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Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee, thank you for the opportunity to discuss the President’s Fiscal Year 2017 budget request for the U.S. Agency for International Development (USAID) for the Middle East and North Africa, where we are faced with challenges perhaps more complex than ever before.

While the current era of unrest is being driven by inter-related and deeply-rooted political, economic, and social forces over which the United States has only limited influence, it is critical to U.S. national security interests that we maintain our engagement with people throughout the region. The region’s pre-existing challenges – poor quality education, healthcare, and other public services, coupled with lack of political and economic opportunity – were at the core of many of the uprisings that began five years ago. With few exceptions, people’s grievances have largely still not been addressed.

The protracted Syrian conflict and resulting humanitarian and refugee crisis have significantly compounded the challenges in the region. To give you just a few examples of the detrimental effects of these crises, the World Bank estimates that economic output for 2011-2014 is 30 percent lower in Syria and 10 percent lower in Iraq relative to the levels that could have been achieved had war been avoided. In Lebanon, the influx of Syrian refugees has lowered wages in some sectors, adversely affecting the poor. The effects of the conflict in Yemen – already one of the least developed and poorest countries in the region – have been devastating: over 80% of the population is in need of humanitarian assistance, with at least 6 million in need of life-saving food assistance, and estimates suggest that the economy contracted by roughly a third in 2015. And 13 million children are out of school throughout the region - mostly as a result of conflict.

Our response in the region tracks directly with the core components of USAID’s mission, which states that “We partner to end extreme poverty and promote resilient democratic societies while advancing our security and prosperity.” It may be useful to think of our FY17 priorities in the region within three critical areas: mitigating the human impact of ongoing conflicts, supporting core U.S. national security objectives, and fostering inclusive development and reform as opportunities arise.

## **MITIGATING THE IMPACT OF CONFLICTS**

It is important to remember that the great majority of people displaced by conflict in the Middle East remain in the region. USAID programs have focused on supporting host communities to reduce the burden of refugee populations by strengthening educational and health systems,

improving local governance capacity, and developing employment opportunities for all affected populations.

## **Syria**

As this subcommittee knows well, in Syria the world faces the most complex and largest humanitarian emergency of our time. While there has been limited positive progress as a result of the recently implemented Cessation of Hostilities, the situation remains dire. An estimated 13.5 million people, including six million children, are in need of assistance. Syria's development indicators show a roll-back of nearly four decades. A recent report by World Vision estimated the economic cost of conflict to Syria at \$275 billion already.

The U.S. is the world's largest single donor of humanitarian assistance for the Syrian crisis, and the President's budget request for FY 2017 will continue the American people's support for important development needs within Syria, as well as critical support for Syria's neighbors.

Our programs in Syria, which we conduct in close coordination with other U.S. Government agencies and international partners, are managed through platforms in Jordan and Turkey and rely on local partners inside Syria for implementation. USAID's development programs support the restoration of essential services through local and provincial councils as well as emergency response through the Syrian civil defense. Our support to communities in opposition areas assists these communities to organize, administer, maintain and expand services such as water, electricity, sewage systems, public use buildings, agricultural infrastructure, records management, and market access. By empowering moderates to meet the needs of their communities, this support serves as a bulwark against extremists who would seek to control the Syrian people through bribery or intimidation.

Through USAID, the U.S. Government is an original donor and member of the Syria Recovery Trust Fund (SRTF), the only multi-donor trust fund operating inside Syria. The SRTF has significant reach inside Syria and supports the provision of essential services, by restoring access to electricity and rehabilitating hospitals, for more than two million vulnerable Syrians. For example, the SRTF is executing three projects worth over \$6.5 million to restore critical electricity grids. One project is rehabilitating and expanding the electricity grid in a city in Aleppo governorate where most of the transformers, generators, and electrical posts were destroyed or severely damaged. Nearly completed, the project will increase electricity for approximately 95 percent of the 15,000 local residents and 50,000 internally displaced people from two hours per day to seven hours per day in the township and surrounding villages. Also benefitting from this project are a municipal office, three hospitals and one public health facility, six bakeries, 13 schools, one main water supply pump station, and the main post and telecommunication office. Significantly, 45,000 people a day have access to bread because the bakeries are operating again. With its vast experience, technical expertise, and connections inside Syria, the fund has been able to make a real difference in the lives of Syrians.

