AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

BUDGET OVERSIGHT: EXAMINING THE PRESIDENT'S 2012 BUDGET REQUEST FOR EUROPE AND EURASIA

HEARING

BEFORE THE

SUBCOMMITTEE ON EUROPE AND EURASIA

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

APRIL 14, 2011

Serial No. 112–43

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/

U.S. GOVERNMENT PRINTING OFFICE

65–799PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON FOREIGN AFFAIRS

ILEANA ROS-LEHTINEN, Florida, *Chairman*

CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
ELTON GALLEGLY, California
DANA ROHRABACHER, California
DONALD A. MANZULLO, Illinois
EDWARD R. ROYCE, California
STEVE CHABOT, Ohio
RON PAUL, Texas
MIKE PENCE, Indiana
JOE WILSON, South Carolina
CONNIE MACK, Florida
JEFF FORTENBERRY, Nebraska
MICHAEL T. MCCAUL, Texas
TED POE, Texas
GUS M. BILIRAKIS, Florida
JEAN SCHMIDT, Ohio
BILL JOHNSON, Ohio
DAVID RIVERA, Florida
MIKE KELLY, Pennsylvania
TIM GRIFFIN, Arkansas
TOM MARINO, Pennsylvania
JEFF DUNCAN, South Carolina
ANN MARIE BUERKLE, New York
RENEE ELLMERS, North Carolina
VACANT

HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
ENI F.H. FALEOMAVAEGA, American Samoa
DONALD M. PAYNE, New Jersey
BRAD SHERMAN, California
ELIOT L. ENGEL, New York
GREGORY W. MEEKS, New York
RUSS CARNAHAN, Missouri
ALBIO SIRES, New Jersey
GERALD E. CONNOLLY, Virginia
THEODORE E. DEUTCH, Florida
DENNIS CARDOZA, California
BEN CHANDLER, Kentucky
BRIAN HIGGINS, New York
ALLYSON SCHWARTZ, Pennsylvania
CHRISTOPHER S. MURPHY, Connecticut
FREDERICA WILSON, Florida
KAREN BASS, California
WILLIAM KEATING, Massachusetts
DAVID CICILLINE, Rhode Island

YLEEM D.S. POBLETE, *Staff Director*
RICHARD J. KESSLER, *Democratic Staff Director*

SUBCOMMITTEE ON EUROPE AND EURASIA

DAN BURTON, Indiana, *Chairman*

ELTON GALLEGLY, California
GUS M. BILIRAKIS, Florida
TIM GRIFFIN, Arkansas
TOM MARINO, Pennsylvania
JEAN SCHMIDT, Ohio
TED POE, Texas

GREGORY W. MEEKS, New York
ELIOT L. ENGEL, New York
ALBIO SIRES, New Jersey
THEODORE E. DEUTCH, Florida

CONTENTS

Page

WITNESSES

Mr. Daniel Rosenblum, Coordinator of U.S. Assistance to Europe and Eurasia, Bureau of Central and South Asian Affairs, U.S. Department of State 8
Ms. Susan Elliott, Deputy Assistant Secretary, Bureau of European and Eurasian Affairs, U.S. Department of State 16
Ms. Paige Alexander, Assistant Administrator, Bureau for Europe and Eurasia, U.S. Agency for International Development 20
Ms. Nisha Biswal, Assistant Administrator, Bureau for Asia, U.S. Agency for International Development 26

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Dan Burton, a Representative in Congress from the State of Indiana, and chairman, Subcommittee on Europe and Eurasia: Prepared statement 4
Mr. Daniel Rosenblum: Prepared statement 11
Ms. Susan Elliott: Prepared statement 19
Ms. Paige Alexander: Prepared statement 23
Ms. Nisha Biswal: Prepared statement 29

APPENDIX

Hearing notice 50
Hearing minutes 51
Questions submitted for the record to Mr. Daniel Rosenblum and Ms. Susan Elliott by the Honorable Dan Burton 52
Questions submitted for the record to Mr. Daniel Rosenblum by the Honorable Ted Poe, a Representative in Congress from the State of Texas 55

BUDGET OVERSIGHT: EXAMINING THE PRESIDENT'S 2012 BUDGET REQUEST FOR EUROPE AND EURASIA

THURSDAY, APRIL 14, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EUROPE AND EURASIA,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m., in room 2200, Rayburn House Office Building, Hon. Dan Burton (chairman of the subcommittee) presiding.

Mr. BURTON. Good afternoon. The Subcommittee on Europe and Eurasia will come to order.

Last week's budget debate between Republican leadership and the White House showed how divided and contentious discussions about our spending have become. Democrats like my colleague here continue to ask for bigger government than this Nation can afford. We don't collect enough revenue to meet spending, and the revenue we do collect largely goes to paying interest on the debt which foreign nations hold.

Contrary to the belief held by some on Capitol Hill, the average American doesn't want to have excess funds to pay for a bigger government. Neither could we ask Americans to pay more, nor borrow, greater amounts by mortgaging the future of our society and our children and our grandchildren. I am sure you have all heard that.

As our budget problems become more alarming, President Obama has ignored his own advisors on the debt, refusing to adopt many of the recommendations. Ben Bernanke, Erskine Bowles, and Alan Greenspan have said that the President's spending is not sustainable. The Congressional Budget Office agrees with this assessment. However, the President recently handed Congress a bloated budget request for 2012. President Obama has already overspent by $830 billion in the first 6 months of this year, the 2011 budget year, with the Congressional Budget Office projecting that the total 2011 deficit spending will reach $1.5 trillion. By contrast, the entire debt that was accrued between 2000 and 2008 was only $1.76 trillion. So what we incurred as debt between 2000 and 2008 was not much more than we are incurring just this 1 year.

So we have got a real fiscal problem. The deficit spending of the U.S. Government is out of control. As members of this subcommittee, we have an obligation to the American people to conduct responsible oversight of the portion of the U.S. budget under this subcommittee's jurisdiction.

I know the State Department budget is less than 1 percent of GDP. I don't understand those who point to the relatively small size of the State Department budget as being itself a justification. No amount of taxpayer money is too small to go unjustified.

The proposal we discuss today increases the core State Department budget to $53 billion and represents an increase of 23 percent, $10 billion over the Department's 2008 budget of $43 billion. And that is one of the things I know that you know we are concerned about. We want to stay as close to the 2008 budget as possible because of the overspending, and a 23 percent increase just isn't going to cut it.

I have heard from some who still want more spending, or to protect their own share of the Federal pie. And I have told them the same thing, that we just have to cut spending, there is no more pie left.

Today, I will ask our witnesses to identify areas of essential spending and for them to prioritize programs and needs. And I know you are all qualified to do that. We must curtail some programs, even if they are noble and justified, because we just don't have the money. The reasoning that we are doing great things and it helps our friends, those are good reasons, but we can't justify a total deficit that has increased by $4.19 trillion in the last 2½ years. I mean, it boggles my mind.

We have continuously overfed a beast whose burden will consume us all, yet, there is little urgency to do anything about it. So, I ask everyone, Republicans and Democrats, to raise the bar of what constitutes justifiable spending so that "essential" truly means "essential," and that the only spending done is for programs that are truly vital to our national interest.

It is with relief that I see the budget request that is pertaining to the jurisdiction of this subcommittee, decline from previous years. I understand that the efforts of the State Department and the Agency for International Development to develop democracy, rule of law, and stronger government institutions, have paid off, meaning the need for many programs no longer exists.

However, there still exists a need for concentrated efforts in some countries that continue to receive assistance. The Balkans, which have made great progress in the last 15 years, still need attention to help permanently solidify democracies and ascension into the transatlantic community. The Caucasus, which have greater needs, still struggle with diversifying economic and political relations beyond their historic connections to Moscow. And we met one of their Ambassadors today.

The Central Asian countries continue to transition at a slower pace than anticipated, as they attempt to balance the needs for government reforms, protection of rights, stronger democracy and economic development, after years of Soviet influence.

I recognize that reforms and development will take time as well as funding by the United States and the international community of nations. For this reason, we should be careful about how we spend our precious dollars. We should focus on productivity and efficiency in our work with the like-minded actors. Specifically, I applaud U.S. efforts in Kyrgyzstan, where democratic reforms offer so much promise. I also commend U.S. support of Georgia as it deals

with, to put it delicately, a very overbearing neighbor. And, I just met with their Ambassador, who seems like a pretty dedicated individual. I believe in working together and providing assistance to countries that are like-minded in the belief that we will get the most return on our dollar.

In that vein, I question the necessity to spend $72 million in Russia, where it seems our taxpayer dollars have little chance of making a lasting impact. Additionally, Ukraine, Kazakhstan, among others, are also concerns as to how effective our efforts can truly be when they and others seem to sway between democracy and autocracy.

I do not advocate for boarding up USAID offices and removing the United States from the region. However, less can be more. Throwing more taxpayer dollars at problems does not guarantee favorable results.

I thank the witnesses for being here today, and agreeing to visit the Hill and testify in such a turbulent time of debate between Congress and the Obama administration, regarding spending.

I will recognize all four of you as dedicated public servants to the United States, and I will not throw any rocks at any of you. That is not in the script. But nevertheless, any criticism you might hear today is not a personal, but institutional concern. However, I do take exception to how American policymakers in general continue to spend taxpayer money so easily and at such high rates, the likes of which this country has never seen before. This has to come to an end because we are just about broke.

[The prepared statement of Mr. Burton follows:]

Remarks of the Honorable Dan Burton
Chair, Subcommittee on Europe and Eurasia
Committee on Foreign Affairs
U.S. House of Representatives
Hearing on: "Budget Oversight: Examining the President's 2012 Budget Request for Europe and Eurasia"

April 14, 2011

Last week's budget debate between Republican leadership and the White House showed how divided and contentious discussions about our spending have become. Democrats continue to ask for a government bigger than this nation can afford. We do not collect enough revenue to meet spending. The revenue we do collect largely goes to paying the interest on our debts – which foreign nations hold. Contrary to the belief held by some on Capitol Hill, the average American does not have the excess funds to pay for a bigger government. We can neither ask Americans to pay more nor borrow greater amounts by mortgaging the future of our society, and our children and grandchildren's future.

