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**U.S. Agency for International Development
U.S. Senate Committee on Foreign Relations
Subcommittee on Near Eastern and South and Central Asian Affairs**

“The Political and Economic Situation in North Africa”
November 21, 2013

Chairman Kaine, Ranking Member Risch, and Members of the Subcommittee: thank you for the opportunity to appear before you to discuss the political and economic situation in North Africa and USAID’s ongoing efforts to support U.S interests in the region through our programs and assistance.

Over the last thirty years of my career, I have had the privilege to serve across four government agencies, focusing on the Middle East. I know firsthand that it is a region of many possibilities and great importance, but also one that faces daunting challenges, especially in this transition period. This is clearly illustrated in North Africa, where the Arab Awakening began. Tunisia—the country where in 2011 a single man’s frustration and desperation with his economic situation touched off a chain of events that would topple governments around the region—continues to make progress along its path toward a successful transition to democracy. Similarly, in response to its citizens’ calls for change, the Government of Morocco has laid out an important reform agenda of social and economic change and has taken steps toward a more inclusive government. In Libya, despite obvious set-backs and on-going security challenges, Libyans have repeatedly expressed their deep desire to transform into a democracy, pushing forward with their constitutional drafting process and pushing back against unruly militias. As you can see, each of these countries’ path to a more inclusive, responsive government, and ultimately to stability, varies.

Our continued and flexible engagement to support the efforts of the region’s people and their governments to build free, democratic, prosperous and secure nations is absolutely essential. For the past three years, USAID has supported these countries in transition as they write new constitutions and reform institutions, as they carry out credible and transparent elections, and as

citizens advocate for increased political participation. Our programs also target the major development challenges that span North Africa, including the lack of economic growth, high unemployment and large youth demographics. A key component to the region's economic development and expansion is inclusive growth and opportunities for women and minorities. USAID programs focus on the engines of economic growth by supporting small- and medium-sized enterprises—especially those managed by women—through training, marketing assistance and building connections with financial institutions

As these North African countries experience transition, USAID programs are on the forefront of undercutting structural factors that push and pull local populations toward violent extremism. We know that weak governments and chronic underdevelopment, coupled with marginalization of groups, create vulnerabilities to recruitment into violent extremist and terrorist groups. Connecting citizens with their government and providing economic opportunities is vital. Our governance programs highlight constituent outreach and civil society capacity building to shape the foundations of democratic nations. USAID economic programs also work to provide educational and vocational opportunities for youth and other previously marginalized populations. Our work in Libya to bolster the General National Congress and connect marginalized communities in the South with Tripoli also helps reduce the risk of violent extremism. USAID also has programs specifically targeting those at-risk for recruitment into violent extremist groups. For instance, in Morocco, we are working with at-risk youth to connect them with vocational education and their local government to better engage with their communities. Security and development, therefore, are interlinked—connecting citizens with their government, enabling government to respond to its citizens, and developing economic opportunities to help create secure environments.

The political transitions surging through North Africa and the Middle East have been a regional phenomenon. Yet the reality is that each country experiences it differently and continues to transition in its own way reflecting the distinct voices of its citizens. As USAID supports the efforts of people across North Africa to define their own futures, we have tailored our policies and programs to each country's specific needs and experiences.

Libya

Our assistance to Libya is an essential component of our continued engagement in the region. It is in our national security interest to see a successful democratic transition in Libya and ensure we have a partner that can address regional security challenges. As such, USAID assistance in Libya has focused on supporting democratic transition, developing governance institutions, an emerging civil society and an engaged citizenry, and promoting women's engagement in Libya's economic growth. Since June 2011, USAID's Office of Transition Initiatives (OTI) has been working with Libya's civil society and governing authorities to build an inclusive and accountable democratic government that reflects the will and needs of the Libyan people. USAID partners with civil society organizations, local media outlets, and interim governing authorities to support inclusive transitional political and justice processes, strengthen local initiatives to mitigate conflict that destabilizes the transition, and promote the development of effective, legitimate governance institutions. USAID continues to support fair and effective electoral, political and governing processes in Libya by providing technical assistance to the Libyan Government, including the High National Election Commission, the Judiciary, the General National Congress and elected local councils to help them fulfill their responsibilities and communicate more effectively with Libyan citizens.

USAID is also helping to strengthen the ability of civil society to engage fellow citizens and decision makers on key issues, such as transitional justice, reconciliation and working to promote the peaceful reintegration of former revolutionaries. As Libya moves toward the next milestone of drafting a new constitution, USAID is working with the government and civil society to ensure that the Libyan people are informed and engaged in the process. To support national reconciliation, USAID is bringing together local council, religious, tribal and other community leaders to discuss how they can help their communities resolve long-standing conflicts.

