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House Committee on Foreign Affairs, Subcommittee on the
Middle East and South Asia**

*“Assessing U.S. Foreign Policy Priorities and Needs Amidst
Economic Challenges in the Middle East”
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Chairman Chabot, Ranking Member Ackerman, and members of the subcommittee: thank you for the opportunity to discuss USAID’s FY 2013 budget and the efforts we are making to meet development needs and address U.S. national security interests in the Middle East.

We see in the Middle East a region of great hope and opportunity but also one facing daunting challenges. USAID’s assistance—as part of a broader, coordinated U.S. Government effort—not only delivers on America’s values but also constitutes an investment in the safety, security, and prosperity of this critically important region.

USAID’s development experience allows us to address the parallel needs that fueled the Arab Spring: the people’s desire for opportunities today and a better tomorrow for themselves and their children; the desire of citizens to participate in decisions that affect their lives and their families; the desire to work in economies and be part of societies that are free of corruption.

Under Dr. Rajiv Shah’s leadership, USAID is responding to these aspirations and needs by providing assistance that helps citizens engage with their governments and helps governments respond to the will of their people.

Our FY13 budget priorities work to ensure that democracies everywhere share some crucial traits, including a robust civil society, healthy institutions and legal frameworks that protect the basic rights of all citizens, no matter their gender, religion, or class.

Young people in these countries—women and men—want to participate in the economic as well as political futures of their societies. Nearly two-thirds of the population in the Middle East is under the age of 30. The region has the highest rate of youth unemployment in the world, with 24 percent of young people out of work. In most Arab countries, youth constitute over 50 percent of the unemployed. The region also has the lowest female labor force participation rate in the world. Women make up the majority of the college-educated unemployed, and most of these women are in this youth bulge. Our programs work in communities to create opportunities for youth, a critical issue voiced in the protests.

We are reaching out to new audiences, new partners, to more young people and increasing numbers of women, and to areas well beyond capital cities. For example, in Egypt since the revolution, a striking 40 percent of grant recipients are new partners for USAID; two-thirds of the recipients are local Egyptian organizations. We have recognized the need to be more agile and flexible in our approach. As we do so, we continue to rely on our core strengths: a deep

knowledge of the societies in which we work, extensive experience in political and economic transitions worldwide, and a dedicated team of Americans and local staff working to help people who are struggling to make a better life.

Our budget request for FY13 in the region – not including the new MENA Incentive Fund – is \$1.4 billion. This request will fund our missions in the region. We also have done extensive work over the past year in Libya and Tunisia, countries without missions. Countries in the region contend with similar development challenges including a large youth bulge, an underperforming economy, water scarcity, gender inequity, and weak governance. But despite their similarities, they are coming from different places in terms of their recent political history. So the nature of our approach and our assistance differs.

In countries that have experienced recent violent unrest, such as Syria, most recently, USAID—as part of a broader, coordinated U.S. Government effort—stepped in to provide vital humanitarian supplies. We are continuing our humanitarian commitment in Syria by contributing approximately \$18 million to the U.S. Government’s total of nearly \$33 million effort to provide clean water, food, blankets, heaters, and hygiene kits to those affected by the unrest.

In Egypt, Tunisia, and Yemen, each experiencing its own unique transition, USAID has provided support for economic growth and political participation/civil society programming. USAID is providing critical economic assistance to help Egyptian workers in some of the country’s most economically disadvantaged areas through an \$11 million short-term jobs program, which will create thousands of jobs and provide first time water and wastewater services for more than 600,000 people in the poorest areas of Egypt. And along with other international donors, we helped train domestic election monitors in support of Egypt’s historic elections in November 2011.

In Tunisia, the United States Government’s assistance totals \$297 million, including \$100 million for the Tunisia Cash Transfer, \$20 million for the Enterprise Fund, \$30 million in loan guarantees, and \$22 million for transitional programs. Programming to date has focused on assisting Tunisia’s nascent civil society, encouraging participation in the October 2011 Constituent Assembly elections, and supporting both government and community efforts to increase transparency and engage citizens in an ongoing political reform process. In advance of the elections, USAID provided assistance with civic education and information dissemination, including a nationwide get-out-the-vote campaign targeting women and training for political parties to promote political participation.

USAID also is planning a major economic growth project in Tunisia’s information and communications technology (ICT) sector to support small and medium enterprise development, as well as skills training and placement into local ICT firms. It will create mutually beneficial linkages with the U.S. private sector by certifying Tunisians in Microsoft and Oracle systems. This project also contributes to broader U.S. economic engagement with Tunisia, which is especially important since measurable progress in the country can bolster democratic change and economic reforms, both in Tunisia and elsewhere in the region. USAID has also recently signed an agreement to provide \$100 million in Cash Transfer assistance to the Government of Tunisia to support its economic stability through debt payments to the World Bank and African

Development Bank. This budget support will allow the Government of Tunisia to invest an equal amount in domestic priority projects.