As our budget problems become more alarming, President Obama has ignored his own advisors on the debt refusing to adopt many of their recommendations. Ben Bernanke, Erskine Bowles, and Alan Greenspan, have said that President Obama's spending is not sustainable. The Congressional Budget Office agrees with this assessment. However, the President recently handed Congress a bloated budget request for 2012. President Obama has already overspent by $830 Billion in the first six months of the 2011budget year with the Congressional Budget office projecting that the total 2011 deficit spending will reach $1.5 Trillion. By contrast, the entire debt accrued between 2000 and 2008 came to $1.76 Trillion.

The deficit spending of the U.S. government is out of control. As members of this Subcommittee, we have an obligation to the American people to conduct responsible oversight of the portion of the U.S. budget under this Subcommittee's jurisdiction. I know the State Department Budget is less than one percent of GDP. I do not understand those who point to the relatively small size of the State Department Budget as being itself a justification. No amount of taxpayer money is too small to go unjustified. The proposal we discuss today increases the core

State Department Budget to $53 Billion and represents an increase of 23 percent—$10 Billion dollars—over the Department's 2008 budget of $43 Billion.

I have heard from some who still want more spending or to protect their own share of the Federal pie, and I have told them all the same thing–we must cut. There is no more pie left.

Today, I will ask our witnesses to identify areas of essential spending and for them to prioritize programs and needs. We must curtail some programs, even if they are noble and justified, because we no longer have the money. The reasoning that "we are doing great things" and that "it helps our friends" are good, but cannot justify a total deficit that has increased by $4.19 Trillion between 2009 and 2011 alone. We have continuously overfed a beast whose burden will consume us all, yet there is little urgency to do anything about it. I ask everyone, Republicans and Democrats; to raise the bar of what constitutes justifiable spending so that "essential" truly means "essential" and that the only spending done is for programs that are truly vital to our National interests.

It is with relief that I see the budget request as pertaining to the jurisdiction of this Subcommittee decline from previous years. I understand that the efforts of the State Department and the Agency for International Development to develop democracy, rule of law, and stronger government institutions have paid off, meaning the need for many programs no longer exists. However, there still exists a need for concentrated efforts in some countries that continue to receive assistance. The Balkans, which have made great progress in the last 15 years, still need attention to help permanently solidify democracies and ascension into the trans-Atlantic community. The Caucuses, which have greater need, struggle still with diversifying economic and political relations beyond their historic connections to Moscow. The Central Asian countries continue to transition at a slower pace than anticipated, as they attempt to balance the needs for government reforms, protection of rights, stronger democracy, and economic development after years of Soviet influence. I recognize that reforms and development will take time as well as funding by the United States and the international community of nations. For this reason, we should be careful about how we spend our precious resources. We should focus on productivity and efficiency in our work with the like-minded actors. Specifically, I applaud U.S. efforts in

Kyrgyzstan, where democratic reforms offer so much promise. I also commend U.S. support of Georgia as it deals with, to put it delicately, a very overbearing neighbor.

I believe in working together and providing assistance to countries that are like-minded in the belief that we will get the most return on our dollar. In that vein, I question the necessity to spend $72 Million in Russia, where it seems our taxpayer dollars have little chance of making a lasting impact. Additionally, Ukraine, Kazakhstan, among others, are also concerns as to how effective our efforts can truly be, when they and others seem to sway between democracy and autocracy. I do not advocate for boarding up USAID offices and removing the United States from the region; however, less can be more. Throwing more taxpayer dollars at problems does not guarantee favorable results.

I thank the witnesses for being here today and agreeing to visit the hill and testify in such a turbulent time of debate between Congress and the Obama Administration. I recognize all four of you as dedicated public servants to the United States. Any criticism you might hear today is not personal but institutional. However, I do take exception to how American policy makers in general continue to spend taxpayer money so easily and at such high rates, the likes of which this country has never seen before. This must come to an end - we are broke.

Mr. BURTON. And now I would like to recognize my friend for a long, long time, Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman. And I know that the bells have gone off, so I will try to condense everything. First of all, I want to welcome our witnesses. All have long and distinguished——

Mr. BURTON. Excuse me. I don't want to interrupt you, but I have to. On the clock, we have 10 minutes until this vote is over, so I will try to adjourn here or recess when we have 5 minutes to go. Is that all right?

Mr. ENGEL. That is good. I want to thank you for being here. And I am sitting in for Mr. Meeks today who has a family emergency. And he sends his best and he is sorry he is not able to be here.

Mr. Burton is one of my best and closest friends, but we don't agree much on politics. We do actually agree a lot on international politics. But domestic spending is a little bit different. I know that we have to tighten our belts. We can't just keep spending and spending and tighten our belts. But I don't want to be penny-wise and pound-foolish.

We can spend $1 trillion on a war or on two wars or on three wars, or $1 billion to prevent a war. So I think that when we are talking about foreign assistance, I often wonder when I look and see all our people, our dedicated people around the world—and I know Mr. Burton has too—I don't know how they do it. I just don't know how we do it.

This is a very important time and I think that we need to put our money where our mouth is. I think cutting foreign assistance in USAID is a disaster, quite frankly, because 1 percent of the budget—if you ask the American people, they think it is 15 percent of the budget. I have seen these different surveys. So I think now, at a time when we have such a crisis going on in the Middle East, when we have difficulty with states of the former Soviet Union, when we have all kinds of problems, I don't think we should throw good money after bad. But I don't think that we should just, you know, cut for the sake of being cut. And I know that I feel very strongly that the whole discussion shouldn't just be about cutting. Yes, it should be about cutting partially. But it really is what our priorities are; how, you know, how equal can we be?

I find difficulty with tremendous tax breaks at a time we are cutting everything. I think it has got to be a balance, and that is what I really object to. But the chairman and I—and we have been chairs and ranking members for each other and we have worked closely together, and we don't really disagree all that much when it comes to foreign policy. I believe in a robust foreign policy. I believe that the United States needs to be engaged. If we are not engaged, then our enemies will move in and they will be engaged. Russia is trying, time and time again—I am not saying Russia is an enemy, but Russia has its own interests and their interests are not necessarily ours.

I chaired the Western Hemisphere Subcommittee, as did Mr. Burton, and we know that there are enemies in that area. We could start with Hugo Chavez and continue. The Chinese are always trying to invest and do these different kinds of things. So, if we don't—if there is a vacuum and we don't move in, shame on us, because we are really hurting our self-interest.

So I think it is a delicate balance. You don't want to spend money that you don't have. On the other hand, you don't want to pull out programs that you know are very, very important.

So while budgets are tight, U.S. assistance to the European countries still making the transition to democracy in market economies is very, very important. And many countries have graduated from our assistance programs. The leading Central European countries, Poland, Hungary, Czech Republic, Slovakia, and Slovenia don't need much more aid, if any at all. And still, though, some of the Balkan countries, the Caucasus and Central Asia, can still benefit from American help to strengthen their institutions and help their transition to a market economy.

I would like to highlight only some of the key cooperation we have with our European partners. From pressure on Iran to the no-fly zone in Libya, to the massive commerce and cultural exchanges, our relations with the region that deepen our ties, are permanent. We need to continue our intense involvement with the EU and other partners in Europe, and assistance programs I believe are still very important.

One of the questions I am going to ask you—and I have been very much involved in the Balkans throughout the 23 years I have been in Congress, and I have been one of the leading supporters of an independent Kosovo—I will ask you about the Enterprise Fund because the Albanians have returned a chunk of the Enter-

prise Fund. It has been very successful. Albanians in Albania and I want to talk about establishing an Enterprise Fund for Kosovo. I had heard that the days of the enterprise funds were over, but earlier this year I have learned that we are working on one for Egypt. So these are some things I would like to talk about.

I promised the chairman I would be 5 minutes or less, and I am going to keep my promise. And I look forward to listening to you.

Mr. BURTON. We will stand in recess till the fall of the gavel, and we will be back. We have two votes. It shouldn't be too long.

[Recess.]

Mr. BURTON. While Mr. Engel is coming, I will introduce our guests. Daniel Rosenblum is the Coordinator of the U.S. assistance to Europe and Eurasia in the State Department's Bureau of European Affairs, European and Eurasian Affairs. And Mr. Rosenblum oversees all U.S. Government assistance to more than 30 countries in Europe and Eurasia, with primary focus on the Balkans and the former Soviet Union, including Central Asia. Welcome, Mr. Rosenblum.

Paige Alexander was sworn in as Assistant Administrator of the Bureau for Europe and Eurasia at the U.S. Agency for International Development on January 3 of this year. Ms. Alexander heads USAID's development efforts for Europe and Eurasia. Prior to her current position, she was Senior

Vice President of IREX, an international nonprofit development organization. So thank you.

Susan Elliott. Ms. Elliott is Deputy Assistant Secretary of Central Asia in the State Department's Bureau of South and Central Asian affairs. Ms. Elliott is a career Foreign Service officer and her posting includes Russia, Northern Ireland, Secretary Rice's office, Greece and Peru. That is interesting. They have got four countries with Secretary Rice right in the middle there. I don't understand that. Is that a country—Secretary Rice?

Ms. ELLIOTT. I worked on her staff in between overseas postings.

Mr. BURTON. I understand. I am just pulling your chain there.

Nisha Biswal is the Assistant Administrator for Asia for the USAID and oversees their efforts in Central Asia. Prior to her current position, Ms. Biswal was a staff member of the Foreign Operations Subcommittee on the House Appropriations Committee, and the director of InterAction, the largest alliance of U.S.-based development and humanitarian NGOs. I want to thank you very much for being here.

I know he is on his way. Okay. As a matter of fact, there he is, folks. Let's hear it for my buddy. Okay.

We will start with Mr. Rosenblum. Mr. Rosenblum, we will recognize you for 5 minutes.

STATEMENT OF MR. DANIEL ROSENBLUM, COORDINATOR OF U.S. ASSISTANCE TO EUROPE AND EURASIA, BUREAU OF CENTRAL AND SOUTH ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. ROSENBLUM. Thank you, sir. Chairman Burton, Congressman Engel, thanks for inviting us today to talk to you about our Fiscal Year 2012 budget request for foreign assistance to Europe, Eurasia and Central Asia. At today's hearing, I hope we can give

you a good sense of how our assistance programs support U.S. foreign policy interests in ways that directly relate to the security and well-being of the American people.

The President's Fiscal Year 2012 request for this region attempts to balance an awareness of budget constraints with a continued commitment to advancing stability, prosperity and democracy. Our request trims approximately $140 million from the budget for the entire region relative to our 2010 levels. My written testimony provides more detail about our request, and I would ask to submit it for the record.