We are also working with local women's organizations to raise awareness about important issues to be addressed in the constitution, and to help Libyan women advocate for their rights during the constitution drafting process. This year, USAID supported a women's political leadership program to promote women's participation in the political process. After a series of training

programs and workshops, the program participants were placed into internships with the High National Elections Commission (HNEC), the High Judicial Institute, General National Congress committees, and constituency offices. All those who interned at the HNEC were then hired as permanent staff.

Last year, USAID launched the War Wounded Project to strengthen the Government of Libya's ability to provide rehabilitative care to the tens of thousands of Libyans wounded and disabled in the effort to topple the Qadhafi regime. USAID provides training to staff in the Ministries of Health, Social Affairs and Wounded & Missing to build their leadership and management capacity. USAID's original investment of \$1.5 million to the War Wounded Project has leveraged an additional \$9 million contribution from the Government of Libya to establish Leadership Development Institutes that will provide ongoing technical, management, and leadership training to health sector staff. Additionally, USAID worked with the U.S.-Libya Business Association to encourage private sector contributions to support treatment of the war wounded in Libya. For example, a combined contribution of \$1.5 million from ConocoPhillips and General Electric continued a nursing support project initially funded by USAID.

To support inclusive economic growth in Libya, USAID's Women's Economic Empowerment Program is strengthening women entrepreneurs and women-owned small and medium enterprises by providing business skills training and networking opportunities, and by improving women's access to finance through brokered relationships with financial institutions. USAID is also providing U.S.-based diaspora entrepreneurs with seed capital and technical assistance through a business plan competition to help start or expand businesses in Libya.

Tunisia

Tunisia remains one of the region's best hopes for a successful transition to democracy. USAID strongly supports the Tunisian people as they lay the foundation for a future of economic prosperity that empowers a new generation, strengthens civil society and solidifies the foundation of democracy.

The development and growth of a robust and inclusive private sector-led economy in Tunisia is central to the success of Tunisia's long-term political and economic security as well as to U.S. interests in Tunisia and in the broader region. The Tunisian-American Enterprise Fund (TAEF), announced by President Obama in May 2011, is a signature U.S. initiative that will invest in the Tunisian economy to unlock the benefits of private sector-led growth. Currently capitalized at \$40 million, the TAEF will invest in small and medium enterprises to promote inclusive economic growth and employment. The TAEF will help address gaps in financing for entrepreneurs and small businesses that overwhelmingly drive Tunisia's private sector growth and encourage Tunisia to undertake market-oriented and institutional reforms.

In 2012, USAID provided a \$100 million cash transfer that supported the short-term budget needs of the provisional government. Additionally, USAID subsidized the cost of a U.S. guarantee of a \$485 million Tunisian sovereign bond to help address Tunisia's longer term external financing needs.

Encouraging job creation is another key element in USAID's support for Tunisia's economic growth. As such, USAID has developed programs that enhance and diversify the education and job skills necessary for a nation's economic growth. For example, in partnership with the University of Texas San Antonio, we are in the process of launching 24 university career centers at six college campuses across Tunisia to help college students and graduates not only look for work but develop their careers. These entrepreneurs, and the businesses they create, are the underpinning of a future vibrant economy in North Africa. Many of our programs encourage students to build skills specific to sectors of the economy that are growing, like information and communications technology (ICT).

USAID's programs are creating jobs in high-impact sectors. Specifically, our work with the ICT sector has generated over 2,400 jobs. In September, our ICT program organized a job fair in Tunis where 4,500 young Tunisians met with over 200 employers to discuss job opportunities and future careers. Additionally, USAID helped a Silicon Valley-trained native Tunisian open a small information technology business in the city of Sousse, then assisted in product marketing

and business plan development and eventually helped him recruit over 75 young graduates to work at his company.

We are also helping Tunisians expand a more diverse and qualified workforce that is responsive to the country's needs. A USAID-funded partnership between the University of Colorado and the Advanced Institute of Technology Studies in Sidi Bouzid is preparing graduates to contribute to their communities through career training in water management, energy efficiency, and renewable energy technologies.

USAID is also actively engaged in helping Tunisians build a peaceful and stable democratic political process and institutions. Specific efforts by OTI have focused on encouraging broad participation in the political transition with a particular emphasis on youth and women's engagement and working with local organizations to identify and respond to community priorities. USAID-supported democracy and governance activities have included nationwide voter education campaigns aimed at getting youth to vote and the only nationwide campaign targeting women voters in the lead up to Tunisia's historic October 2011 elections. Our programs continue to help build the capacity of new democratic institutions and Tunisian civil society organizations. Moving forward, USAID will support monitoring activities, by both the international and local communities, of Tunisia's upcoming elections.

