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Chairman Rohrabacher, Ranking Member Meeks and members of the Subcommittee, thank you for inviting me here today to testify and for the personal investment so many of you have made in our efforts to expand and deepen a “Europe whole, free and at peace” and a safer, more open Central Asia. Your bipartisan support, your CODEL visits, and the assistance you and your fellow members have provided are truly making a difference.

Since I last appeared before this subcommittee a year ago, our partners in Europe, Eurasia, and Central Asia have taken brave steps and made progress in key areas supported through our assistance:

- In Ukraine, President Poroshenko and the Rada replaced a Prosecutor-General widely seen as corrupt. Prime Minister Groyzman and his team raised gas prices to meet IMF requirements, and critical reforms were passed in the Rada to strengthen judicial independence, shrink and modernize government bureaucracy, and reform the energy sector.
- In Moldova, we helped businesses move out from under the weight of Russia’s trade barriers and toward free markets in the West, leading to progress on Moldova’s Association Agreement with the EU and the Deep and Comprehensive Free Trade Agreement.
- In Georgia, our support to populations around the Administrative Boundary Lines has strengthened local economies and created thousands of jobs, thereby keeping local populations from having to leave their homes and become internally displaced persons.

- Countries including Ukraine have started developing alternative energy supply sources, limiting the use of Gazprom as a political lever.
- And, in Central Asia, specifically the Kyrgyz Republic, we have supported civil society organizations, engaged with Parliament and, successfully pushed officials there to reject a draft “foreign agent” law.

These investments continue a long history of success associated with U.S. assistance in this region, and we are grateful to Congress for the generous support it has provided.

While the success of our assistance is significant, the map of a free, democratic, market-based Europe, Eurasia, and Central Asia remains incomplete. We continue to grapple with corruption, backsliding on democracy, suppression of media and civil society, ethnic tension, and protracted conflicts in states across the region.

In light of these challenges, your increases to the budgets for Europe, Eurasia, and Central Asia have allowed us to meet urgent needs in countering immediate threats and helping countries in this region move toward Euro-Atlantic institutions and more prosperous futures.

In the upcoming fiscal year, we seek to balance the region’s priorities with our tough budgetary environment. The FY 2017 request for the Europe and Eurasia region is \$787.4 million. For Central Asia, our FY 2017 request is \$164.1 million. My testimony today will first focus on Europe and Eurasia, after which I will cover Central Asia.

On Europe: we have aligned our budget request with four broad strategic objectives: (1) demonstrating our continued commitment to countries as they chart their political and economic futures in the face of bullying from outside actors; (2) bolstering countries’ efforts to

combat corruption, build rule of law, and foster clean, transparent, accountable governance that delivers for their people; (3) deepening and expanding democracy, political openness, civil society, and free, independent media; and (4) rolling back transnational threats that rob the region of its prosperity and undermine its security.

Let me address each of these four objectives.

First, we are committed to supporting the sovereign choice of countries to determine their own political and economic destinies. That struggle is most vividly illustrated in Ukraine, where Russia has sought to stymie democratic rebirth at every turn – with political pressure, economic pressure, and with military aggression and violation of international law.

As Vice President Biden said in Kyiv, “the United States will continue to stand with Ukraine against Russian aggression. We're providing support to help and train and assist security forces, and we've relied on and rallied the rest of the world to Ukraine's cause.” Since the crisis began, the U.S. government has committed over a billion dollars in assistance for Ukraine. This figure includes over \$600 million in security assistance, over \$111 million to support humanitarian efforts, and approximately \$10 million for U.S. advisors that serve in Ukrainian ministries and localities. In addition, the United States has provided the Ukrainian Government with two \$1 billion loan guarantees, and signed a third agreement on June 3 to provide a third loan guarantee later this summer.

As mentioned in my introduction, while our investment in Ukraine is long-term, we are already seeing positive results. Ukraine has largely stabilized its currency and is rebuilding its reserves, seen modest growth in the economy, approved a 2016 budget in line with IMF requirements, passed civil service reform to create competition and transparency, recruited a new corporate board for Naftogaz, broke its own record for greatest wheat exports, and began to decentralize

power and budget authority to local communities to improve services and policing for citizens.