Mr. BURTON. Without objection.

Mr. ROSENBLUM. In my limited time, I will try to hit the key points.

First, U.S. foreign assistance to this region has helped bring about a remarkable foreign policy success. Twelve of the formerly Communist states of Central and Eastern Europe are members of NATO; 10 of those 12 are now members of the European Union. These countries are among the most stalwart allies of the U.S. in the world. They recognize that the generous U.S. support for their reform efforts in the 1990s and the early 2000s played an absolutely critical role in getting them to where they are today. That support also generated enormous goodwill in those countries so that today these are some of the most pro-American places on Earth.

I would argue that the key to these successes has been consistent policy and resource support over the past 2 decades. The SEED Act and the FREEDOM Support Act were about transition from communism to democracy and free markets, and a strong commitment to that goal has spanned four administrations, Republican and Democratic, and has been supported by the Congress on a bipartisan basis.

My second main point is that the job isn't done. We have learned over the past 20 years that the line from communism to democracy and free markets is not a straight one. We have encountered challenges and setbacks not anticipated in the early 1990s. Those who wrote the SEED Act, for example, never imagined the violent breakup of Yugoslavia and the consequences that we are still dealing with today. The conflict over Nagorno-Karabakh, between Armenia and Azerbaijan, civil war in Tajikistan, separatist movements in Moldova and in Georgia, have all left lasting scars.

While a few countries experienced democratic breakthroughs over the past decade, a greater number of former Soviet countries have seen major backsliding on democracy as old authoritarian habits reasserted themselves.

Meanwhile, a series of transnational threats have emerged. Criminal groups trafficking in narcotics, trafficking in persons and in weapons, filled vacuums left by receding State authority. Infectious disease, such as HIV/AIDS and drug-resistant tuberculosis, began claiming lives. The risk of international terrorism is real, and porous borders of this region make it a potential conduit for extremists of all stripes.

Mr. Chairman, Mr. Engel, this transition is a complicated process in which change will take longer, perhaps considerably longer in some countries than others. And we believe that U.S. engage-

ment, while not in itself sufficient, is a necessary ingredient for achieving that transition goal.

Third point. We are committed to the principle that foreign aid is not a permanent entitlement. Our job is to work ourselves out of a job. All nonmilitary assistance in the region is undertaken with an eye to graduating aid recipients when they have achieved a level of economic and democratic reform sufficient to ensure continued development. Eleven countries so far have graduated from U.S. assistance. And over the past decade we have developed a methodology for phasing out assistance to the rest, based on evaluating performance data collected by various international organizations.

And with your permission, Mr. Chairman, we will submit for the record further information about this methodology.

Mr. BURTON. Without objection.

Mr. ROSENBLUM. My fourth and final point is that we seek to always maximize the impact of the resources provided by the American taxpayer for these programs. And we do this in several ways: By constant monitoring and evaluation of programs so we can draw lessons from our past successes and failures; by seeking to get buy-in from governments in recipient countries, including in a few cases by actually getting them to share the costs of financing our technical assistance, and we can talk more about that later if you are interested; and by leveraging the work of other international donors, especially the European Union and the multilateral development banks.

Mr. Chairman, let me close by emphasizing that what happens in Europe, Eurasia, and Central Asia matters to the United States. Criminal networks, WMD proliferation, infectious disease, these threats have a direct bearing on the security and well-being of American citizens.

We also benefit if more of these countries become stable democracies with market economies that generate growth and thereby create trade and investment opportunities for American companies and potential jobs for American workers.

We will continue to use the resources provided to us by Congress and the American people in the most effective way possible, always mindful of the very real resource constraints affecting foreign assistance. Thank you, sir.

Mr. BURTON. Thank you, Mr. Rosenblum.

[The prepared statement of Mr. Rosenblum follows:]

Testimony of Daniel N. Rosenblum
Coordinator of U.S. Assistance to Europe and Eurasia
House Foreign Affairs Subcommittee on Europe and Eurasia

April 14, 2011

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.

Mr. BURTON. Ms. Elliott.

STATEMENT OF MS. SUSAN ELLIOTT, DEPUTY ASSISTANT SECRETARY, BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. ELLIOTT. Thank you, Chairman Burton, thank you Congressman Engel. As a graduate of the Indiana University and former

resident of the State of New York, it is an honor for me to testify in front of you today. I am glad only the two of you are here.

Mr. BURTON. Your are a real politician.

Ms. ELLIOTT. As you mentioned, I am the Assistant Secretary of State in the Department of State's Bureau of South and Central Asian Affairs. I have responsibility for policy coordination with the countries of Central Asia.

During my 20-year career in the Foreign Service, I have worked on a wide range of issues related to the countries of the former Soviet Union and have traveled extensively in the region.

As Assistant Secretary of State Robert Blake underscored in his remarks to this committee last month, the United States has an important interest in promoting a stable, secure and prosperous Central Asia. Since the breakup of the Soviet Union, our primary policy goal in Central Asia has been to ensure that these newly independent countries remain sovereign and independent while helping them become stable, market-oriented democracies.

The United States currently pursues a broad range of policy goals in Central Asia. Today, I would like to speak to you about the importance of the administration's goals for U.S. engagement and assistance in Central Asia.

Our first goal is to engage the countries of Central Asia to cooperate with us in stabilizing Afghanistan. We believe that Central Asia plays a vital role in our Afghanistan strategy. Three of the five Central Asian states share borders with Afghanistan, and the Northern Distribution Network is an increasingly important route for transporting supplies to our troops in Afghanistan. The Central Asian countries already are contributing greatly to international efforts in Afghanistan, from supplying much needed electricity, to providing humanitarian assistance, to supporting educational opportunities to Afghan students. A stable future for Afghanistan depends on the continued assistance of its Central Asian neighbors and likewise, we believe, greater peace, stability, and prosperity in Afghanistan will ensure a stable prosperous future for Central Asia.

Our second goal is develop stronger bilateral relationships with the countries of Central Asia in order to make progress on democracy and human rights. In December 2009, we announced our intention to hold annual bilateral consultations with each country in order to deepen our engagement with Central Asia. Over the last 1½ years, we have conducted these consultations with all of the Central Asian states except Kyrgyzstan, whose meeting is scheduled for later this year.

These annual bilateral consultations offer a structured dialogue covering a full range of bilateral priorities and result in a work plan to address our key priorities and outline practical steps to advance U.S. policy. While pursuing these goals is often challenging, our engagement and our assistance is yielding important results. Last week marked the 1 year anniversary of the transition to a new government in Kyrgyzstan, and we are grateful that anniversary passed without—passed peacefully. Our assistance in engagement with the government and people of Kyrgyzstan over the last year has focused on addressing ethnic violence that boiled over last June. We also have tried to assist them to create conditions nec-

essary for the first democratically elected Parliament in Central Asia to succeed, the administration's priority to work alongside other donors to bolster Kyrgyzstan's stability and solidify democratic reforms.

Our third goal involves combating narcotics trafficking. We are developing a new counternarcotics initiative that will focus on assistance to governments in the region to create counternarcotics task forces. Our objective is to use intelligence collection and analysis and effective investigative teams to target organized traffickers, seize and confiscate their assets and bring them to justice.

Mr. Chairman, we agree with you that we should be careful about how we spend our precious resources. We view our assistance funding to the region to be a critical tool in accomplishing our policy goals. We envision a future in which the United States and the countries of Central Asia work together for peace, security, democracy, and economic prosperity. We recognize that the pace of change can be slow and that our assistance should support programs oriented toward long-term meaningful results. But through our policy engagement and targeted assistance funding, we aim to strengthen our ties with these important countries and their people and advance U.S. interests in the strategically important region. Thank you.

Mr. BURTON. Thank you very much. It is nice to have an adopted Hoosier with us. We will forget about New York. You don't mind, do you?

[The prepared statement of Ms. Elliott follows:]

TESTIMONY BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE,
SUBCOMMITTEE ON EUROPE AND EURASIA
SUSAN ELLIOTT
DEPUTY ASSISTANT SECRETARY OF STATE
BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS
APRIL 14, 2011

Chairman Burton, members of the subcommittee, thank you for the opportunity to speak briefly with you today on the importance of U.S. engagement and assistance in Central Asia.

As Assistant Secretary of State Blake underscored in his remarks to the subcommittee last month, the United States has an important interest in promoting a stable, secure, and prosperous Central Asia. Since the break-up of the Soviet Union nearly twenty years ago, our primary policy goal in Central Asia has been to ensure that these newly independent countries remain sovereign and independent -- while helping them develop toward becoming stable, market-oriented democracies. The events of September 11, 2001 made clear our common security concerns and led to a significant broadening of the relationships.

Today, the United States pursues a broad range of policy priorities in Central Asia: encouraging cooperation in stabilizing Afghanistan; promoting democracy and human rights; combating narcotics trafficking; promoting a balanced energy policy and support for nonproliferation; and fostering competitive market economies.

Central Asia plays a vital role in our Afghanistan strategy. Three of the five Central Asian states share borders with Afghanistan, and the Northern Distribution Network is an increasingly important route for transporting supplies to Afghanistan. The Central Asian countries themselves are contributing greatly to international efforts in Afghanistan, from supplying much needed electricity to providing humanitarian assistance to supporting educational opportunities for Afghan students. A stable future for Afghanistan depends on the continued assistance of its Central Asian neighbors; and a stable, prosperous future for the Central Asian states will be enhanced through greater peace, stability, and prosperity in their immediate neighbor Afghanistan.

We also believe that developing a more substantive, consistent relationship with the countries of Central Asia in areas of mutual interest will make room for progress on democracy and human rights. In December 2009 we announced our

intention to hold Annual Bilateral Consultations (ABCs) with each country in order to deepen our engagement with Central Asia. Over the last year and a half we've conducted ABCs with all of the Central Asian states except for Kyrgyzstan whose meeting is scheduled for later this year. The ABC discussions offer a structured dialogue covering the full range of bilateral priorities and result in a work plan to address key priorities and outline practical steps to advance U.S. policy goals. While pursuing these goals is often challenging, our engagement -- and assistance -- is yielding important results.