And in Yemen, USAID is committed to helping the new government implement their November 2011 transition agreement, which includes a National Dialogue process, constitutional and electoral reform, and the holding of elections. Our work will build on recent program successes. For instance, in February of this year, USAID supported Yemeni citizens in the country's first post-transition vote by providing support to the Supreme Commission on Elections and Referenda and working with Yemeni political parties and civil society organizations to support voter education and citizen monitoring. USAID also helped make possible the first public hearing in the history of Yemen's Parliament and developed cash-for-work infrastructure rehabilitation projects that have provided short-term employment for over 7,000 at-risk youth. Looking ahead, USAID will continue assisting national political processes, while supporting local service delivery and economic recovery in key rural and urban districts.

And, as I saw first-hand during my recent trip to Yemen in February, we are also playing a key role in providing critical health services to the neediest Yemenis, including those displaced by the waves of violence that swept the country. We are helping to support 15 mobile medical teams, which are clinics on wheels that provide lifesaving medical care to people in marginalized regions. Each of the 15 mobile clinics serves 2,000 beneficiaries per month. USAID will continue to support a dialogue with Yemeni officials, private water firms, and donors to build consensus around water management and conservation issues. In addition, USAID provides water, sanitation, and hygiene programs in Yemen that work to increase access to safe drinking water and reduce the risk of waterborne diseases.

Still other countries in the region are experiencing quieter transformations. Morocco and Jordan are moving forward with reforms to enhance citizen participation and voice in government, as well as to create opportunities for the future. For example, in Morocco, over 1,000 young civic leaders and 350 associations that benefited from USAID's programs were able to advocate for the inclusion of their proposals—including a proposal to create a Consultative Council on Youth and Civic Action—in the Kingdom's new constitution.

Lebanon is recovering from long-term conflict and instability, and USAID is supporting development of economic opportunities, strengthening governance, supporting civil society and citizen engagement, and contributing substantially to water sector improvements. We also make significant contributions in the education sector, where we support educational programs for meritorious youth from underserved areas. I met with a group of these students at Lebanese American University, and I can attest to the merit of the students selected, the value they are gaining from the program, the gratitude they expressed to the United States for providing them with such an opportunity, and the gains we will reap from such programs.

U.S. engagement in Iraq is now exclusively under civilian leadership. The next few years will allow us to consolidate our strategic, long-term partnership with a multiethnic, multi-sectarian democracy. USAID support in FY 2013 is important to strengthen this partnership. We will focus on helping Iraqis use their own resources to build a self-reliant country. This will include continuing support for the development of governing institutions at all levels, including district

and neighborhood councils, once elections are held in 2013 under the Provincial Powers Law. USAID support to Iraq's Independent High Electoral Commission to administer local elections will be critical. We will work with civil society organizations to connect grassroots community groups with decision makers in government and to assist vulnerable populations to assert their rights and entitlements under Iraq's civil code. And, we will continue to work with Iraqi microfinance institutions, the private banking sector, and the Central Bank of Iraq to expand access to credit for Iraqi small and medium enterprises, to strengthen the financial sector, and to promote reforms that will encourage private sector investment.

In the West Bank and Gaza, the United States' goal is to achieve comprehensive and lasting peace in the Middle East. We seek to operationalize this through two tracks: (1) negotiations to establish a Palestinian state, and (2) support for Palestinian institution building so that the new state has a capacity to govern, and to help ensure security, stability, and needed services. USAID's work is critical to implement this second track.

USAID's program in the West Bank and Gaza supports Palestinian state-building by providing assistance in the areas of democracy and governance; security and rule of law; education, health and humanitarian assistance; private enterprise; and water resources and infrastructure. USAID will also provide direct budget support to the Palestinian Authority (PA); this is among the most direct and immediate means of helping the PA maintain and build the foundations of a viable, peaceful Palestinian state.

Our programs in the West Bank and Gaza—and our development efforts throughout the Middle East—seek simultaneously to advance U.S. goals of security and partnership and to respond to the needs voiced by citizens of the region.

USAID coordinates closely with our colleagues at State, and those at other agencies also involved in assistance efforts, to design and support effective programs. For instance, in FY 2013 USAID will work with the State Department and other government agencies on the \$770 million Middle East and North Africa Incentive Fund (MENA IF) proposed in the President's FY 2013 Budget, which is designed in part to reward those governments with the political will to commit to economic and political reforms that will support democratic change, building effective institutions, and broad-based economic growth.

New programs like the MENA IF leverage the remarkable recent transformation that has occurred in the region. The storyline in the Middle East is continuing to evolve, but it is clear that the future of the Middle East is firmly in the hands and hearts of people of the region. The United States can have a positive impact on that future not only by how we help ensure that elections are free and fair and that all who abide by the rules of non-violence and democratic process are able to participate, but also by how we continue to help get running water to homes, help create opportunities where they are desperately needed, and help people develop a government that provides them with the services they need and deserve. In doing so, we are not only showing the compassion of the American people but we are also lending tangible support for changes that we believe will keep America and the Middle East safer in the future.

As Secretary Clinton has said, “These revolutions are not ours. They are not by us, for us, or against us, but we do have a role. We have the resources, capabilities, and expertise to support those who seek peaceful, meaningful, democratic reform. And with so much that can go wrong, and so much that can go right, support for emerging Arab democracies is an investment we cannot afford not to make.”

I am confident the President's FY 2013 budget, including the investments we have proposed, lays the groundwork for USAID to address the challenges and advance the beneficial change we have begun to see in the region.

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