Ukraine has clearly made strong progress in the face of severe challenges. To keep this momentum going, we have requested about \$295 million for Ukraine in FY 2017. With this funding, we expect Ukraine to move to the next phase of its cross-sector anti-corruption reforms, including police, justice sector, tax and customs, and energy-related reforms; further its implementation of decentralization reform, and strengthen civil society and independent media; create an enabling business environment that attracts foreign and domestic investment; and continue to undertake extensive defense reforms to modernize Ukraine's military and security services and increase interoperability with NATO.

Just as we are supporting Ukraine in its efforts to pursue clean, democratic, accountable governance and closer ties with the EU, we are assisting Georgia and Moldova to do the same. As Georgia, Moldova, and Ukraine grow closer to the EU, get visa-free travel, and increase exports of their goods, services, and ideas into the world's largest market, we are by their side, strengthening their sovereign defense and helping them reform.

As in Ukraine, Russia has sought to derail the European integration of Moldova and Georgia. Russia has introduced trade barriers, leveraged its control of energy supplies, and undermined the sovereignty and territorial integrity of these states by expanding its purported "borderization," and signing so-called "treaties" with breakaway regions in both countries. To help these countries become more resilient against future threats, funding for Georgia, Moldova, and Ukraine makes up 56% of our FY 2017 request for Europe and Eurasia and will further promote economic growth, energy independence, and defense capacity throughout the region.

Of course, our efforts to build a stronger, more resilient Europe cannot end in Georgia, Moldova, or Ukraine. Europe, as a whole,

remains susceptible to malign Russian influence, and its dependence on Russian energy leaves it particularly exposed.

In an effort to reverse this trend and minimize the influence of Russian energy on the region, our energy assistance programs aim to:

- Increase efficiency to reduce overall demand;
- Support regulatory reform in line with EU standards, accelerate integration with European energy markets, and increase transparency, accountability, and efficiency of energy producers;
- Promote diversification, including through the development of renewable energy sources, alternative routes, and reverse flow; and
- Develop a business enabling environment to encourage greater investment in infrastructure.

We are already seeing these efforts bear fruit.

Energy diversification also continues to be a key component of our strategy, and we have seen progress on this front across Europe. In the Baltics and Central Europe, critical projects and actions have reduced energy vulnerability, including the opening of Lithuania's and Poland's new Liquefied Natural Gas (LNG) terminals, and the construction of electricity grid connections between the Baltic countries and their EU partners.

We appreciate the attention so many members of this subcommittee have paid to these issues, your visits to countries under threat, and your energy security advocacy, including for the completion of projects like the Southern Gas Corridor and against schemes like

Nord Stream II that will increase Europe's dependence on single energy sources.

Our FY 2017 request for the Western Balkans includes approximately \$154 million to help these countries complete their democratic journeys, integrate into European and Euro-Atlantic institutions, and reduce their vulnerabilities to external pressures. U.S. assistance will continue to support critical rule-of-law reforms, counter corruption, and support a business-enabling environment—all of which are central to stabilization and integration efforts. Our rule of law and law enforcement programming will also bolster Balkan efforts to fight the scourge of migrant smuggling, ease the suffering of refugees, and mitigate the impact of the migration crisis on our European partners.

With regards to our partner countries' path towards economic resiliency, our assistance helps address the exceptionally high levels of unemployment, particularly for young people; enhances the economic competitiveness of businesses, expands access to finance for small and medium enterprises and entrepreneurs; and provides business skills training for individuals, including those leading to internationally recognized certifications.

And to finally close the chapter on ethnic tension and polarization in the Balkans, we support initiatives that tackle regional challenges and advance reforms needed to support normalization agreements of relations between Serbia and Kosovo, and that underpin the socioeconomic and political reforms needed to strengthen efficient democratic institutions in Bosnia and Herzegovina. In Kosovo, our assistance represents a continued investment in the development of a truly multi-ethnic democracy, in which all citizens can expect transparency and results from their government, and where energy security is assured.