Last week marked the one-year anniversary of the transition to a new government in Kyrgyzstan, and we are grateful that this anniversary passed peacefully. Our assistance and engagement with the government and the people of Kyrgyzstan over the last year has focused on addressing the ethnic tensions which boiled over last June and creating the conditions necessary for the first democratically elected parliament in Central Asia to succeed. A top Administration priority is to work alongside other donors to bolster Kyrgyzstan's stability and solidify democratic reforms.

Mr. Chairman, we continue to view our assistance funding to the region as a critical tool in accomplishing our policy goals. We envision a future in which the United States and the countries of Central Asia work together for peace, security, economic development, democracy, and prosperity. We recognize that the pace of change can be slow and that our assistance should support programs oriented towards long-term, meaningful results. But through our invigorated policy engagement and targeted assistance funding, we aim to strengthen our ties with these important countries and their people and thereby advance U.S. interests in this strategically important region.

Thank you. I look forward to your questions.

Mr. BURTON. Ms. Alexander.

STATEMENT OF MS. PAIGE ALEXANDER, ASSISTANT ADMINISTRATOR, BUREAU FOR EUROPE AND EURASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. ALEXANDER. Thank you, Chairman Burton, Ranking Member Engel and members of the subcommittee. Thank you for inviting me here today 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 the momentum of reform. It seeks to entrench stability and addresses the key challenges that inhibit full democratic and economic transitions in the region. Reflecting on the tight budget environment, successes in key areas, and the need to fund other global priorities, the President's request represents a significant decline in resources from previous years. Twenty years of USAID engagement in Europe and Eurasia has produced sustainable democratic and economic transitions in 11 of the original

24 countries that received assistance; 17 countries have joined the WTO, 10 have acceded to the European Union, and 23 have joined NATO. Once our opponents in the Cold War, the former Eastern Bloc States have graduated from assistance and are now among the strongest supporters of U.S. foreign policy objectives.

We continue to advance transitions by actively building on sustainable partnerships and addressing key challenges that further U.S. national security interests as well as our economic interests. USAID assistance prevents instability and fosters these emerging markets. We have seen that the ability of other countries to weather global economic crises directly affects the U.S. economic stability in this globalized market.

USAID promotes broad-based economic growth to create the American markets of tomorrow by building local entrepreneurship and innovation, and strengthening institutions in investment environments. We are confident that the resources that the U.S. interests invest in this region will continue to provide a strong return on investments and help achieve our core policy objectives.

As Dan laid out four major assistance goals, I would like to reiterate the President's request which reflects our commitment in the region and issues that both of you mentioned.

Partnership with Russia as an emerging donor, while pressing for respect of universal values and democratic liberty. As I am sure the Georgian Ambassador brought up to you, enhancing the stability for the Caucasus through assistance for economic growth and democracy, particularly building on the postconflict gains in Georgia.

Promoting democratic and economic reform in Ukraine, support of Moldova's progress toward European integration by strengthening democratic institutions and promoting economic growth, addressing the most difficult challenges to democracy and human rights, like those in Belarus. And, as Congressman Engel mentioned, increased 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 the key challenges and advance the democratic and economic transitions in this region.

USAID is fundamentally transforming the way that we work by strategically realigning our Foreign Service officer positions, empowering our local staff, and increasing reliance on cost-effective DC-based staff to restructure our field presence.

By Fiscal Year 2012, we will also end USAID funding for assistance programs in Montenegro, which is middle-income country that is on a sustainable path to becoming a fully democratic and market-based economy. Through the USAID forward reforms, we are rebuilding our efforts to increase donor coordination in this region, enhance the sustainability through local capacity building, and to use science to leapfrog global development challenges.

To further improve efficiency and effectiveness to meet continuing challenges, we are leveraging funding to maximize the impact achieved with every taxpayer dollar spent in this region. We are partnering with international donors, host countries, and the

private sector, to amplify our results and to achieve these positive development outcomes.

In Bosnia-Herzegovina, USAID has leveraged over $60 million in additional funding from other international donors, including the launch of the first-ever jointly funded Development Credit Authority Loan Guarantee Program. And it 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 in public-private partnerships through our Global Development Alliance. So with Congressional support, USAID has financed 10 Enterprise Funds, covering 18 countries, and that has leveraged over $9 billion in additional financing to strengthen private sector growth. The profits from these funds have been reinvested in the target countries to further propel economic development, and have already returned over $180 million back to the American taxpayers through the U.S. Treasury. We are also forging new partnerships with emerging donors to work with us to overcome development challenges.

I look forward to working with you as we transform the way that we work to advance U.S. interests in meeting the 21st century development challenges, and building a strong partnership with the stable and sustainable market-oriented democracies in Europe and Eurasia. Thank you and I welcome any questions.

Mr. BURTON. Thank you, Ms. Alexander. The remainder of your statement we will put in the record.

Ms. ALEXANDER. Thank you.

[The prepared statement of Ms. Alexander follows:]

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.

Mr. BURTON. Ms. Biswal.

STATEMENT OF MS. NISHA BISWAL, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. BISWAL. Thank you, Mr. Chairman.

Mr. BURTON. Incidentally, let me just say that we have been joined by my good friend, Congressman Poe from Texas, and Mr. Deutch. Thank you both for being here.

Ms. BISWAL. Thank you, Mr. Chairman, Congressman Engel, Congressman Deutch, and Congressman Poe, thank you for inviting me to testify today. And I also ask that the full statement be placed in the record

Mr. BURTON. Without objection.

Ms. BISWAL. This afternoon, I want to share my perspective on how U.S. foreign assistance in Central Asia is promoting stability, encouraging reforms, and meeting urgent needs.

Mr. Chairman, there is no question that Central Asia is a challenging environment in which USAID works. The lack of political space and the human rights record has been troubling. And yet, we have clear and compelling interests in Central Asia, as my col-

league Susan Elliott mentioned, the most important being the impact on our ability to succeed in Afghanistan and Pakistan.

In Fiscal Year 2012, the President's budget requests a total of $112.8 million for Central Asia through the AEECA account, a decrease of 14 percent from the Fiscal Year 10 enacted levels. The request also includes $35.3 million in global health and child survival funding to support health activities in the region.

Our programs in Central Asia are built around key USAID successes over the years. In 1998, technical support provided by USAID was instrumental in helping Kyrgyzstan become the first country in the region to join the WTO. Today, Kazakhstan is also making progress toward WTO membership, again with USAID assistance. In Kazakhstan, a country which has shown strong growth fueled by oil and gas reserves, USAID's modest program leverages $2 of Kazakh funding for every dollar of U.S. investment for assistance to promote legal regulatory and policy reforms, as well as supporting the expansion of small and medium enterprises.

Regionally, our health programs have had widespread impact. Millions of citizens across the region have greater access to primary health care based on USAID's introduction of family medicine, replacing the old Soviet system.

And while political space in the region is very narrow, the Kyrgyz Republic, as you noted, Mr. Chairman, represents a bright spot for democracy in Central Asia. Kyrgyzstan is undertaking what Secretary Clinton has called a bold endeavor to strengthen and deepen parliamentary democracy in a region where such successes are few.

USAID is doubling down on our efforts to support the democracy efforts in Kyrgyzstan. USAID was there on the ground and able to provide quick support for constitutional referendum and the parliamentary elections, which occurred last year, and we will be there to help Kyrgyzstan prepare for the upcoming Presidential elections as well. And if Kyrgyzstan does succeed, it becomes a model of how democracy can deliver for the people of Central Asia. And if it fails, that failure will be exploited by regional forces unfriendly to democracy and pluralism.

Mr. Chairman, if I may quote my good friend, Ken Wollack of the National Democratic Institute, Kyrgyzstan is not Las Vegas, and what happens in Kyrgyzstan will not stay in Kyrgyzstan. It will spread throughout the region. We are working to make sure that that impact is a positive one.

Tajikistan, USAID's second-largest program, has had a markedly different trajectory and experience. The economic development there has been frustrated by widespread corruption, food and energy shortages, and over-reliance on remittances from abroad. The 2012 request of $42 million will focus on improving food security and addressing health concerns.

USAID support has helped farmers establish more than 30 associations of water users and has led to better management of irrigation and drainage systems, helping many farmers to nearly double their income. We hope to reach an additional 30,000 households through our agricultural programs in funds requested in Fiscal Year 2012.

Our health care programs allowed us to provide a rapid response to the polio outbreak and was instrumental in halting the world's largest outbreak of polio in decades, and that was accomplished through a partnership with Russia as well as India.

Finally, energy security is another area of focus and long-term stability in Central Asia and its economic success will depend greatly on energy production. The countries of Central Asia tend to look at this issue singularly, and we are working to create more regional cooperation as well as enhance regional energy markets, and improve capacity, so that Central Asia can become a more efficient exporter of energy, particularly to Afghanistan and Pakistan.

Let me just conclude, Mr. Chairman, by saying that development saves lives. It strengthens democracies and expands our opportunities around the world. But it also keeps our own country safe and strengthens our own economy. USAID programs in Central Asia are a critical component of securing our vital interests in the region.

Thank you very much for the opportunity to testify today, and I welcome any questions you may have.

Mr. BURTON. Thank you very much.

[The prepared statement of Ms. Biswal follows:]

STATEMENT OF NISHA DESAI BISWAL
Assistant Administrator for Asia
United States Agency for International Development
Before the
House Committee on Foreign Affairs; Subcommittee on Europe and Eurasia

Budget Oversight: Examining the President's 2012 Budget Request for Europe and Eurasia
April 14, 2011

Chairman Burton, Ranking Member Meeks, and members of the Committee.

Thank you for inviting me to testify today on the scope and results of U.S. Agency for International Development (USAID) programs in Central Asia.

This afternoon, I want to share with you my perspective on the essential role of U.S. foreign assistance in promoting stability and meeting urgent human needs in Central Asia.

Mr. Chairman, there's no question that Central Asia is, in many respects, a challenging environment for USAID. The political space and human rights record of many of the countries has been troubling. Yet our ability to succeed in Afghanistan and Pakistan is critically impacted by stability and progress in Central Asia. The region's importance to the United States demands that we find ways to engage the Central Asian republics and work to expand any openings for political and economic reform.

In Fiscal Year 2012, the President's budget requests a total of $112.8 million for Central Asia through the AEECA account, a savings of 14 percent from the FY2010 enacted level. The FY2012 budget requests a total of $45.3 million for health activities through the AEECA and Global health accounts, a $6.2 million increase from the FY 2010 enacted level.

