

Statement of the Honorable Thomas O. Melia
Assistant Administrator, Bureau for Europe and Eurasia
U.S. Agency for International Development
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“Examining the President’s FY 2017 Budget Proposal for Europe and Eurasia”
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Chairman Rohrabacher, Ranking Member Meeks, distinguished Members of the Subcommittee, on behalf of the U.S. Agency for International Development (USAID), thank you for this opportunity to testify today regarding the President’s Fiscal Year (FY) 2017 budget request for Europe and Eurasia.

USAID has long played an important role in Europe and Eurasia, which has seen considerable advances in freedom, security, and prosperity over the past quarter century. Twelve countries have transitioned from receiving U.S. assistance, successfully integrating into the Euro-Atlantic community through institutions such as NATO and the European Union (EU). Many of these countries are now important U.S. partners and allies in the region and around the world. Yet the region’s transformation remains incomplete; progress is uneven in key areas, important achievements are at risk and, in a few cases, we are seeing regression.

The region also continues to face external challenges. Today, Russia’s aggressive actions threaten democratic progress and undermine peace, stability, democracy and prosperity throughout the region. Not only do the Western Balkans continue to have internal challenges with stability, they have struggled to deal with a refugee and migrant crisis, with more than a million asylum seekers and migrants transiting through the region en route to western Europe in 2015.

Thus, U.S. assistance remains an important national security instrument in realizing the overarching goal of a Europe whole, free, and at peace. This is why USAID is committed to assisting countries in the region on the path to democratic consolidation, economic independence, and Euro-Atlantic integration. Our efforts are focused on supporting economic, energy, justice-sector and democratic reforms that foster resilient, democratic societies while advancing our shared security and prosperity.

Western Balkans

While there are key points of progress -- Croatia and Slovenia have entered the EU, Montenegro and Serbia are in ongoing EU accession negotiations, and a Stabilization and Association Agreement with Kosovo entered into force on April 1 -- the Western Balkans region as a whole continues to struggle with stalled EU integration, backsliding on reforms, and increased external pressure from Russia.

In addition, a troublingly high number of Western Balkan citizens have joined violent extremist groups and travelled to conflict areas. While the numbers have decreased in recent months, Bosnia and Kosovo remain among the top contributors, on a per capita basis, of foreign fighters traveling from Europe to Syria and Iraq. Stagnant economic conditions and high levels of youth unemployment as well as Kosovo's continued isolation on the world stage provide ripe conditions for radicalization. Through programs that help improve the economic prosperity of these countries and promote good governance, USAID seeks to address these drivers of violent extremism.

The President's FY 2017 combined State and USAID request of \$154.4 million for the Balkans reflects a broad number of U.S. foreign policy objectives. Collaboration with host governments is real and significant in the Western Balkans and U.S. assistance and technical advice are highly sought after and valued.

In Albania, USAID bilateral assistance strengthens the country's justice sector, improves local governance, and helps civil society develop its capacity to serve as a watchdog. With USAID assistance, the Albanian government has strengthened the rule of law by making digital audio recording the official record of courtroom proceedings, not only ensuring a more transparent judicial process, but also showing a commitment to long-term sustainability. USAID's regional programming has supported the improvement of conditions for sustainable economic growth. Despite modest funding, USAID's development and support of Albania's national telemedicine network dramatically reduced the number of patients in rural communities referred to hospitals in major cities by providing virtual access to quality health services. The telemedicine network is believed to have resulted in savings of more than \$3.1 million in 2015.

In Bosnia and Herzegovina (BiH), USAID support has helped implement socio-economic, rule of law and governance reforms, including improvement of government accountability and efficiency. This has helped improve trade with Europe and promoted inter-ethnic dialogue and reconciliation. This past year, USAID-implemented agricultural activities focused on linking small producers to EU markets and provided income for almost 1,500 rural households and created seasonal jobs for about 4,500 small-scale farmers. To address the issue of radicalization within BiH, USAID initiated a three-year activity in 2015 that pilots new approaches to address youth disenfranchisement and enhance opportunities for young people to participate in community initiatives. This effort, aimed at countering violent extremism, will be implemented in six at-risk communities where there is evidence that young people are being recruited as foreign fighters for Syria and Iraq. This pilot project provides psychosocial support to youth deemed vulnerable to radicalization through trained and experienced teams of psychologists. USAID also continued implementing its *Trust, Understanding, and Responsibility for the Future* project, which assists targeted communities in BiH to counter violent extremism by engaging at-

risk youth. These efforts were designed in consultation with young people and tailored to their local environment and, after being discussed in community forums, are gaining wider support. The youth-led initiatives enhanced the capacity of the targeted communities to reject negative influences. To achieve this, USAID mobilized religious leaders to engage with key influencers in the community to showcase the positive work of youth in building peace.