## **Jordan**

The Syrian crisis has placed enormous strain on neighboring countries, including one of our strongest allies in the region, Jordan. Jordan hosts one of the largest USAID programs in the world, and we have partnered with Jordan for nearly six decades to address significant

development challenges - low economic growth, crowded classrooms, and scarce water resources. The FY 2017 request will also address increased needs in areas and sectors where Syrian refugees are having the greatest impact on Jordanian communities.

NBC Nightly News recently aired a story about a school principal in Jordan who refused to turn away Syrian students from her already overcrowded school, only requesting that they bring their own chairs. USAID works with that principal, and thousands of educators like her, to provide training and help them meet their goal of a quality education for all students. The U.S. Government has built 28 new schools, and the FY 2017 request will continue to fund projects that will build another 25 schools, construct 300 kindergartens, rehabilitate 50 sports facilities and complete 50 school renovations over the next five years. The FY 2017 request will also provide non-formal education to 2,000 young Jordanians and Syrians in Jordan who have dropped out of school and need a bridge to re-enter the formal school system. These students will achieve a 10th grade equivalency certificate from the Ministry of Education allowing them to join formal and vocational schools.

Exacerbating the stresses caused by these additional populations, Jordan is one of the most water scarce countries in the world. The President's request will contribute to building two new wastewater treatment plants that will serve 100,000 people in two governorates.

The FY 2017 request will be used to support workforce development and employment opportunities for vulnerable groups. Scaled-up programs available to both Jordanians and Syrian refugees in Jordan will train workers to meet new demands in industrial production and place them in jobs. These forms of job training and placement will help ensure that people have access to skillsets that reflect the needs of Jordanian businesses.

USAID will also continue to partner with host communities to uncover the stressors in community life, and then help municipalities find practical solutions—for example, paving streets, replacing broken street lights or picking up the trash—which help alleviate tensions. During my trip to Jordan last year, I met with local officials in communities hosting large refugee populations, who tell me the assistance they receive from the American people helps them do their jobs better.

### **Lebanon**

Lebanon is also on the front lines of the Syrian crisis, and has the highest per capita refugee population in the world. Some estimates say one of every three people living in Lebanon is a refugee. The U.S. Government has been working in Lebanon for six decades, and the President's FY 2017 request would continue that assistance by supporting institutions that advance stability and promote transparency and economic growth – across sectarian lines. Funds would support Lebanese communities hosting refugees, helping them provide basic services like education and water infrastructure, and support municipalities and civil society, as well as job creation and economic growth activities.

The U.S. Government also works in Lebanon with local communities and small businesses, which generally share in project costs, to build and strengthen the links between small enterprises that rely on one another – what we call sector “value chains.” USAID programs

introduce businesses to new markets and new technology, and with a small amount of funding can leverage large amounts of new business.

## **SUPPORTING CORE U.S. NATIONAL SECURITY OBJECTIVES**

USAID's work in the Middle East is carried out in close coordination with our colleagues at the State Department and other government agencies, and our development assistance supports core U.S. national security interests for peace and stability.

### **Iraq**

The president's FY 2017 request for Iraq includes a significant increase in funding to help Iraq's government address serious economic challenges. We will also work with the Baghdad government and provincial bodies as we support decentralization efforts.

The increase in FY 2017 is largely attributed to our request for authority to cover the subsidy cost for a \$1 billion sovereign loan guarantee that will ease the burden of Iraq's ongoing fiscal crisis as it strives to defeat ISIL and stabilize liberated areas. We will work with our Iraqi partners and international financial institutions to ensure that the guarantee will have significant long-term development impact and enhance economic reforms.

USAID also assists Iraqi stabilization efforts by contributing to the United Nations' multilateral stabilization program, which works with Iraqi national, provincial and local leaders to restore essential services, implement livelihoods programs, rehabilitate small scale infrastructure and promote reconciliation.

### **Egypt**

The U.S. Government and the American people have a longstanding relationship with Egypt and the Egyptian people. USAID seeks to work in partnership with the Egyptian people to support their expressed desire for more transparent, participatory and responsive government and to boost inclusive economic growth. We remain deeply concerned about restrictions on space for civil society and the reported investigations of non-governmental organizations by the government of Egypt, and along with our colleagues at State, we continue to engage with our Egyptian counterparts on this issue.

