

**Testimony of Daniel N. Rosenblum
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House Foreign Affairs Subcommittee on Europe and Eurasia**

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Chairman Burton, Ranking Member Meeks, Members of the Committee:

Thank you for the opportunity to speak today. A few weeks ago my colleagues, Assistant Secretaries Philip Gordon and Robert Blake were before you, testifying on our abiding policy interests in Europe, Eurasia and Central Asia. I'd like to take this opportunity to discuss in greater depth how our foreign assistance efforts and long term development goals in the region reinforce those policy interests.

Approximately 20 years ago, with the fall of the Berlin Wall and collapse of the Soviet Union, the Bush Administration and a bipartisan group of legislators in Congress saw an opportunity to support dramatic and historical change in a region which had spent half a century or more under the sway of an ideology antithetical to U.S. values and threatening to U.S. national security. The Support for East European Democracy (SEED) and FREEDOM Support Acts (FSA) established a unique system of special authorities and flexible assistance accounts, managed by a Coordinator. While the two Acts specifically emphasize the need to support democratic and market reform, the drafters of the legislation recognized that a variety of interventions in areas such as non-proliferation, effective and accountable law enforcement and the promotion of people-to-people exchanges would be needed to ensure the successful transition of these countries.

Our combined diplomatic and assistance efforts have, in many respects, succeeded beyond the expectations of the early 1990s: Twelve of these formerly Communist countries are members of NATO. Ten are now members of the European Union. These countries are among our most stalwart allies in pursuing our security objectives in places like Iraq and Afghanistan, while also sharing our values and priorities.

However, the transition process has not been linear, and we have encountered challenges and setbacks not anticipated in the early 1990s. The original SEED Act did not envision assistance to Yugoslavia, much less its violent break-up into six new states. The Nagorno-Karabakh conflict, a civil war in Tajikistan, separatist movements in Georgia, Moldova and the North Caucasus have all left lasting scars on the region. The Russian financial collapse of 1998 undermined faith in free

markets and political pluralism, which in turn impacted the entire post-Soviet world. While a few countries experienced democratic “revolutions” over the past decade, a greater number of former Soviet countries have seen major backsliding on democracy, as old authoritarian habits reasserted themselves.

Simultaneously, a series of transnational threats have developed. Criminal networks trafficking in narcotics, persons and weapons filled vacuums left by receding state authority and economic turmoil. As Communist health systems struggled to transition, infectious diseases such as HIV/AIDS and drug-resistant tuberculosis began claiming lives and contributing to sharp population declines in parts of the region. Alarmingly, parts of Central Asia have recently experienced outbreaks of polio. The risk of international terrorism is real and the porous borders and sophisticated criminal networks of the region make it a potential conduit for radicals of all stripes.

There is no historical inevitability to the completion of the goals enshrined in the SEED and FREEDOM Support Acts. The progress that these countries make is directly related to the actions of the people of the region, the policies of its leaders and work of its partners such as the United States and the European Union. The U.S. has had to adopt an approach of strategic patience, recognizing that the transition is a complicated process in which change will take longer, perhaps considerably longer, in some countries than others.

The 2012 budget request strives to balance this pragmatic view of the opportunities and risks in the region – seeking to target key challenges while economizing where we can. The request for the entire Europe, Eurasia and Central Asia region is \$907.5 million – a savings of approximately \$140 million, relative to 2010 levels. In managing these resources, we will strive to increase our performance, implementing expanded monitoring and evaluation efforts to ensure each program produces the maximum possible result. Even as we set out our goals, we will continue to seek to be innovative and respond to changing circumstances.

With that historical and budget context, I’d like to turn to the five major assistance goals reflected in the budget:

- First, we seek to integrate Eurasia’s reformers into the Euro-Atlantic community. The State Department and USAID have requested funding to support efforts in Georgia, Moldova and Ukraine. Georgia continues to make great strides as it recovers from its 2008 conflict with Russia, and our assistance is facilitating the democratic and economic reforms that will help

Georgia achieve long-term stability, including by supporting the consolidation of democratic gains in its upcoming elections in 2012 and 2013. In Ukraine, we continue to see a real opportunity to push forward the transition process, although we too have noted with concern recent backwards movement on some issues. In Moldova, we want to support the generally positive ongoing agenda of reform. The corollary to our broad-based engagement of reformist countries in Eurasia is a continued push specifically on democratic development in the toughest cases in the region including Belarus.

- Second, the request emphasizes consolidation of stability in the Balkans and ultimate NATO and EU membership for all of the countries there. We are focusing on the core remaining challenges in Albania, Macedonia, Serbia and Montenegro, while addressing more fundamental issues of democratic reform and economic modernization in Kosovo and Bosnia and Herzegovina. In Bosnia, we continue to work to promote a unified vision for the country and help it resume progress toward European integration. In Kosovo, programs are aimed at ensuring its success as an independent state, a key to peace, democracy, and prosperity in the entire region.
- Third, the request supports a balanced engagement with Russia. The request places a strong emphasis on bolstering human rights and democracy through support for civil society, the media, and the rule of law, while also fostering cooperation in areas of shared interest - including transnational crime, health and the development of joint projects through the Bilateral Presidential Commission.
- Fourth, the request seeks to prevent instability in Central Asia and support the mission in Afghanistan, while also moving the region toward meaningful democratic and economic reform. Assistance efforts include programs to mitigate ethnic tensions in Kyrgyzstan, stabilize the food supply in Tajikistan and combat illicit trafficking in narcotics and persons and bolster border security throughout the region. Simultaneously, our programs seek to establish more effective and democratic political processes, respect for human rights and to press the countries of the region to cooperate economically and respect the rule of law.
- Fifth and finally, the request leverages the strong security relationship the U.S. has cultivated with many of the countries of the region to advance our global security goals. The countries of Central Europe, Eurasia and Central

Asia provide a vital contribution to Coalition efforts in Afghanistan and are forces for stability elsewhere. These partners deploy over 10,500 troops in support of ISAF and provide leadership to major components of the NATO mission. Our military assistance programs through the FMF and IMET accounts ensure that the U.S. gets the maximum feasible support from these important allies through training and equipment programs which directly impact their battlefield effectiveness.