USAID Successes

USAID has provided assistance in the region for nearly 20 years; in fact, since just after the dissolution of the Soviet Union in 1991. USAID activity in the region began in earnest when Congress enacted the Freedom Support Act in 1992, and since then our programs have generated clear successes. For example, in 1998, USAID technical support helped Kyrgyzstan become the first country in the region to join the World Trade Organization, an essential step to improving their economy. Today, neighboring Kazakhstan is well advanced in the WTO accession process. USAID is helping to reduce trade barriers, introduce a customs automation processing system, and expand access to market information.

In Kazakhstan, which has experienced robust growth fueled by oil and gas reserves, USAID's modest program is leveraging $2 of Kazakh funding to every $1 of USAID assistance to support legal, regulatory, and policy reform as well as support the growth of small and medium-sized businesses.

Regionally, USAID health reform programs have had a wide impact. Millions of citizens across the region now enjoy greater access to primary health care based on USAID's introduction of family medicine with its integrated diagnostic approach – in contrast to the once prevalent restrictive Soviet-era specialist-only practice of medicine

As my colleagues have stated, change is a long-term proposition. It does not happen quickly, not even in a single generation, but our assistance to Central Asia has seen significant progress in a relatively short time. The FY 2012 request will allow USAID to continue its strategic investments across the region to improve the economic, social and political outlook for the citizens of Central Asia.

We recognize that we face daunting challenges in the region, including repressive regimes and restrictive political space. But I believe our programs are tightly focused on broadening that political space through advancing economic governance and strengthening democratic governance at the grassroots level through civil society engagement. We are also working with non-governmental partners to meet basic human needs, improve food security and prevent or mitigate crises.

Supporting the Democratic Transition in Kyrgyzstan

If there is one bright spot for democracy in Central Asia, it is the Kyrgyz Republic. Kyrgyzstan, under the leadership of President Otunbayeva, has undertaken what Secretary Clinton called a "bold endeavor" to strengthen and deepen parliamentary democracy in a region where success stories are few and far in between. The referendum in June 2010 provided approval for the revised Constitution and elected a new President. The October 2010 parliamentary elections resulted in a five-party Parliament and a governing coalition. With Presidential elections scheduled for October 2011, USAID is doubling down on its efforts to strengthen democracy in Kyrgyzstan.

In 2010, the Kyrgyz people chose to resume the path to democracy, creating a new opportunity and a challenge to work with the core institutions of that new democracy. USAID has engaged the legislative, executive and judicial sectors as well as launched new programs to engage youth and local economic development. Our parliamentary strengthening programs help members and permanent staff to exercise the new function of governmental oversight and they support legal analysis capacity and public outreach functions of the new Parliament. Emergency elections contingency funds supported the Constitutional referendum and Parliamentary elections and will support the upcoming Presidential elections as well. Additional key democracy programs are in the procurement stage.

If Kyrgyzstan succeeds it becomes a model of how democracy can deliver for the people of Central Asia. If it fails, it becomes a negative example for the whole region that will be exploited by those forces unfriendly to democracy and pluralism.

Mr. Chairman, if I may quote my good friend Ken Wollack, of the National Democratic Institute, *Kyrgyzstan is not Las Vegas. What happens in Kyrgyzstan will not stay in Kyrgyzstan. It will affect the entire region.* USAID is working with the Kyrgyz government to ensure that the impact is a positive one.

The President's FY 2012 request of $42.5 million for Kyrgyzstan will continue assistance to build and further strengthen democratic institutions and processes, reconcile ethnic communities, reduce corruption in the judiciary, create opportunities for youth, and improve respect for human rights. USAID's expert technical advice will help to build legislative capacity of the new Parliament and expanded outreach will increase civil society's input into national decision-making.

USAID democracy and governance programs will also empower the private sector role and contribution to democratic governance and it will engage local municipalities to guide local leaders in establishing priorities based on community needs.

A key to successful democratic programs in Kyrgyzstan is economic development. A local development initiative, begun in 2010, stimulates rapid, diversified and sustained growth of local economies by increasing municipal finance and capital investment and upgrading workforce education. The program also improves the competitiveness of sectors with the most potential, such as agriculture and processing and advocates for national economic reforms needed to sustain these efforts.

Forming cooperatives, providing technical agriculture advice and helping farming communities determine their priorities—equipment, seeds, tools - are all agricultural programs that are democratic in nature. To feed its people and provide them with economic independence, the agriculture sector needs to be invigorated. Unlike its neighbors, Kyrgyzstan is resource poor but simple technology, land use reform, and supply system development will help to keep Kyrgyzstan food secure. The requested FY 2012 resources will allow USAID to support Kyrgyzstan's move more quickly down the path to democracy.

Stability

Tajikistan, USAID's second largest program in the region, has had a markedly different experience. Economic development there has been frustrated by widespread corruption, food and energy shortages, heavy reliance on remittances from abroad and poorly managed borders. These problems have existed for decades and will persist for years to come. However, USAID assistance through non-governmental partners focuses on improving health and education, strengthening local governments, and improving agriculture methodologies.

The FY 2012 request of $42 million will increase Tajikistan's food security by addressing the country's chronic food shortage. USAID support has established more than 30 water-users' associations that empower farmers to manage farm irrigation and drainage systems. These associations have been a key factor in land that is better managed and irrigated and in helping many farmers to double their income last year. The FY 2012 request will allow USAID to reach 30,000 additional households that rely on income from agricultural production but face shortages of water, seeds, fertilizer, and livestock supplies.

In addition to expanding farmers' access to inputs, credit, and processing opportunities, new agricultural techniques, USAID will also work with the private sector to support post-harvest processing and other value-chain improvements in food insecure areas.

The United States will help design and implement a Tajikistan-led, comprehensive food security strategy to help farmers increase their production and profits. Assistance will also support the local private sector and gradually develop markets and cooperatives to create resiliency to food security shocks.

In the health care arena, reform and improvement are closely coordinated with projects undertaken by other bilateral and multilateral donors and support the President's Global Health Initiative. Last year, USAID responded quickly to the polio outbreak and engaged with Russia to contain and combat the spread of the disease. USAID supported the vaccination of more than 7 million children (more than 95 percent of the under-five population) against polio in Central Asia between April and August 2010. Significantly, the U.S.-led response halted the polio epidemic, which was the largest outbreak in the world in several decades. Major efforts to prevent HIV/AIDS and TB, including multidrug-resistant (MDR) TB, which is rapidly increasing in Central Asia and is a worldwide threat, will be supported by the President's FY 2012 request.

USAID assistance in the region will target programs to improve the capability of local governments to serve their communities through delivery of safe drinking water, strengthening NGOs, fostering youth leadership and civic volunteerism, and promoting a demand for greater local and national government accountability.

USAID democracy and governance programs forge partnerships that help Central Asian governments, civil societies, and citizens combat corruption, bolster democratic institutions, mitigate the appeal of extremism, and contribute to long-term development. Assistance will also be used to prepare for elections in 2013, targeting political pluralism and citizen participation.

Energy Security for Central Asia

Long term stability in Central Asia depends on economic success. Availability of energy is a key factor in that success.

In Central Asia, energy, water, and food security are inextricably linked. The forced system of energy cooperation ended with the dissolution of the Soviet Union in 1991. The lack of cooperation on energy, coupled with the availability of water, has become a serious issue in the region.

Tajikistan and Kyrgyzstan have water for generating hydro-electricity, but sharing problems persist. To meet the high demand for electricity in winter, they keep their reservoirs full in the summer just when Uzbekistan needs it for irrigation of its cotton crop. Further, Uzbekistan, Kazakhstan, and Turkmenistan use coal, oil, and gas to generate electricity in the winter, but they do not necessarily provide electricity to Tajikistan and Kyrgyzstan.

Currently, each country is focused on its own internal needs, but there must be regional cooperation among the five Central Asian Republics. Strengthening energy markets, especially electricity, and cooperation among the Central Asian countries and improving their ability to export energy to other countries, such as Afghanistan and Pakistan, are of strategic importance to U.S. objectives in the region and are the focus of USAID's Regional Energy Security,

Efficiency, and Trade (RESET) program. USAID's programs in Central Asia will facilitate the development of a regional market for electricity, helping to:

- Create an institutional framework for the coordinated exchange of electric power, pricing of ancillary services, and allocation of transmission capacities;
- Establish the economic value of water-regulating services related to flood control and irrigation;
- Ensure an increased and more reliable supply of electricity available for export beyond Central Asia.

Uzbekistan has become a major supplier of electricity to Afghanistan, but the system is not transparent or always predictable. Turkmenistan and Afghanistan have been negotiating on cross-border cooperation on electricity for several years, but pricing disagreements continues to be an obstacle. USAID's program is designed to address these issues and to foster greater cooperation and transparency in the process.

Reliable and widespread energy availability is a key to the economic independence of each republic in Central Asia. Central Asia's export of electricity to its southern neighbors will help contribute significantly to Afghanistan's success charting a viable economic path and will enhance economic growth in Pakistan.

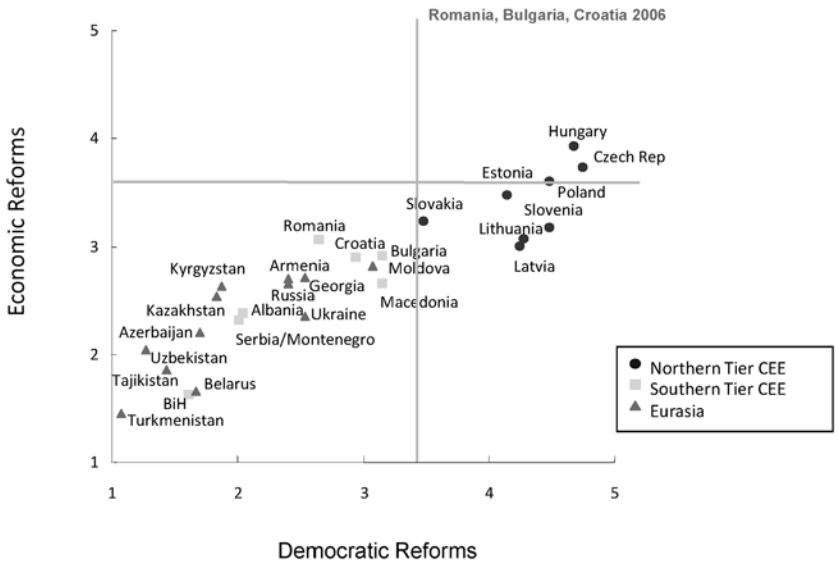
Conclusion

Mr. Chairman, the evidence is clear: development saves lives, strengthens democracies and expands opportunity around the world. It also keeps our country safe and strengthens our own economy.