Morocco

For over fifty years, USAID and the Government of Morocco have had a strong bilateral relationship focused on promoting economic growth, improving educational opportunities and strengthening inclusive political participation and an active civil society. We also have worked together to make substantial improvements in the lives of Moroccan citizens, including significantly improving maternal and child health, constructing two major dams, transforming thousands of semi-arid acres into productive use, and providing microfinance loans.

Despite impressive economic growth over the past few years, Morocco still faces many complex challenges, including few employment opportunities for youth and an overall literacy rate of only

55 percent. As recent political transition sweep the region, Morocco has experienced a quiet and gradual transformation. The Government of Morocco responded to the Arab Awakening by reforming the constitution and laying out an ambitious agenda of political, economic, and social reforms. Implementing this reform agenda, while maintaining stability and security throughout the country, is of utmost importance for Morocco's future development and prosperity.

To help the Government of Morocco achieve its stated reform goals and respond to the needs of Moroccan citizens, USAID has developed a new five-year Country Development Cooperation Strategy (CDCS) for Morocco—a focused plan to work side-by-side with the Moroccan Government, civil society and the private sector to support progress towards key reforms. The new CDCS will focus on workforce development, increasing citizen participation in governance and improving primary educational achievement. During this week's visit of King Mohammed VI to Washington, DC, USAID and the Government of Morocco will celebrate the launch of USAID's CDCS, reaffirming our long history of cooperation and collaboration based on a common interest in promoting sustainable development in Morocco.

To enhance the employability of the country's large youth demographic, USAID will focus on improving the quality of and access to career services. We will facilitate partnerships between government ministries, Moroccan universities and technical institutes, as well as local NGOs and business associations to develop demand-driven workforce development services that reach a broad range of youth.

To increase citizen participation in governance, USAID will support the development of civil society organizations to develop their constituencies, form effective coalitions and develop policy recommendations. USAID will also continue to help political parties improve their credibility by increasing the transparency and accountability of their internal operations, developing platforms reflective of citizen needs and enhancing the involvement and leadership of youth and women in politics. Our efforts will provide long-term assistance targeting local branches of political parties to ensure citizen engagement at the grassroots level. By increasing the capacity of civil society to engage the government on behalf of citizens and facilitating the development of institutionalized mechanisms of civic participation in government decision-

making, Morocco will be better situated to implement its reform agenda in a peaceful and sustainable fashion.

USAID's basic education program also plays a crucial role as Morocco strives to meet the needs of its growing youth population. In conjunction with Morocco's education reform effort, USAID will promote higher levels of educational attainment by targeting early grade reading. Poor reading skills increase children's chances that they will fall behind in school, setting the stage for future dropout. As such, these early grade reading programs are designed to improve early literacy and help curb primary grade dropout rates.

USAID also works to mitigate the drivers of violent extremism as part of supporting Morocco's peaceful reform agenda. Morocco has experienced several incidents of violent extremism over the past decade and, while low, risks of instability are heightened by societal factors that contribute to political and economic marginalization. In our countering violent extremism programming, we target areas of Morocco that suffer from high rates of illiteracy, school dropout, and unemployment, and are known breeding grounds for transnational terrorist networks. To reintegrate at-risk youth into mainstream society, we support non-formal education and vocational training, the provision of basic social services, career counseling and job placement. Capacity building for public and private social service providers targeting at-risk youth will increase sustainability and expand the reach of program activities.

Finally, I would like to conclude with Algeria, where USAID has a limited presence. While the United States is working to strengthen its bilateral relationship with Algeria, USAID currently has few programs there. Consistent with our regional efforts to combat terrorism and extremism, we are focusing on launching a program in Algeria that aims to reduce social and economic exclusion of at-risk Algerian youth.

Conclusion

USAID views our assistance programs in the North Africa region as an investment in protecting our national interests and in building long-term partnerships with the people and the

governments of those countries. USAID programs will continue to provide the seeds for future innovation and technology, to advance economic prosperity and growth, and to strengthen regional stability and security. The countries and peoples in North Africa continue to face significant challenges, but also significant opportunities. We will continue to support them through these political and economic transitions. While we recognize that our budgets are facing increasing pressures, we are aligning our programs to address the challenges and opportunities facing the region. We also know that our continued engagement in this region is vital to maintaining relationships with key allies, promoting stability, countering extremist threats in the Middle East and North Africa and advancing our key strategic interests.

Chairman Kaine, Ranking Member Risch and distinguished Members of the Subcommittee, I appreciate the opportunity to appear before you today, and I look forward to answering your questions.