

TESTIMONY OF PAIGE E. ALEXANDER
Assistant Administrator for Europe and Eurasia
United States Agency for International Development

Before the
House Committee on Foreign Affairs; Subcommittee on Europe and Eurasia
April 14, 2011

Chairman Burton, Ranking Member Meeks, and members of the Subcommittee:

Thank you for inviting me to appear before you today. I appreciate the opportunity to discuss USAID's successes in Europe and Eurasia, the persistent development challenges, and our future direction in a period of resource constraints.

The President's fiscal year 2012 budget request for Europe and Eurasia builds on momentum for reform, seeks to entrench stability, and addresses key challenges that inhibit the full democratic and economic transitions of the region. To accomplish these objectives, the President's request includes \$513.9 million for Assistance to Europe, Eurasia, and Central Asia; \$14.5 million for Global Health and Child Survival (USAID); and \$6 million for the Economic Support Fund.

Recognizing the tight budget environment, successes in key areas, and a need to fund other global priorities, the President's Budget proposes significant savings for the Europe and Eurasia region. The request saves \$97 million (16 percent) in AEECA and \$27 million (82 percent) in ESF funds for the region when compared to FY 2010 enacted levels. Funding for GHCS (USAID) falls slightly below a straight-line.

Twenty years of USAID engagement in Europe and Eurasia have produced sustainable democratic and economic transitions in eleven of the twenty-four original countries that received assistance. Seventeen countries have joined the World Trade Organization; ten have acceded to the European Union; and twelve have joined the North Atlantic Treaty Organization. Once our opponents in the Cold War, the former Eastern Bloc states that have graduated from USAID assistance are now among the strongest supporters of U.S. foreign policy objectives.

Our experiences, successes, and lessons learned through the social, political, and economic transitions of European and Eurasian countries are particularly relevant as the Middle East faces democratic transitions of its own. We have learned that these transitions are neither quick nor smooth – they require time and continued commitment. Democracy cannot be created overnight nor can democratic principles become universal in just a few years.

In Europe and Eurasia, we are advancing these transitions by actively building sustainable partnerships and addressing key challenges that further U.S. national security and economic interests. USAID assistance prevents instability and fosters emerging markets. We have seen that the ability of other countries to weather global economic crises directly affects the U.S. economic stability in a globalized market.

An authoritarian regime that does not enjoy democratic legitimacy is ultimately prone to instability and political upheaval. An individual carrying multi-drug resistant TB has the

potential to infect Americans both here and abroad. High unemployment, sharp ethnic divisions, frozen conflicts, and spreading epidemics continue to pose significant development challenges in Europe and Eurasia.

Assistance from the American people prevents the spread of HIV and AIDS in the only region in the world where HIV prevalence is increasing – with an estimated 130,000 new cases in 2009 alone.

Assistance from the American people advances government accountability, confronts democratic backsliding, and upholds universal rights in a region that still counts some of the world's least democratic states as its members. Just recently, Belarusian leaders brutally cracked down on opposition and civil society activists and independent journalists.

Assistance from the American people supports human rights activists and strengthens civil society to defend those who peacefully advocate for increased liberties and accountability. Natalya Estemirova, for instance, was a journalist who was abducted and killed while reporting on human rights in the North Caucasus.

Assistance from the American people promotes entrepreneurship to combat high unemployment and poverty, critical in countries such as Kosovo, where unemployment rates among youth reach over 50 percent and where 45 percent of the population lives below the poverty line.

Assistance from the American people seeks to protect victims of human trafficking in the fastest growing source region of the world, where an estimated 175,000 to 500,000 people are trafficked annually.

Assistance from the American people calms ethnic tensions and helps resolve frozen conflicts, which can otherwise erupt into violence as seen in Georgia in 2008, or costly military involvement as seen in the Balkans.

USAID ensures that Europe's poorest citizens have the tools to thrive and maintain social and economic stability through core investments in health, education, and workforce development.

USAID secures government accountability by strengthening civil society, increasing transparency, and defending universal values.