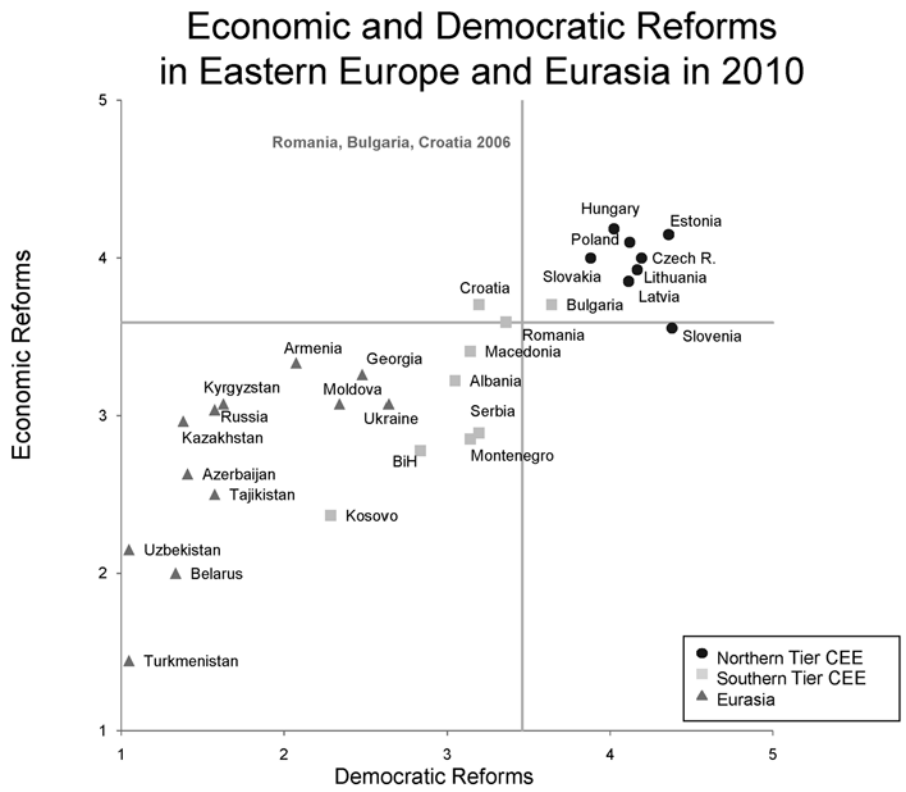
As the United States invests resources in creating stability and security in Afghanistan and Pakistan, it is important to remember that USAID programs in Central Asia are a critical component of that effort and a smart investment in our own security.

I appreciate the opportunity to share what USAID is doing in Central Asia and I am eager to hear your advice and counsel. I welcome any questions you may have.

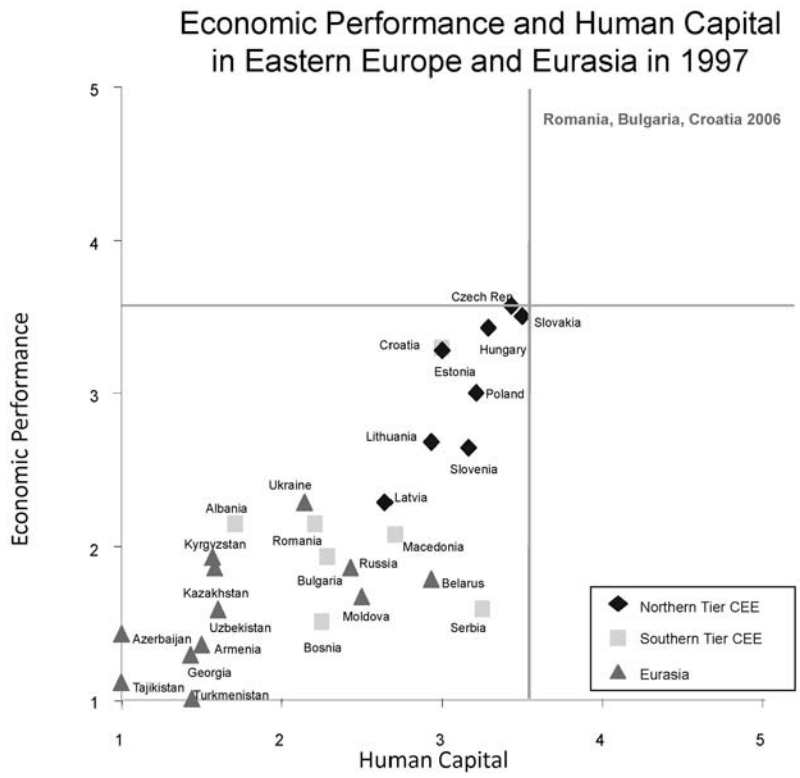
Economic and Democratic Reforms in Eastern Europe and Eurasia in 1998



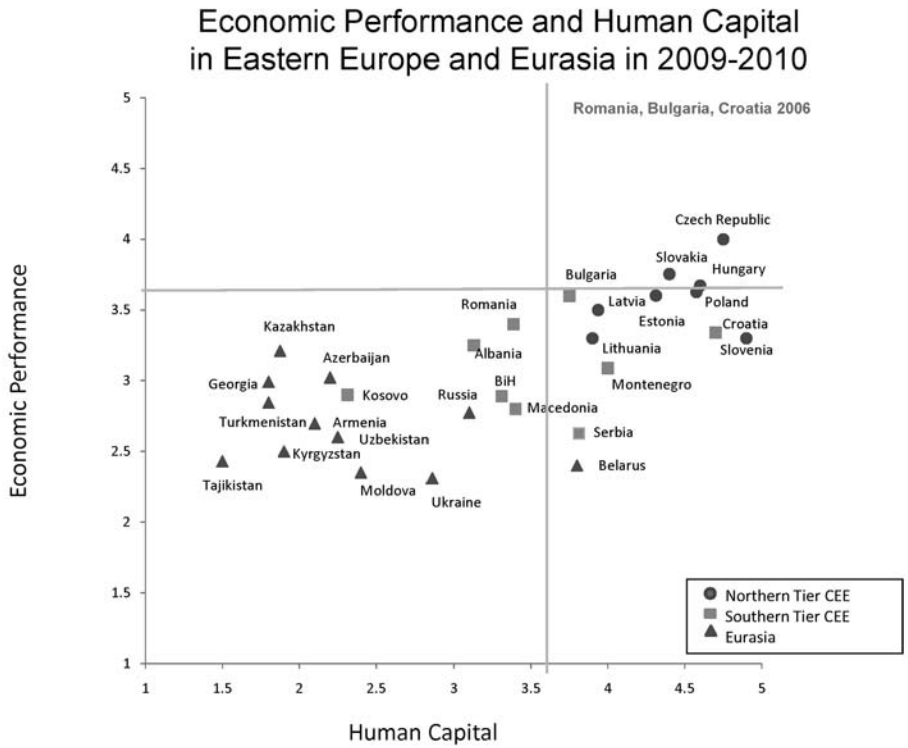
Europe & Eurasia Bureau, USAID, The *Monitoring Country Progress* system.



Europe & Eurasia Bureau, USAID, The *Monitoring Country Progress* system.



Europe & Eurasia Bureau, USAID, The *Monitoring Country Progress* system.



Europe & Eurasia Bureau, USAID, The *Monitoring Country Progress* system.

Mr. BURTON. You say what happens there is not like Las Vegas. How did you come up with that analogy? I am just curious.

Ms. BISWAL. Well, I can't take credit for it, sir. I borrowed it from Ken Wollack of NDI, but I thought it was a brilliant one.

Mr. BURTON. It was brilliant, yes. Have you ever been to Las Vegas?

Ms. BISWAL. I have not. I have been to Atlantic City.

Mr. BURTON. Well, let me know when you go. If what happens there stays there, would you let me know when you get back?

Ms. BISWAL. I will indeed.

Mr. BURTON. All right.

First of all, I will recognize myself for 5 minutes. You know, the thing that concerns me is we had a budget in 2008 of—let me get the figure here—53—$43 billion in 2008. What we are trying to do on the Republican side, of course we are going to have to compromise, I am sure, to some degree with the Democrats in the Senate and the White House, but the State Department had a budget in 2008 of $43 billion, and our target is to use 2008 figures as far as our budgetary concerns are this year.

You are asking for, or your proposal is $53 billion this time, which is a 23 percent increase at a time when we don't have any money. The budget deficit this year is going to be between $1.5- and $1.6 trillion. We are facing a $14 trillion national debt, and while I understand that everything that all four of you have said is meritorious, what we have to do is have every department of government go back and actually take a fine point on their pencil and cut out anything that is not an absolute necessity, and is not necessary for the security and longevity of the United States of America.

And so, and I understand from your testimony today, that your section has actually decreased since 2010. But you didn't tell me what it did between 2008 and 2010. Does anybody have an answer to that? From the 2008 appropriation that was made for your section of the world, has the amount gone up or down? I am not talking about 2010.

Mr. ROSENBLUM. Mr. Chairman, I don't have the 2008 number in front of me, but from my memory, I believe that the 2010 level was still lower than we were in 2008.

Mr. BURTON. Really?

Mr. ROSENBLUM. Yeah. But we will get back to you with the accurate answer on that. If we look over a longer period of time, I can say, because this is sort of seared into my mind, that in comparison to where we were 10 years ago in the region, we are actually down by about 60 percent in foreign aid. We were about $1.5 billion, and the request for this year, as you see, is a little over $600 million for the foreign aid portion of what we are doing. So over time, because of the countries graduating from assistance and because of focusing our programs on the highest priorities, we have been able to come down significantly.

Mr. BURTON. The 2012 request is what, $626 million?

Mr. ROSENBLUM. Yes, $626 million. That is for the assistance to Europe, Eurasia, and Central Asia accounts. If you include all the accounts, the 2012 request is a little over $900 million. That includes the military assistance and some of the global health.

Mr. BURTON. And that, compared to 2008 is still lower, as you recall?

Mr. ROSENBLUM. As I recall, it is.

Mr. BURTON. Well, if you could get me those figures I would really appreciate it.