In Kosovo, USAID will continue to seek to move the country closer to membership in the EU and to normalize relations with Serbia. USAID's work in inter-ethnic dialogue focuses at the grassroots, community level by helping people come together to recognize their futures are intertwined. There is also continued progress in the discussion among the U.S. Government, including USAID, the Government of Kosovo, and the World Bank regarding the construction of *Kosovo C*, a power plant that will support Kosovo's broader energy security, significantly reduce air pollution and contribute to enhanced regional cooperation.

In Macedonia, USAID will support political processes, reform of the justice sector, growth of civil society, improvement of ethnic relations, and greater access to independent, balanced information. Regional programming efforts by USAID have sought to strengthen conditions for sustainable economic growth. Through USAID's support, 450 primary and secondary schools in Macedonia established School Integration Teams that initiate joint teacher and student curricular and extracurricular activities. This project brought together thousands of teachers and students from different ethnic groups, a first experience of interaction for many participants living in ethnically homogenous areas. USAID's continuing work in the *Grow More Corn* initiative has showed farmers how to increase their yield three-fold. The Ministry of Agriculture recognizes the importance of this activity and has subsidized the purchase of drip irrigation equipment in the national program for agriculture.

It is worth noting that in 2015, almost 800,000 refugees, transited through Macedonia, a country of roughly 2.1 million people. With modest resources and working with a local legal rights organization, USAID's Mission in Skopje is supporting efforts to ensure the human rights of the most vulnerable migrants, especially women and children.

USAID also supports Serbia's integration into Euro-Atlantic institutions. Our assistance focuses on strengthening democratic institutions and the rule of law, reducing corruption, enhancing democratic and economic inclusion, supporting civil society and increasing access to independent information. Regional programming efforts by USAID have supported the improvement of conditions for sustainable economic growth. With \$2 million in Complex Crises Funds (CCF) USAID/Serbia also launched a program to mitigate the impact of migrants on local communities, which, at its peak in 2015 was seeing upwards of 5,000 migrants per day transiting through Serbian municipalities. The program is focused on improving crisis response coordination between government and civil society service providers.

Southern Caucasus

The President's FY 2017 State/USAID request of \$129.7 million for Armenia, Azerbaijan and Georgia will demonstrate the United States' continued support to the region, help build resilience against Russian pressure, and advance democratic and economic reforms.

In Armenia, USAID assistance will help alleviate disproportionate economic dependence on Russia, counter aggressive Russian propaganda, integrate Armenia into regional energy systems and promote local governance initiatives. USAID, in partnership with other elements of the U.S. country team in Yerevan, seeks to increase the capacity of civil society and media in the fight against corruption. USAID's strategic focus on anti-corruption will also help fulfill economic growth goals, as investors seek transparent and fair environments.

In Azerbaijan, USAID continues to look for opportunities to advance democratic and economic reforms and support civil society despite significant restrictions on our partners. Our work seeks to build the capacity of civil society and support the growth of non-oil sectors of the economy while also working to advance participatory and transparent democracy and governance processes. USAID's agricultural programs have increased technical skills in 18 regions, contributing to increased sales, boosting farmers' incomes and expanding market access. USAID's assistance has helped beneficiaries access approximately \$1 million in agricultural loans from local financial institutions through USAID's Development Credit Authority. . By helping these farmers and agribusinesses meet EU food standards, these activities have increased trade diversity and resilience by reducing traditional Russian market dominance and creating new trading partnerships.

USAID is also currently funding de-mining assistance in the former Nagorno-Karabakh Autonomous Region in order to declare it mine-free at the earliest opportunity.

In Georgia, USAID is seeking to strengthen democratic reforms with the goal of anchoring Georgia firmly in the Euro-Atlantic community. Our programming efforts focus on economic growth, harmonization with the EU, strengthening civil society, democratic governance and independent media, and increasing Georgia's resilience against Russian pressure. We continue to work with the Georgian government to ensure that Georgia continues on the path to democracy and that the gains achieved to date are sustained. This past year U.S. assistance in the agricultural sector benefited over 124,000 rural households and created approximately 4,300 jobs in agriculture. Additionally, USAID provides targeted assistance focused on improving the livelihoods and the resilience of vulnerable communities adjacent to the administrative boundary line (ABL) separating the Russian occupied territories of Abkhazia and South Ossetia from the rest of Georgia.

Belarus, Moldova, and Ukraine

The President's FY 2017 request of \$9 million maintains a stable level of support for Belarus programs. In light of the restrictive environment in Belarus, USAID assistance focuses on working to establish more spaces for free expression, promote more free and fair elections, and support a more active civil society. USAID also works to expand the private sector through support to small and medium enterprises, as well as through working with business associations on regulatory reforms. In 2015, we provided over 30 small grants focused on providing trainings for 237 micro enterprises, 46 percent of which are women-owned, in ecotourism management in Grodno and Brest. In 2015, USAID also supported *Euroradio*, the only external media group accredited and operating in Belarus. *Euroradio* is internet-based and continues to increase its audience.