In pursuing these goals, the Department and USAID strongly maintain the principle that foreign aid is not intended to be permanent. All non-military assistance in the region is undertaken with an eye to "graduating" aid recipients when they have implemented reforms and achieved a level of economic and democratic performance sufficient to ensure continued stable development. Over the past decade, we have developed a methodology for phasing out economic, democratic and social assistance, based on the evaluation of performance data collected by NGOs and international organizations and analyzed by our partners at USAID through a system called Monitoring Country Progress (MCP). With your permission, Mr. Chairman, we will provide further information about the MCP system to be printed in the record. MCP allows us to assess the situation of countries receiving AEECA assistance, using input from a variety of sources, and to plot each country's progress with respect to agreed-upon thresholds derived from the performance of Romania, Bulgaria and Croatia in 2006, the year those three countries graduated from SEED Act assistance.

To date, 11 countries have "graduated" from funding through the AEECA account, all in Central and Eastern Europe or the former Yugoslavia. Several Balkan countries have made significant progress, and we are continuing to assess their readiness for phase-out.

Although phase out of assistance remains a concrete goal and part of our planning, I want to underscore that there are a significant set of challenges remaining to be addressed in this region, many of which bear directly on U.S. national interests:

- Deeply-rooted corruption in these societies inhibits economic growth and undermines democracy. Combating it requires action from the top, through the justice sector and commitment at the political level to hold the corrupt accountable, as well as efforts from the bottom to stimulate public demand for transparency and integrity through the media and civil society. It will require engagement by multiple donors in the sectors in which corruption is prevalent such as public administration, education, health care, and law

enforcement, among others. But such a campaign cannot be successful without strong political support within the host countries.

- Democracy in the region is fragile and under constant threat, as seen most recently in Belarus. Our assistance is aimed at empowering the forces of evolutionary, democratic change, whether in civil society, independent media, the justice sector, or among democratic political parties. Where possible, we engage with government institutions that are open to reform. Where such openings don't exist, we concentrate on the non-governmental sector.
- Energy remains a specific challenge in this region. Due to structural inefficiencies dating back to the communist era and the failure to establish linked energy markets and grids, some countries are dependent on a sole energy source, which complicates relationships within the region. Our programs seek to broaden access to energy sources, reduce inefficiencies, increase transparency and integrate markets.
- The region is rife with potential instability given ongoing disputes in Nagorno-Karabakh, Transnistria, South Ossetia, Abkhazia and the Fergana and Rasht Valleys in Central Asia as well as the often unsettled politics of the Balkans. Through assistance programming, the U.S. strives to expand cross-community connections, mitigate economic deprivation and high unemployment especially among youth, and reduce food instability with the goal of easing conflict pressures in the region.
- The transnational challenges mentioned earlier – organized crime networks, illicit trafficking in persons and narcotics, the proliferation of weapons of mass destruction, and the spread of highly infectious diseases – pose a direct threat to the well-being and security of U.S. citizens, and must be addressed. We address these threats through training and targeted equipment provision for police and border protection services, technical assistance on legislation such as asset forfeiture laws and strategic trade control systems, improving regional and international law enforcement cooperation, and interventions with health ministries.

In addressing these challenges, we have to recognize that our resources are finite and we cannot cover all of the needs of the region. We continue to focus on our critical concerns and to leverage our resources with those of other donors. Our

relationship with the EU is particularly important in this context. Through the Instrument for Pre-Accession Assistance and the Eastern Neighborhood and Partnership Instrument, the EU is a major donor. In some cases, we've co-funded activities with the European Union such as the resettlement of refugees from lead-contaminated camps in Kosovo. We've also worked with individual EU member states on programs ranging from local government service delivery to small and medium-sized enterprise financing facilities. When appropriate, our programs play to our comparative strengths, focusing on areas such as supporting the transition toward adversarial criminal justice systems or addressing areas where European donors cannot devote their resources due to the constraints of accession criteria. Our efforts are coordinated both at the country-level through our missions and through consultations in Brussels and other European capitals multiple times a year to ensure our efforts are not duplicative.

We have also reached out to International Financial Institutions to closely coordinate our activities and actively consult with them in Washington and in the field. We recognize that the European Bank for Reconstruction and Development (EBRD), World Bank and the International Monetary Fund (IMF) play a critical and complementary role in the region and can leverage U.S. funds with their significant resources and technical assistance. Through our work with the World Bank we have reduced multilateral debt in Kosovo by \$150 million. We work closely with the EBRD with respect to energy and climate change activities and have provided significant funding for the Ukraine Chernobyl Shelter Fund and for energy efficiency projects administered by the EBRD in Ukraine. We hold regular consultations with the IMF to ensure our economic support programs and advisors are closely calibrated with the Fund's Stand by Arrangements.

Mr. Chairman, Ranking Member Meeks, we will continue to use the resources provided to us by Congress and the American people in the most efficient and effective way possible to support vital U.S. national interests in Europe, Eurasia and Central Asia. In doing so, we are aware of the very real resource constraints affecting foreign assistance. The President's FY 2012 request balances that awareness with a continued commitment to advancing stability, prosperity, and democracy in this region.

With that, I'm happy to take your questions.