With respect to our second objective, we are working to help countries, civil society, and the private sector in Eastern Europe and

the Balkans to strengthen rule of law and combat the cancer of corruption. The reason is simple. As Secretary Kerry said in London last month, “Corruption tears at the entire fabric of a society... [It] is as much of an enemy... as some of the extremists we’re fighting or some of the other challenges that we have faced.”

Our FY 2017 budget request will support our anti-corruption efforts, strengthen justice-sector projects, support independent and effective judiciaries, increase government transparency, promote e-governance tools, and empower civil society across the region. The United States will work with partners at all levels—local, regional, national, and cross-border— to enhance their work.

In this, we will build on recent progress. In Albania, our technical assistance has advanced Albania’s process to overhaul judicial administration and improve accountability for corruption, and we continue to work with the Albanians to ensure passage of a comprehensive judicial reform package.

In Macedonia, we are providing essential capacity building and technical assistance to the recently-established Special Prosecutor’s Office (SPO)—one element of the Przino agreement aimed at resolving the ongoing political crisis. The SPO has made important progress in investigating the wiretapping scandal that led to the crisis, all the while ensuring transparency with the public and media on the state of ongoing investigations.

In Bosnia and Herzegovina, we are capitalizing on previous work to facilitate the drafting and passage of new whistleblower protection legislation by providing legal assistance to whistleblowers and victims of corruption needed to utilize that mechanism. We are also empowering citizens to combat corruption in the health, education, and public procurement and employment sectors through civic monitoring and evidence-based research.

Toward our third objective, we are working to reverse the worrying trend of backsliding on democracy and attempts to close the space for political pluralism, public discourse, and democratic dissent throughout the region. While we have seen citizens across the region stand up and demand legitimacy and accountability from their governments, we have also seen peaceful demonstrations quashed by brazen leaders grasping to maintain power. In a growing number of countries, leaders are placing restrictions on the space for civil society and media in order to silence their critics and to tip the scales in their favor.

Our FY 2017 request for democracy funding is approximately \$232 million and is aimed at empowering citizens to engage with their governments, whether through civil society, independent media, the justice sector, or through political activism. We will proudly support civil society and independent media as they shine a light on democratic and good governance challenges in the Balkans, such as NGO monitoring of public spending and fact-checking; countering democratic backsliding; and supporting those brave activists, journalists, and ordinary citizens who hold governments accountable to their international obligations and live up to the democratic principles often enshrined in their constitutions.

In regard to our fourth strategic objective, U.S. assistance is playing an important role in enhancing security and addressing serious challenges that threaten peace and stability across this region and within our own country. These threats include Russian aggression in Ukraine, ongoing Russian occupation of Georgia's Abkhazia and South Ossetia regions, disputes in Nagorno-Karabakh and Transnistria, organized crime and illicit trafficking, violent extremism, foreign fighters traveling from Europe to Syria and back, and the proliferation of weapons of mass destruction.

Peace and Security programs that will work to address these problems account for almost \$304 million or 39 percent of the total FY 2017 request for Europe and Eurasia. Included in this amount is

\$3 million to address the challenge of countering violent extremism in the Western Balkans. The FY 2017 request also includes \$15 million for a European Security Assistance Fund within the Europe and Eurasia Regional budget to help increase the defense capacity of key allies and partners as well as \$3 million to address the challenge of countering violent extremism in the Western Balkans.

We will use these security funds to strengthen national territorial defense and expeditionary capabilities in support of collective security.

The President's Budget Request also includes \$3.4 billion for the European Reassurance Initiative. Although this is not a State Department program, the fulfillment of this request is critical to our diplomacy efforts and to our defense and deterrence posture in Europe.