Given the current challenging environment, USAID continues to focus its program in areas where we believe we can achieve immediate results and will continue to consult with Congress as discussions progress with the Government of Egypt. FY 2017 funding will also be used to help create jobs for more Egyptians by facilitating the growth and development of small and medium-sized enterprises. This funding will also develop the Egyptian workforce by working to improve both elementary and higher education to increase the employability of young Egyptians, with a special focus on girls and women. Girls from a USAID-supported Science, Technology, Engineering and Mathematics school in Cairo have already impressed judges at the Intel science competition. One of the girls, Nada, told us while sitting behind her laptop, which prominently displayed a NASA sticker: "Today I am a student. Tomorrow I will be a woman who will change the world."

## **West Bank and Gaza**

U.S. assistance to the Palestinian people is a key part of the U.S. commitment to a negotiated two-state solution for Israelis and Palestinians. Our West Bank and Gaza assistance contributes to building a more democratic, stable, prosperous, and secure Palestinian society – a goal that is in the interest not only of the Palestinians, but of Israel and the United States as well.

For FY 2017, our programs in the West Bank and Gaza will support the Palestinian people and stability in the West Bank, as well as provide humanitarian assistance and reconstruction support in Gaza. We will promote stability in the West Bank by improving service provision in the areas of healthcare, education, water, and roads; support the private sector and civil society; and strengthening the rule of law. In Gaza we will provide needed humanitarian assistance, while at the same time addressing some of the most pressing development needs particularly in the water sector. Assistance for West Bank and Gaza will also help provide young Palestinians with constructive activities in youth centers and schools, helping to build youth empowerment and productivity during a time of great instability in the region.

## **Yemen and Libya**

Although the security situation in Yemen and Libya does not permit U.S. Government staff to be present, we do continue to operate limited programs using local partners. These programs are carefully monitored through local implementing partner staff, third party evaluators and USAID staff working from Tunis, Frankfurt, and Cairo.

As the peace process proceeds in Yemen and the security environment allows, USAID will provide technical expertise to support the negotiation process and emerging transition benchmarks while also supporting civil society and inclusion of women and youth. Our assistance will address the near collapse of the economy and social services, expanding access to quality health and education services with a focus on maternal and child health as well as early grade reading with flexible learning programs and psychosocial support. We will also support macroeconomic reforms to help stabilize the economy while helping restore livelihood activities in fields critical to Yemen's recovery.

In Libya, the 2017 funding will continue support for the Government of National Accord and deliver targeted assistance to support a stable political transition establishing a permanent, Libyan government. Building upon USAID's experience and contacts within Libya, USAID will provide direct technical assistance to Libyan government institutions, support "bottom-up" efforts to link national government institutions with municipal councils, civil society, and other local leaders, and fund strategic communications efforts to disseminate information on government efforts. These activities seek to build capacity and create consensus around national political issues, and approaches to encourage reintegration of militia members into Libyan society.

## **FOSTERING INCLUSIVE DEVELOPMENT AND REFORM**

We have seen how economies are woven into both the problems and solutions throughout the region. The frustrations expressed in the Arab Awakening still exist, particularly in countries where there has been limited progress on inclusion and opportunity. Where we are able, we

support inclusive growth, youth opportunity and effective governance – with the aim to help our local partners address the frustrations that brought people into the streets six years ago.

### **Morocco**

Relations between the United States and Morocco are strong and growing, and USAID is well positioned to help advance the country's critical economic and social reforms while promoting U.S. Government policy objectives. In line with the U.S. National Security Strategy 2015 (NSS), the FY 2017 funding request will enable USAID to continue to address drivers of instability. We aim to enhance the employability of youth, improve the ability of local organizations to address the needs of marginalized people, expand support to citizen participation in governance, and improve the responsiveness of political parties, to address the underlying conditions that can help foster violent extremism.