The Bureau's—and I hate to hit you on salaries, but this is part of the overall issue that we have to look at—the Bureau's spending on American salaries has gradually risen from $217 million in 2008 to about $237.5 million in 2011. And the Fiscal Year 2012 budget request, $266 million, rather. So you have got an increase over the 2008 levels of about $50 million.

And I know everybody wants to make more money. But is there any way, or can you give us an idea on whether or not there are any economies that can be made at State to deal with that?

Mr. ROSENBLUM. Mr. Chairman, I hate to do this twice in a row, but I will respond—we will respond with a more detailed response.

Mr. BURTON. Okay. Along with that response——

Mr. ROSENBLUM. In writing.

Mr. BURTON. You actually had a decrease in American staff that has been employed by the Bureau of European and Eurasian Affairs. So even though you have had a decrease in staff, you have got almost a $50 million increase in spending, so——

Mr. ROSENBLUM. Sir, the one thing I will say is that the primary cost drivers, as you have noted, for the cost of the salaries relate to the general operating expenses, maintenance, and utilities at our posts overseas. And those costs do tend to rise over time, even though when you cut down the staff size, sometimes the overall cost rises.

Mr. BURTON. Is that because possibly the value of the dollar has decreased in competition with the European currencies?

Mr. ROSENBLUM. That is one of the factors. But again, to give you the full answer you deserve, I will have to get back to you in writing.

Mr. BURTON. My time is just about up, so why don't I go ahead and yield to my colleague, and then I will have more questions after he and Mr. Poe ask their questions.

Mr. ENGEL. Okay. Thank you. Thank you, Mr. Chairman.

I just want to say, and again, in the general realm of knowing that we have got to cut costs and do the best we can, I just want to go on record again. I have said this many, many times. I think that the salaries that staff is paid—I travel around to our Embassies and our consulates; I think it is pitiful, the work that the personnel do. I think they are underpaid, and I think if we are going to look for cuts we should not start with salaries. I think that our men and women are so dedicated. They certainly don't do it because of the salary. And it is really embarrassing, I think, what they are paid. So I understand we need to tighten our belt, but I think that on the backs of our workers in the Foreign Service and Embassies, I think is really the wrong way to go. I only mention it because Mr. Burton just mentioned it.

Let me ask the Kosovo question. Mr. Rosenblum, let me just do it, because you and I attended a ceremony where we had the Albanian Ambassador, and Albania presented a check, a ceremonial check back—$15 million to the U.S. Treasury, which is returning

half of its startup funds to the American people. I was interested that you said that you don't believe that any country that gets aid is entitled to that aid in perpetuity; that there is a purpose for that aid, and once a country has succeeded in that purpose, then we move on.

Obviously, Albania, when I was growing up, was the most repressive Communist dictatorship, far beyond the Soviet Union and every other place, in fact, in line with China early in the fifties, and then broke with China because China was too liberal for it.

What I find amazing, first time I went to Albania was back in 1993, there is a large Albanian American community in New York. And I became very friendly with that constituency and worked very hard with them. Went to Albania, didn't know what to expect. And I could not believe there are no—there is no more pro-American country or more pro-American people than Albanians, both in Albania and in Kosovo. They truly love our country. And when Kosovo declared independence, there were more U.S. flags in the street than there were either Albanian or Kosovo flags.

I mean, that is how they feel about the United States. They never believed the 50 years of garbage that the dictatorship told them about the United States. And it is just amazing. And the warmth really just makes you feel good. And it really is contagious.

So I believe it would be nice to establish an Enterprise Fund for Kosovo. Again, I mentioned that we had heard that there were no startups for Enterprise Funds. We are working on one for Egypt, supposedly. I know funds are tight. But I think there is no place more deserving of an Enterprise Fund where one can play a more useful role. And I understand that the Albanian American Development Foundation, which is the private follow-on to the Enterprise Fund, might be willing to contribute a portion of its huge endowment to start up a Kosovo American Enterprise Fund. So will State and USAID support the creation of a Kosovo American Enterprise Fund?

Mr. ROSENBLUM. Congressman Engel, first of all, we agree completely about the importance of supporting enterprises in Kosovo, finding ways of promoting economic growth there. I think that country's survival as a sovereign state depends on being able to generate economic growth. And they obviously have some major obstacles to achieving that goal.

The Enterprise Fund method, the tool of that is one way to do that. And I would be glad to come and discuss with you more specifically about the pros and cons of the model and how it would be done. We have been looking at it together with our Embassy in Pristina, and we can talk about the other things that we are doing to promote private sector development and how an Enterprise Fund may fit into that.

I would note that there might be some legal issues that would have to be dealt with concerning the use of these funds, because they are previously appropriated funds, the funds that belong to the Albanian American Development Foundation. We would have to examine that. But we value this kind of creative suggestion and will seriously consider it.

Mr. ENGEL. Good. Why don't you come in and we will chat about it? I would be very, very interested.

And I wanted to say that in terms of foreign assistance in general, Defense Secretary Gates and the U.S. Chamber of Commerce, which is Republican-leaning, all support foreign assistance and support increases, I think, in the President's budget in terms of foreign assistance. So I believe that it plays off well in terms of helping us in America.

I would like someone to tell me about Russia. I think, Mr. Rosenblum, you had said in your testimony that these authoritarian regions, former Communist regions, have a way of slipping backwards into more autocracy. That is kind of what they are used to. That is why I truly believe it is so important for us not to leave a vacuum, to be in there and to fight for things.

I would like to know about Russia. How has our assistance to Russia contributed to the reset or targeted assistance? Has it improved our bilateral relationship? And I would also like to throw in there, the State Department human rights report identified Uzbekistan, Turkmenistan and Tajikistan as authoritarian states. A new report singled out countries for incarcerating people on political grounds, lacking fair elections, obstructing a multiparty system, and on and on and on. So I would like to hear some talk about Russia and these other countries.

Mr. ROSENBLUM. Glad to talk about it, sir. And I will defer to Ms. Elliott on the question about Central Asia. But with respect to Russia, our policy on Russia now is premised on the idea that we can be doing two things at once; that is, finding areas of common interests, common concerns with Russia where we can work together and actually achieve significant results, but at the same time, knowing that there are areas where we disagree, and where we can be direct and frank in addressing the issues.

The issues that you talked about in terms of democracy, backsliding on democracy, apply there; and another issue is Georgia, where we definitely have a major disagreement with Russia on that.

We think that this policy has paid dividends. We think we can point to a number of areas, and I won't go into all of them now in detail. I think Assistant Secretary Gordon talked about this when he appeared before you several weeks ago. But with respect to Iran, with respect to North Korea, nonproliferation, counterterrorism, and other areas, and in a very practical way some of this collaboration is paying off, and this connects to the assistance, because one of the areas where we do work with Russia and where some of the assistance money is going, is counternarcotics. Obviously, a huge problem of the flow of heroin coming out of Afghanistan. It is important to work with all countries of the region. Russia itself is very directly impacted by this; in fact, in terms of their own drug abuse problem—and we have had very good cooperation on this issue and have used our assistance programs to support it.

Most recently, there was a major seizure of about a ton of heroin in Afghanistan, an Afghan-led operation, but with support from the U.S. and Russia working together.

So our assistance has that aspect to it. It works on the collaborative area. But there is another major portion that is actually the majority, in dollar terms, of our assistance to Russia that is focused on the areas of democracy and human rights. It is about supporting

civil society, supporting independent media, working on rule of law problems, and most of that, most of those programs, not only are they aimed at those issues but the funds are being spent to work with nongovernmental sector; that is, this is not anything to do with the Government of Russia.

Mr. BURTON. We will have more questions.

Mr. ENGEL. I will ask Ms. Elliott the questions that I raised, but I will defer.

Mr. BURTON. We will come back to you. Mr. Poe and then we will go back. Mr. Poe.

Mr. POE. Thank you, Mr. Chairman. I apologize, I am in a markup in Judiciary, too. So I am going to be short.

I live in Texas, the Houston area. What occurs in Eastern Europe becomes our problem in the area of human trafficking. The figure is 50,000 people that are human trafficked out of Eastern Europe, end up in the United States. Houston, Texas, has Interstate 10 that goes east to west, which is apparently the corridor for human trafficking in the United States, because you can go all the way to Florida and you can go all the way to California.

I have been to Eastern Europe, have seen and talked to the people in Romania and Bulgaria about the issue of women, specifically, being trafficked. I understand that Bulgaria, Russia, Romania, are all tier two when it comes to trafficking of people, which I think is despicable. As a former judge, I would like to try all of the traffickers at the same time, but they won't let me do that.

But anyway, so I am concerned and my question really is, since that problem becomes America's problem, what funds are being used and are they effective in trying to convince countries—Romania, Bulgaria, and Russia—to get their acts together and protect human beings in Russia so that they don't end up being trafficked to the United States and other places? Mr. Rosenblum, you want to answer that?

Mr. ROSENBLUM. Sir, I will be glad to start and answer, but my colleagues may well have things to add to it.

I would say that the starting point has to be political will in the countries; that is, the countries themselves have to recognize that it is a real issue and be willing to deal with it. Sometimes dealing with it has some costs for them, because they may be going after important people in the country in terms of prosecutions. So that is always the starting point, and through our diplomacy, we are constantly engaging and constantly pushing the issue with these governments. And of course, the ranking, the tier ranking that you referred to is an element of that because no country wants to see itself slip in the tier ranking.

Through our assistance programs, we do have ways that we can deal with the issue as well, which we are; and we are spending money in the countries of the region on this issue. Some of it is working with the victims of trafficking in those countries, you know, with shelters and providing—sometimes it is providing employment opportunities so the targets of the traffickers will have other options, other things that they will do. And some of it is aimed at helping them—helping the governments, the justice sectors of these countries figure out how to prosecute the crime. It is not a crime that they in the past have been used to treating as its

own criminal offense under their code. So it is a matter of amending the criminal code.

It is a matter of training judges and training prosecutors, and we have done a good deal of that in the region, but there is a lot of work left to do. And we agree completely that this is a horrendous problem.

Mr. POE. In your opinion, do you think that Russia has the moral will to get this crime problem stopped or not? Can you give me your opinion of that? Political will, whatever kind of will you want to call it, do you think they do?

Mr. ROSENBLUM. I think that they have shown a lot of evidence of that will, that there has been movement.

Mr. POE. How about Romania?