While our efforts to bolster regional security and defense are critical to deterring future threats, they cannot replace the importance of building bridges and sharing ideas between peoples. In Russia, in particular, we continue to support direct engagement between Russians and Americans, including through peer-to-peer, education, and cultural programs and would ask that Congress provide some limited flexibility in affording these valuable opportunities to Russians who choose to engage, such as teachers and professors at state-run schools and universities.

These four strategic goals have been designed with today's tough budget climate in mind. As the United States and the international community renew their investment, we are engaging with all stakeholders to avoid duplication and ensure that U.S. assistance is targeted effectively. This includes regular communication with host government officials and European and other international donors, and of course, continued dialogue with civil society, the private sector, and the public to ensure that all voices are heard.

Thankfully, this region has a history of producing a good return on investment. Of the 24 original SEED assistance countries, 17 have joined the World Trade Organization, 10 have acceded to the European Union, and 12 have joined NATO. The 11 countries that have graduated from our assistance programs are strong allies, with some even providing their own economic assistance in the region. And, today, we are working with emerging donors of Central and Eastern Europe to bring their transition experience, best practices, and economic support to the Balkans and other countries of the post-Soviet space.

Turning to Central Asia, the region continues to be of strategic importance to the United States and is critical in creating the connectivity needed for the transition in Afghanistan. These countries remain an important front in the fight against terrorism and violent extremism, as well as transnational organized crime and narco-trafficking. And, as Russia's actions in Ukraine clearly demonstrate, the region needs our support for the sovereignty and territorial integrity of all five Central Asian countries, greater regional economic cooperation, and progress on a range of human rights issues across the entire region.

Toward these ends, our goals in Central Asia are:

- A more secure and stable region that is not a safe-haven for extremist or terrorist activity;
- Greater regional economic cooperation that promotes greater prosperity and stability across the region, including creating a constituency for peace and economic progress in Afghanistan; and
- More democratic, accountable and inclusive governance.

In pursuing these goals, we face challenges similar to those we face in Europe—including pressure from Russia, attempts to close the space for political pluralism, public discourse and democratic dissent, and corruption—but we also face other challenges, including lack of sufficient economic opportunities, impending leadership transitions, declining remittances from migrant laborers in Russia, issues arising from the transition in Afghanistan, and the rise of threats from foreign fighters, ISIL, and other extremist groups. Human rights records remain flawed. And access to objective information and Internet freedom remains limited in many of the countries.

The FY 2017 request for the region is \$164.1 million. Our programs will help increase economic resiliency, reduce reliance on remittances, and diversify exports.

This year our assistance will be complemented by a new diplomatic initiative, the C5+1 framework, launched by Secretary Kerry during his historic Central Asia trip last fall. This diplomatic effort will amplify our assistance efforts to create economic growth programs, increase job opportunities, expand trade, develop alternate sources of energy, and enhance regional security.

In the Kyrgyz Republic, our largest assistance recipient, we will continue efforts to consolidate democracy and border programs to counter transnational crime, narco-trafficking, terrorism and violent extremism.

Our assistance throughout the region will support increased access to objective information and the development of independent media. Regional assistance programs will continue to promote a regional energy market, facilitate trade and transport, ease border and customs procedures, and connect businesses and people.

As Secretary Kerry said when he testified before this committee in February, “There’s a reason why most people in most places still turn to the United States when important work needs to be done. It’s not because anyone expects or wants us to shoulder the full burden – but because we can be counted on to lead in the right direction and toward the right goals.” For 25 years, our assistance to Europe, Eurasia, and Central Asia has been leading the way in completing our mission of a “Europe whole, free, and at peace” and a Central Asia that is more interconnected, safe, and prosperous.

Along the way, our assistance has torn down walls, built lasting connections between peoples, and improved the lives of millions. We are aware of the very real constraints affecting foreign assistance. And we are committed to working diligently, effectively, and imaginatively with the resources provided by the American people in the service of our values and our national interests to increase democracy, stability, and prosperity throughout the region.

I will now turn to my colleagues in the South and Central Asia Bureau as well as USAID to describe the programs we have in these regions in greater detail. I look forward to your questions.