assistance to job-creating sectors such as agriculture and tourism; support for micro, small, and medium sized enterprises; continued efforts to strengthen the environment for trade and investment; and ensuring that women are better integrated into the economy. Our agriculture program is a prime example of how we are working to strengthen inclusive economic growth in Egypt. We work with smallholder farms in rural Upper Egypt, where the incidence of extreme poverty is highest, to improve crop yields and expand access to export markets. In the past two years our exports program created almost 7,000 full-time jobs and over 8,000 part-time jobs, increasing rural incomes. More than 29,000 students at USAID-funded Agriculture Technical Schools have completed internships in commercial farm factories since 2008, and more than 6,700 students have found permanent employment in the agriculture sector. Our FY 2016 programs will build on these successes and continue to help farmers develop high value crops and link them to export markets.

USAID assistance also supports Egyptian-led economic reforms—essential for small and medium businesses to start up and grow, and become the engines of much-needed local job creation. For example, we support one-stop shops for business registration and operation that have cut the time to register a business and obtain operating permits by 60 percent.

Our investments in FY 2016 will continue to improve the quality of basic and higher education – a key foundation for any prosperous country. As a long-term investment in Egypt’s future, the United States is implementing a Higher Education Initiative to provide access to educational opportunities for high-achieving Egyptian students, with a particular focus on women and the economically disadvantaged, and to partner with the private sector to support strategic university partnerships in key fields that are critical to Egypt’s economy, such as technology and business. USAID-supported Science, Technology, Engineering, and Math (STEM) high schools are already producing results; recently a team of girls from the STEM High School in Cairo won first place at a regional science fair hosted by Intel.

We remain committed to working with civil society and the Government of Egypt in advancing democracy, good governance, and human rights, which are essential to Egypt’s long-term political and economic development. Our programs aim to contribute to a stable and prosperous Egypt by helping Egyptians realize their expressed desire for more transparent, participatory, and responsive government institutions.

I want to take a moment to note USAID’s incredible success in improving the lives of more than 4.6 million women and girls in Egypt through workforce development programs, and training in areas such as education, health, trade and investment, and governance. Nearly 1.5 million girls improved their reading and comprehension skills through our early grade reading program. Another 707,000 women gained access to clean water and sanitation services, 48,000 women received government IDs allowing them to vote for the first time, 25,000 gained access to loans, and over 9,000 received new or better employment opportunities. USAID’s impact on women in the region’s most populous Arab country is an example of how we are empowering individuals throughout the region to build more inclusive, prosperous societies. We will continue these



successes in women's empowerment with FY16 funds and we will also concentrate efforts on combatting gender based violence and countering trafficking in persons.

## **Tunisia**

Elsewhere in North Africa, Tunisia demonstrates great potential for a short- to medium-term for a successful transition in the region. Our programs support the Tunisian people as they lay the foundation for a future of economic prosperity and democratic governance, and also support the Government of Tunisia as it seeks to improve governance institutions. Our programs are largely focused on tax and customs reform, strengthening Tunisia's private sector, and creating jobs—especially for youth. Last year, we re-opened our office in Tunis after 20 years—a clear demonstration of our continued support for a democratic Tunisia.

In FY 2016, we will continue to support Tunisia's new government as it pursues an economic governance reform agenda, a critical step towards maintaining public confidence in Tunisian institutions. USAID will also continue to work with both the government and civil society organizations to create and apply a legal framework that allows the country's growing civil society to thrive and play its critical role in democratic development.

We are creating job opportunities for Tunisian youth by training and coaching young Tunisian entrepreneurs as they set up their own businesses, providing financing to small- and medium-sized enterprises to grow their businesses through the Tunisian-American Enterprise Fund, and supporting the Government of Tunisia's economic reform agenda in taxation and customs.

## **Morocco**

For more than 50 years, we have partnered with the Government of Morocco to build a strong bilateral relationship that focuses on promoting economic growth, improving educational opportunities and strengthening the effectiveness of civil society's political engagement. In FY 2016, USAID will continue ongoing activities supporting youth employability, primary grade education and civic participation in governance—the three pillars of USAID's strategy in Morocco, developed in collaboration with the Government of Morocco.

To increase youth employment and support economic growth and job creation, we will promote greater economic inclusion of students and recent graduates aged 15-29 and reduce youth unemployment in Morocco by increasing the ability of educational institutions and market actors to communicate the market demands for human capital. Through this work, USAID will help the country to adopt education and training programs that align with in-demand sectors and industries. We will also work to improve investor and business access to matching equity capital through an innovative program that will contribute to the development of the investment ecosystem and encourage increased equity investment in early stage businesses.

We will continue to support the Ministry of Education to develop a national strategy for primary grade education, with an emphasis on reading. Through that work, USAID aims to increase educational attainment at the primary grade level and help the Government of Morocco to improve teacher training and primary grade curriculum.

In FY 2016, we will also continue to support the efforts of political parties to become more responsive to citizens and to better represent their constituencies. In addition, we will take advantage of new constitutional prerogatives for civic participation in the public policy process through an activity that focuses on strengthening civil society organizations, through small grants and technical assistance.

USAID will also continue work to counter violent extremism in Morocco through programs that provide opportunities for at-risk youth to engage economically, educationally, and socially in their communities, as well as to strengthen the relationship between the community and the police who operate in their neighborhoods.

### **Regional Programming**

The FY 2016 budget request also includes regional programs to address critical needs that cut across borders. USAID's Middle East Regional programs respond to transnational challenges and emerging needs, with a focus on increasing private sector investment and enhancing job creation and matching, promoting water security, strengthening local civil society, and advancing gender inclusivity. Work in each of these areas focuses on implementing regional activities that complement bilateral foreign assistance initiatives, exchanging best practices among countries.

Middle East Regional funding will be used for continued support to Civil Society Innovation Centers, as part of a presidential initiative and global effort being financed in conjunction with other donors. In the context of further closing space in the region and around the world, the Centers will supplement and build on U.S. government-funded civil society programming in the region by establishing a permanent mechanism that: provides regional and global perspectives for local civil society; spurs connections with new partners and resources; encourages peer-to-peer learning; enables research; provides civil society with virtual and physical platforms to access tools and technologies that will bolster their work; and amplifies civil society voices around the world.

This region contains 12 of the world's 15 most water-scarce countries. To respond to this threat, the US has launched a Middle East and North Africa (MENA) Water Security Initiative that will provide the opportunity for public and private sectors, civil society, and other organizations to support entrepreneurs, researchers, and consumers with "water-smart" technologies. The Initiative aims to combine the development of new 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 conflict driven by resource scarcity.

Increasing foreign and domestic investment in the region requires financing mechanisms; a stable, transparent business environment based on sound public financial management; open markets; a more robust formal sector; and sustainable fiscal and economic policies. Regional funding will support private sector development by seeding and incubating investment in early

stage businesses and startups through such innovative mechanisms as the MENA Investment Initiative pilot program.

## **Conclusion**

The President's FY 2016 request responds to development needs and challenges in the Middle East and North Africa. USAID programs remain essential components of the United States' strategic, political and economic response in the region. Amid the challenges and transitions, the United States is empowering individuals through new educational and economic opportunities so they may create new futures in stable, resilient societies.

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