USAID will enhance the employability of the large youth population (roughly one-third of the population is under the age of 18) through a model career development system, including a network of "Career Centers" at universities, to provide "soft skills" training and otherwise help match youth skills with the needs of private companies. We will continue to support civil society initiatives that address the social and economic needs of marginalized youth susceptible to extremist recruitment. We will continue working to improve learning outcomes in the early grades of primary schools, helping decrease the likelihood of future dropouts. Lastly, we will expand our support to citizen participation in governance and increase political party engagement with citizens at the local level through more open structures and improved ability of political parties to implement policies that reflect peoples' needs.

In 2015, an external evaluation of our program concluded that it had improved the lives of thousands of marginalized youth. The program placed nearly 1,500 youths in jobs or internships, provided 4,400 youths with academic tutoring and engaged more than 5,000 youths in extracurricular activities. Among those who benefited were two teenage boys in Ben Diban in northern Morocco, who said they were planning to head to Syria, but stopped in first at a USAID-supported youth organization. A youth officer was able to convince them of an alternative path away from extremism, setting them up instead with jobs at a local construction company.

### **Middle East Regional**

The President's FY 2017 request for Middle East Regional funding enhances USAID's ability to address complex regional challenges persistent across the Middle East and North Africa, including water security, violent extremism, and a dearth of employment opportunities. Middle East Regional funding will support analysis and technical leadership to improve development programs through research, pilot activities and evaluation. It will also fund cross-border programmatic initiatives that are often multi-sectoral and emphasize innovation. We will continue to monitor health status across the region and track emerging disease threats, such as MERS, influenza and the Zika virus. Middle East Regional funding will further U.S. national security and development priorities and complement bilateral programming to: support fledgling democratic transitions; counter the ever-closing space for civil society; address severe unemployment and underemployment, especially among women and youth; confront climate

change; and improve health and education, particularly for vulnerable populations including refugees from the region's conflicts.

The FY 2017 request includes \$5 million for the Middle East Regional Cooperation Program (MERC), which supports research and development cooperation between Israel and its Arab neighbors through joint Arab-Israeli applied research projects. Despite conflicts in the region, MERC is increasing direct Arab-Israeli cooperation, building science and technology capacity for development in the Arab world, and producing development impacts, primarily in agriculture, water resources, health, and the environment.

## **Tunisia**

Before I conclude, I'd like to speak about Tunisia, which has been relatively successful in its transition but still needs our support. Tunisia is the only country from the 2011 Arab Awakening that has defined a path to democracy, and the President's 2017 request will provide additional resources to support our Tunisian partners as they consolidate these gains.

The increase in funding reflects the U.S. Government's commitment to expanding economic and governance partnerships between the United States and Tunisia. With more than \$1.4 billion in annual trade between our countries, we already have an important economic relationship. The FY2017 request will enable USAID to continue to support the development of the Tunisian private sector by investing in programs that support small and medium sized enterprises that contribute to inclusive economic growth and employment. This includes \$20 million, which will fulfill USAID's \$100 million commitment to the Tunisia Enterprise Fund.

USAID's efforts in Tunisia created nearly 4,000 sustainable private-sector jobs last year, and we expect that our interventions will result in more than 5,000 additional new jobs this year. In one example, we worked with Hewlett Packard and UNIDO on a "Tackling Tunisian Unemployment" program that works exclusively in marginalized areas, primarily close to Tunisia's borders with Algeria and Libya. In these areas, USAID has brought online entrepreneurship training to 9,000 Tunisians, and more than 1,100 have found new employment.

We are finalizing a Country Development Cooperation Strategy for Tunisia that will focus on economic opportunity and private sector growth to create much needed jobs, but will also improve the participation of marginalized communities in local governance and improve governments' responsiveness to citizen needs.

## **CONCLUSION**

We face significant challenges in the Middle East and North Africa. But the American people can be proud that through USAID and with the support of Congress, they are helping millions of people in the region: The girls at the STEM schools in Egypt who have conquered Intel science competitions and are now out to conquer the world; the small business in Tunisia that is now selling products in Europe and hiring and training young people to compete in the global economy; and the principal in Jordan who is committed to providing a quality education to all students, Jordanian or Syrian, even if some of them have to bring their own chairs.

I'm proud that we have been able to innovate to meet the many challenges of the region, and we will continue to work better, smarter and faster to support the people of the Middle East and North Africa, because their success and stability will enhance our own security and prosperity.

Thank you again for your support, and for inviting me to testify. I look forward to your questions.