USAID enhances energy independence and security by diversifying resources and fostering new distribution networks to link markets.

USAID promotes broad-based economic growth to create the American markets of tomorrow by building local entrepreneurship and innovation and strengthening institutions and investment environments.

We are confident that the resources the U.S. invests in this region will continue to provide a strong return on investment and help achieve our core policy objectives.

The President's request reflects our commitments to:

- Partner with Russia as an emerging donor while pressing for respect of universal values and democratic liberty;
- Enhance stability in the Caucasus through assistance for economic growth and democracy, particularly building on post-conflict gains in Georgia;
- Promote democratic and economic reform in Ukraine;
- Support Moldova's progress toward European integration by strengthening democratic institutions and promoting economic growth;
- Address the most difficult challenges to democracy and human rights, like those seen in Belarus; and
- Increase stability in the western Balkans by helping countries there reach their goal of Euro-Atlantic integration, through programs that strengthen economic opportunity, build democratic institutions, and promote tolerance and reconciliation.

We will work with increased efficiency and creativity to address these key challenges and advance the democratic and economic transitions of the region. We are fundamentally transforming the way that we work by strategically realigning our Foreign Service Officer positions, empowering local staff, increasing reliance on cost-effective D.C.-based staff, and restructuring our field presence.

By FY 2012, we will reduce our permanent American Foreign Service Officer positions in the region by roughly 25 percent.

By FY 2012, we will move to a model endorsed in the Quadrennial Diplomacy and Development Review that would utilize USAID technical expertise on a regional basis.

By FY 2012, we will end USAID funding for assistance programs to Montenegro – a middle-income country that is on a sustainable path to becoming a fully democratic, market-based economy. While USG funding will continue to support key priorities, graduating Montenegro will allow USAID to focus on other global priorities. Eleven countries have already graduated from U.S. foreign assistance, and the Administration is using an agreed-upon framework to assess possibilities for further phase-outs that takes into account the needs of recipient countries in the region, the advancement of U.S. interests, and the availability of resources.

Through the USAID Forward reforms, we are redoubling our efforts to increase donor coordination, enhance sustainability through local capacity building, use science to leapfrog global development challenges, share lessons learned from our experiences with transitions, better utilize our talented human resources, and better measure our progress along the development continuum.

To further improve efficiency and effectiveness to meet continuing challenges, we are leveraging funding to maximize the impact achieved with every American taxpayer dollar spent in Europe and Eurasia. We are partnering with international donors, host countries, and the private sector to amplify our results and achieve positive development outcomes.

In Bosnia-Herzegovina, USAID has leveraged over \$60 million of additional funding from other international donors, including the launch of the first ever jointly funded Development Credit Authority loan guarantee program, which unlocked \$40 million to spur local entrepreneurship by combining capital with the Swedish International Development Agency.

In Azerbaijan, the host government has provided a near one-to-one match to co-finance USAID-implemented economic growth and community development programs.

Throughout the region, USAID has leveraged over \$350 million from the private sector through Global Development Alliances.

With Congressional support, USAID has financed 10 enterprise funds, covering 18 countries, which have leveraged over \$9 billion in additional financing to strengthen private sector growth. Profits from these funds have been reinvested in the target countries to further propel economic development and even have already returned a total of \$180 million to American taxpayers through the U.S. Treasury.

We are also forging new partnerships with emerging donors to work with us to overcome development challenges across the globe. For instance, Administrator Shah signed a Protocol to cooperate on the global eradication of polio, which will bring together Russian and American experts to work side-by-side in third countries to rid the world of this disease once and for all. However, we recognize that the potential for our countries to work together to address common challenges over the long term will be influenced by the extent to which Russia develops a more open, accountable and democratic political system.

I look forward to working with you as we transform the way that we work to advance U.S. interests by meeting the 21st century development challenges and building strong partnerships with the stable and sustainable market-oriented democracies of Europe and Eurasia.

Thank you and I would welcome any questions from the Committee.