In Moldova, this is a critical time to push the government to continue taking further steps toward greater European integration and the implementation of meaningful reforms. As part of the President's FY 2017 State/USAID Request of \$59.1 million for programs in Moldova, USAID would strengthen institutions of democracy and rule of law, especially in the justice sector, and continue to promote a decentralized and participatory political environment through civil society and media organizations. USAID's work also seeks to improve the business regulatory environment and enhance private sector competitiveness, promote energy security for Moldova – including through the country's closer integration into European energy markets – and incorporate strong anti-corruption elements in our programs to increase transparency. USAID support for packaging, quality assurance, branding, and marketing facilitated the sale of \$8.5 million in fruit and vegetables, the majority of which were exported to new markets such as Bangladesh, Egypt, Mongolia, Thailand and the United Arab Emirates. The implementation of the Customs e-Declaration system improved transparency and reduced the need for and frequency of direct contact with government officials, allowing traders to submit declarations and supporting documents online, facilitated by the development of legal texts and implementing procedures. Programs like these not only improve the business-operating environment, but also build public faith in government by removing opportunities for officials to manipulate the process.

Supporting Ukraine's comprehensive reform effort remains one of the Agency's top priorities, and the President's FY 2017 State/USAID request of \$294.9 million will allow us to continue that work. I would like to thank the Committee members for your steadfast commitment to our efforts in Ukraine. Many of you have traveled to Ukraine, reinforcing the U.S. commitment to Ukraine's sovereignty and democratic transition and raising awareness of the continued challenges Ukraine faces on its path to a democracy governed by the rule of law. USAID is well-positioned to work with Ukraine's newly formed government, in large part because of our

longstanding and multifaceted engagement with Ukraine since its independence in 1991. We have a strong on-the-ground presence, institutional credibility, and development expertise, all of which enable our Mission in Kyiv to work effectively with the Government of Ukraine, international partners, and civil society to meet the needs of the Ukrainian people. USAID has worked tirelessly to learn the lessons of the Orange Revolution and build on the momentum created by the Euro-Maidan Movement to push for reforms that will unlock systematic and sustainable change. In short, we seek to support the development of Ukraine into a nation that fulfills its people's desire for peace, freedom, democracy, and prosperity.

Ukraine is fighting a war on two fronts. Externally, Ukraine continues to combat Russia's aggressive actions, including continued military actions in violation of international law, as well as attempts to stifle and undermine Ukraine's democratic path through political and economic pressure. The United States stands at Ukraine's side as it pushes back against Russian pressure, aggressive actions, and occupation. Our support also requires that Ukraine continue to battle against corruption, an internal enemy that has held Ukraine back from progressing as a democratic, prosperous nation for well over two decades. After the fall of communism, Ukraine's levers of power were seized by corrupt oligarchs and kleptocratic politicians who hollowed out the country's nascent institutions for their own gain. Their choices created a nation crippled by corruption with a stagnant economy.

We have seen the resolve of the Ukrainian people to demand better from their government. The Euro-Maidan Movement was driven by the call for reforms, and the desire for a democratic Ukraine is reflected throughout the country. The people's demands must be matched by the political will to implement reforms that create a more democratic Ukraine that is governed by the rule of law. If there is a lack of progress on internal reforms and the fight against corruption, Ukraine will not only lose the battle against its internal enemy, but also hand Russia an easy victory. In the past two years, Ukraine has made significant strides, particularly in strengthening its economy, ensuring energy security and - with U.S. support - in decentralization, one of the top priorities of both the Ukrainian government and civil society. USAID will continue to support the Government of Ukraine's implementation of critical economic and political reforms, including combating pervasive corruption and strengthening the administration of justice and government integrity.

The U.S. has supported economic growth, including through macro-economic assistance, which has helped stabilize the Ukrainian economy. The U.S. has provided more than \$1.1 billion in foreign assistance to Ukraine since the crisis began, as well as two \$1 billion sovereign loan guarantees. An agreement for a third up to \$1 billion loan guarantee was signed on June 3. To support good governance and anti-corruption efforts, USAID has deployed U.S. advisors and experts within several Ukrainian ministries. For example, USAID provided an "e-governance" advisor to the Ukrainian government to assist in the passage of Ukraine's e-procurement law,

diminishing opportunities for bribe-taking and open up tenders to wider competition. So far over \$200 million has been saved from the central government's budget by this reform. By providing human capital, USAID is able to transfer knowledge and have a sustainable, long-lasting impact on the reform efforts.

