

AA McKee Written Testimony
House Foreign Affairs Subcommittee on Europe
Analyzing the Fiscal Year 25 State and Foreign Operations Budget Request for Europe
June 26, 2024

Chairman Kean, Ranking Member Keating, distinguished members of the Subcommittee on Europe: Thank you for your invitation to speak today about USAID's assistance and budget for Fiscal Year (FY) 2025. I welcome the opportunity to discuss the Agency's priorities and ongoing efforts in the Europe and Eurasia region.

The President's FY 2025 Budget Request includes **\$28.3 billion** for USAID fully and partially managed accounts with **\$722.3 million** for Europe and Eurasia through AEECA. These funds will directly support U.S. leadership in international development and humanitarian assistance.

Through improving economic resilience, advancing energy security, supporting independent media, and strengthening democratic institutions that are under increasing pressure, USAID aims to achieve a durable and dignified peace in the region.

We are working to reinvigorate partner economies to overcome the wide-scale economic disruption and targeted attacks on civilian infrastructure resulting from Russia's brutal invasion of Ukraine.

These FY 2025 resources will enable USAID to support key reforms needed for EU accession and build on the momentum generated by several new countries' candidate status.

Turning to Ukraine, we are very grateful for the overwhelming bipartisan support shown for desperately-needed security and development funding for the people of Ukraine this past April. Our highest priority has been, and remains, ensuring Ukraine's victory.

Our FY 2025 request includes \$250 million AEECA funds for Ukraine. This request focuses Ukraine's base budget on continuing critical programming, including securing energy resilience, countering information manipulation, and enhancing economic development and resilience against Kremlin aggression. Thanks to the passing of the Ukraine Security Supplemental Appropriations Act, support from the United States and our allies is helping keep the lights on and heaters running during the winter, in the face of Russia's recent attacks on civilian energy infrastructure, which have halved Ukraine's power generation capacity and brought regular rolling blackouts throughout the country. USAID is rapidly deploying assistance to bring back significant electric power and heat generation by this winter through repairs and

delivering materials that protect facilities that have been repeatedly targeted by Russian missiles.

With FY 2025 resources, we will continue to lay the groundwork for private investment in new power generation by supporting reforms in the energy sector, and we will increase regional energy security through investments in diversified generation and decentralized distribution.

This work and the FY 2025 Request are driven by the acknowledgement that economic and security assistance to Ukraine go hand in hand. Right now, U.S. assistance is essential to maintain basic services, including health care and education, which enable the Ukrainian people to sustain their resolve and continue to fight. It is our hope that U.S. resources now will help Ukraine eventually build the economy it needs to increase revenue, sustain livelihoods, and decrease reliance on support from us and other donors. One way USAID is doing this is through support to small and medium enterprises. As of May 2024, USAID has supported over 26,000 small and medium enterprises in the agricultural, IT, and manufacturing sectors to help create or retain over 156,000 jobs.

Putin knows how critical Ukraine's economy is in this fight and is actively targeting Ukraine's grain exports and energy infrastructure to try and derail our strategy. As Russia attempted to close the Black Sea route, we have worked to provide critical support to bolster Ukraine's farmers, whose exports are critically needed for the world's most hungry people. Despite the war, agriculture remains a key driver of Ukraine's economy, generating over 60 percent of the country's commodity export revenue and representing 17 percent of employment. USAID has leveraged the \$350 million USG investment through its AGRI-Ukraine initiative to attract more than \$431 million in additional private sector investment. This support means that over 14,000 Ukrainian farmers were able to receive seeds, fertilizers, crop protection, storage, and access to financing to help with their harvest in 2022 and 2023.

USAID also provides technical assistance to create a more fair, transparent, and competitive business enabling environment. The United States has helped Ukraine establish a robust anti-corruption ecosystem, including the specialized court responsible for adjudicating high-value corruption cases, and providing the broad institutional basis for investigating, prosecuting, and holding to account corrupt actors. This is paramount for winning the future.

Not only is USAID assistance directly supporting Ukraine, but also other critical partners in the region that are inevitably affected by Russia's war. In Moldova, we have enabled the energy sector to break away from Russia's 30-year coercive grip by diversifying sources and increasing Moldova's integration with the European energy market. Compared to a near total dependence on Gazprom in 2021, the Government of Moldova met 100 percent of its gas needs with non-Russian supplies in 2023, procuring about 900 million cubic meters of gas.

The FY 2025 request will continue to boost Moldova's energy security and diversification. These efforts will complement USAID's ongoing plans to construct a high-voltage electricity transmission line between Moldova and Romania. Once complete, this line will be Moldova's 3rd high-voltage line linked to the EU electricity market and will help Moldova diversify sources of electricity imports. In addition to physical connections to European sources, USAID is also supporting market connections by helping to launch an electricity market in Moldova that is integrated into Romania's well-established, competitive market.

We are also prioritizing transparency in the electoral process in Moldova, in preparation for this year's presidential elections and next year's parliamentary elections. The Kremlin has continuously attempted to influence electoral outcomes, and our presence and support will strengthen the conduct of free and fair elections through voter education, judicial training, expanded voting access, and support for independent elections observation missions.

In the Caucasus, we are responding to serious new challenges – and to new opportunities. In Georgia, we are focused on ensuring that Georgia remains on a democratic path, runs a free and fair election in October, and regains momentum towards EU accession. The ruling party's recent passage of a foreign influence law and anti-Western rhetoric gravely threaten civil society and independent media and demonstrate the importance of ongoing USAID assistance to support democratic institutions and processes. These efforts will help preserve Georgia's long standing democratic choice and keep its people's hopes for European integration alive.

In Armenia, we are seizing an important opportunity to help this reforming democracy strengthen its economy and build its overall resilience against external pressure. We're also helping Armenia support the over 100,000 displaced persons and refugees from Nagorno-Karabakh and expand its options for its sources of energy supply and for trade.

Additionally, we are increasing our work on the Middle Corridor as a major gateway for connecting Central Asia and the South Caucasus to Europe and for advancing development progress and stability across the region. Engagement along this East-West corridor will build closer cooperation among regional partners. Further development of the Middle Corridor to one that is more transparently governed, internally consistent, and efficient will also provide options to enhance mutually beneficial trade, energy security, and food security across the region, expanding economic options for the countries along the corridor.

We continue to watch the Western Balkans closely to ensure stability is maintained and build on gains made in democracy, anti-corruption, and economic growth. This funding will support progress towards EU membership and advance democratic reforms. We also look to strengthen cybersecurity efforts and accelerate energy sector integration. A disruption in that momentum could easily and quickly cause instability and irreversible damage to gains made.

Thanks to ongoing and essential support from Congress, USAID has demonstrated tangible results and clear progress. We have used Congressionally-allocated funds to demonstrate U.S. leadership, counter Putin's influence, and fortify democratic institutions.

Thank you again for the opportunity to discuss our work in this region. I look forward to your questions.