USAID's approach to reform within Ukraine's energy sector includes both near-term priorities and longer-term development needs. We have improved electricity sector resilience by enhancing the capability of the electric power system operators to respond to unexpected changes in power demand. USAID has been an integral partner in Ukraine's integration into EU energy markets by helping update legislation that brings Ukrainian gas and electricity markets into better alignment with EU norms and requirements. We have also supported the removal of policy barriers to energy efficiency, including improving tariff regulation and creating an enabling policy environment to promote the financial sustainability of public and private investments into energy efficiency.

Ukraine signed an Association Agreement, which includes the Deep and Comprehensive Free Trade Area, with the EU in June 2014, which established a new policy framework for the agriculture sector. The agreement requires Ukraine to align laws and policies to meet EU standards to facilitate trade. U.S. assistance supports the Ministry of Agriculture in implementing reforms and adapting policies to promote exports so that the agreement's potential can be fulfilled. Additionally, U.S. assistance helps build the capacity of Ukrainian agriculture to penetrate new export markets beyond the EU, as well as strengthen existing and develop new agricultural producer organizations.

In terms of humanitarian assistance, the needs in eastern Ukraine are great. The U.S. government has contributed \$111.8 million in humanitarian assistance to the most vulnerable people in eastern Ukraine. USAID's efforts provide shelter, relief commodities, water and sanitation service, and livelihoods support for internally displaced people (IDPs). USAID has been working with government, civic organizations, and local media to support IDPs and mitigate the growing tensions arising from the large influx of IDPs into communities already hard hit by the country's economic crisis.

Although the HIV epidemic in Ukraine is on the decline, the country still has the second highest number of cases in Europe, estimated at 223,000 in 2015. Ukraine's tuberculosis (TB) burden is also one of the highest in Europe with an estimated prevalence of 114 cases per 100,000 people and a mortality rate of 2.7 per 100,000 in 2014. Among TB patients tested for HIV, 20 percent were found to be HIV-positive, with TB causing approximately 50 percent of all reported deaths among people living with HIV. Ukraine's epidemic of multidrug-resistant TB (MDR-TB) is also of concern, with an estimated annual incidence of 22,000 cases while the country successfully detected only 3,500 in 2009 and 10,700 in 2015. USAID provides technical assistance to

improve the quality of HIV services, increase the proportion of Ukrainians aware of their HIV status, link people living with HIV/AIDS to treatment and care, and raise the capacity of Ukrainian organizations to deliver HIV and HIV/TB co-infection services. USAID improves the way that HIV programs are run and supports programs that reduce the stigma and discrimination affecting people living with HIV/AIDS. For TB, USAID implements evidence-based practices that improve TB prevention and control and increase access to MDR-TB diagnosis and treatment. USAID programs expanded access to effective TB prevention, diagnosis, treatment, and care services to nearly half of Ukraine's population and upgraded multi-drug resistant TB and TB/HIV co-infection treatments to meet international standards. Starting this year, USAID is assisting Ukraine to introduce novel anti-TB medicines and novel regimens for MDR-TB cases to improve adherence and treatment results. Low to non-existent Routine Immunization resulted in the 2015 outbreak of Vaccine Derived Polio Virus in Ukraine. Though this outbreak was recently stopped, the required national polio immunization coverage of 95 percent was never reached. Likewise, other critical vaccinations such as those for diphtheria and measles have not been consistently administered since 2007-2008 leaving much of Ukraine, and susceptible populations in Europe, open to an outbreak. Both diphtheria and measles outbreaks are predicted in Ukraine for the coming year and, according to the World Health Organization, a second polio outbreak remains a very high risk.

There has been progress in key areas in Ukraine and we are hopeful that the new government will continue to push forward and implement a robust reform agenda. Our continued commitment to success in Ukraine not only indicates to the Ukrainian people that we are serious about seeing a reformed, more democratic Ukraine, but also sends a message to the region that we continue to be committed to democracy-building and pushing back against those who would prefer to see a corrupt and authoritarian Russian vassal re-emerge.

Conclusion

We must not forget that the countries of Southeast Europe and the former Soviet Union are still young states, working to build the political institutions, regulatory and market frameworks, and institutional competencies required to access the capital and energy technology markets that will secure their futures. U.S. assistance is critical to continued Euro-Atlantic integration and democratic growth in the region. We must recognize that Europe is being tested by growing Russian aggressive actions, the continued flow of migrants and refugees, and the growing potential of violent extremism gaining traction in the region. The migrant and refugee crisis has highlighted cracks within the EU that impact its strength and stability as an institution. Europe has redirected portions of humanitarian assistance to address domestic impacts of supporting the more than one million individuals who are seeking asylum within its borders. U.S. national interests require sustained engagement in this region now more than ever.

USAID appreciates the continued support for Europe and Eurasia from members of this Committee. I appreciate today's opportunity to testify and welcome your questions.