Mr. ROSENBLUM. Romania, the same thing in Romania as well. I mean, there are different elements in the political systems there that may have different views on it, but in general the Romanian Government is engaged very strongly with us on this.

Mr. POE. How about Bulgaria?

Mr. ROSENBLUM. Bulgaria, I would say the same about Bulgaria and Romania. Bulgaria and Romania also as members of the European Union have certain requirements that they have to meet that are a little different than countries further to the east do. So I am not going to sit here and tell you that the problems are solved, because we know that they aren't. We know that they aren't, and there is a lot of work to be done, but we see movement in these countries in the right direction.

Mr. POE. Ms. Alexander, do you want to weigh in on that in my limited time?

Ms. ALEXANDER. Sure, thank you. I think that as Dan has recognized, the legal reforms that are necessary to address this problem are vast, and it is something that we are trying to conquer. From USAID's perspective, we are also working with civil society groups in public education because I think those pieces can make sure these trafficked people or persons are educated before they end up in Houston, Texas. This is an element where I think independent media and the reforms that are addressed through both the legal proceedings, as well as civil society, are important elements to make sure that people understand what they are getting into. And this is an area that I think remains important for engagement and assistance programming.

Mr. POE. Thank you very much, Mr. Chairman. I yield back.

Mr. BURTON. Thank you, Mr. Poe. I think since my colleague was not finished with his questions, I will let him take his 5 minutes, and I will ask questions after Mr. Engel.

Mr. ENGEL. Thank you very much, Mr. Chairman. I would like Ms. Elliott to answer the questions I was talking about, the authoritarianism in those four or five countries.

Ms. ELLIOTT. Thank you, Mr. Engel. As I mentioned in my statement, we conduct Annual Bilateral Consultations with all the countries of Central Asia, all five, and an integral part of the engagement we have is discussing democracy, human rights, freedom of the press, what I would call the human dimension. So this is something that we take very seriously and we raise it at high levels.

In fact, Secretary Clinton, when she visited the region in December, raised these issues with all five of the Central Asian leaders in a meeting she had. And as well, she visited Uzbekistan, and this again was an integral part of her discussion. So we raise these things at high levels, and we continue to emphasize the importance of them.

Mr. ENGEL. Ms. Biswal.

Ms. BISWAL. Yes. I just want to add, in addition to the diplomatic efforts, we very much, through our assistance program, provide support to human rights defenders. We provide regional support as well as bilateral support to civil society institutions, and because the political space is so narrow, we look for creative ways that we can engage and encourage democratic activities.

Some of it might be creating things like water institutions or water associations, where at community levels you bring individuals together to make decisions in a more democratic way. So we are trying to get at democratic reforms through as many different ways as we can. If we can't attack a problem directly at the top, we try to go around through other ways.

Mr. ENGEL. Thank you.

Ms. Biswal, you still work for our committee. I don't know if you know that, Mr. Chairman. So she is still doing good work, your work for USAID.

Let me throw out two countries I would like you to tell me about. One is Turkey, who I have lots of difficulty with. Obviously, they are a NATO ally, and some of their very recent orientations are really disturbing with regard to Israel and the Middle East, and also with regard to Armenia. I am wondering if someone can talk to me about that. And the other country you mentioned before is Georgia. Obviously, there are differences with the Russians on Georgia, but Georgia being a pro-Western government and a country that would like to work with us, what are we doing in Georgia, especially based on the fact that the Russians have occupied a portion of Georgia?

Mr. ROSENBLUM. Mr. Engel, maybe I will start and, again, welcome contributions from my colleagues as well.

To be honest, I don't have too much to say about Turkey, but I have lots to say about Georgia. And the reason is, frankly, in terms of assistance, in terms of the budget request and the assistance, we are doing very little with Turkey. We still have a significant IMET program, military training there, to enhance our collaboration with Turkey as a NATO member, but we we are not requesting any funding for FMF. We have a small amount of funding that is being requested for the antiterrorism cooperation programs that we do with countries around the world, and that is it. That is pretty much it. I see here, it is a total of $5.6 million between the IMET and this antiterrorism cooperation.

You mentioned Armenia, and we can talk about that more if you would like. But let me surf to Georgia for a moment and say that we were able, as you know, and with a lot of help from Congress, to step in after the Russian invasion in 2008 and provide very significant assistance to Georgia which we think——we were able to, I think, provide assistance that actually might have made the difference between Georgia surviving or collapsing in some ways. The

economic situation was dire in the fall of 2008 after the Russian invasion, and we provided a very large package of assistance, including the type of assistance that we very rarely do, and in this part of the world it is almost unheard of in my experience, and that is budget support. We actually provided some budget support.

Mr. ENGEL. Are we still doing that in a consistent way or have we backtracked?

Mr. ROSENBLUM. We are not doing budget support anymore. That was a one-time thing. We are still providing a significant amount of assistance to Georgia. I think this year the request for Georgia totally is $87.6 million, and what we are doing with that money is supporting reform. The Georgian Government is very serious about reform in the economy, reform in their political institutions, in their social sector. And this is one of those cases I think that the chairman referred to as like-minded countries that we can support their reforms. Georgia has been a model in that respect. So we think the money there is well-invested.

We also, as you know, had until recently—actually, I think it is still in place—a major Millennium Challenge compact in Georgia that was working on rural development and roads and so on.

Mr. ENGEL. Can I ask one final question, Mr. Chairman? When you come and talk about the Kosovo fund, then you can talk to me about Armenia as well, because I am very concerned and would like very much to help Armenia in any way we can.

There are 300,000 refugee and internally displaced persons in the Balkans, 100,000 displaced in Georgia, 160,000 persons in Turkey, and an untold number of stateless persons in Eastern Europe and Central Asia; yet, the President's budget for migration and refugee assistance in Europe and Central Asia is slated to decline from $48 million to $29 million. UNHCR budget for Europe alone is $196 million for 2011. The Department's total 2012 request for Europe doesn't come close to contributions to the U.N., and I have a lot of questions about the U.N.; but you know, in fact, if the entire amount would come to the U.N., it would come under 15 percent, and we assume it doesn't all go to the U.N.

So my question really is, just as some of these countries are beginning to make progress, are we pulling out the rug from under their feet, and if it is appropriate to end programs, what do we do? Shouldn't we be pumping up assistance to Bosnia to end another 2 years of other displacement? Those questions, similar.

Mr. ROSENBLUM. Should I respond?

Mr. ENGEL. Sure.

Mr. ROSENBLUM. On that point, Congressman, as I said in my opening statement, there is a lot that we are balancing here in terms of being very aware of the fiscal constraints, but at the same time wanting to sustain commitment to the kinds of goals that you mentioned in this region.

What we have tried to do to respond to that is to really focus on the highest priorities. And there have been a few cases where we have had to stop programs in order to shift those resources into things that are really important. Ms. Alexander referred to one of them in her testimony with respect to Montenegro, where we had a program aimed at economic growth in Montenegro for many

years. We felt that it reached a point where that program could be phased out.

The real issues that need to be focused on in Montenegro now, in our view, relate to rule of law. There is still a major problem with rule of law, with organized crime operating in the region, et cetera. So what we have done is, we have reduced the budget for that country and focused in on the rule of law issues, and this is true in other places in the region as well. So it is a difficult challenge, but we are trying to make the best of it and keep that progress going.

Mr. ENGEL. Thank you.

Mr. BURTON. More than 56 national and 260 multilateral aid organizations contribute to development resources. New donors are emerging all the time. China, India, Brazil, Taiwan, and Russia collectively contribute about $8 billion each year. What troubles me is, why are we giving money, aid, to these countries that are collectively giving $8 billion in aid to other countries? I mean, we give money to India, we give money to Brazil, we give money to Russia, and I just can't understand why, when we are having the fiscal problems we are having right now, we would be contributing to these countries, who in turn are contributing money to other countries.

Ms. BISWAL. I would like to maybe talk to you a little bit about India and why we have an USAID program there. I think it is a very fair question, what is USAID and what is U.S. assistance doing in India at a time when India is emerging much more significantly in the world scene as a donor.

Mr. BURTON. But the point is, if we are giving them money, then they need the money for various USAID programs. So how can they contribute to other countries when we are giving our money? It sounds like a transfer of funds, and I don't understand why we should be giving money if they have their money being given to other countries.

Ms. BISWAL. Well, in the case of India what we are trying to do is—and India still has 800 million people living in poverty—but what we are trying to do is not necessarily—I mean, India is going to have to solve its own problems of poverty. But what USAID can do, and what we are increasingly trying to gear our programs toward, is working with India to pilot some effective solutions that they can scale up, but not only that they can scale up, but in partnering with them as donors to take Indian-piloted solutions and apply them to challenges in Africa.

So when the President was in India last November, he announced a partnership for an evergreen revolution with Prime Minister Singh, and that is basically what is at the heart of this.

Mr. BURTON. I understand what you are saying, but there is a host of countries that are contributing foreign assistance to other countries and we are giving them money. It just seems like to me that is one of the things that ought to be looked at very closely, especially when we are in a situation like we are economically.

And a while ago we were talking about salaries. I am not cutting people's salaries and putting you in bread lines or anything like that, but all I am saying is every single aspect of our expenditures needs to be parsed and looked at very closely. Some need to be

changed, some need to be cut, but we cannot go on the way we are going, and that is why foreign assistance is also one of the things that we have to look at very closely.

Now, there are 56 OSCE members. Could you elaborate on the potential expansion of the role of the OSCE in Central Asia and Afghanistan and what would this expansion role entail and what funding would it call for and which countries would contribute to these funds out of the 56?

Ms. ELLIOTT. Well, I can just say that the OSCE is already active in Central Asia, and, as you probably are aware, that Kazakhstan was the chairman in office of the OSCE. They have worked in Kyrgyzstan and other countries in Central Asia. I can't tell you specifically how much each member country contributes, but that is certainly something we could find out and get back to you with.

Mr. BURTON. Okay. That would be helpful.

We are running out of time because we have votes on the floor. So what I will do is, I will ask one more question, and then I would like to, with unanimous consent, submit a number of questions to you for the record that I, and my staff, and your staff can take a look at after the meeting is over; because I don't want to go vote and then keep you guys here until 6 or 7 o'clock, because you probably have dinner dates and things that you have to do.

Let me ask you about corruption. Transparency International measures the level of corruption perception worldwide. Now, we give $123 million to the Ukraine while the Transparency International, which measures corruption, rates it 134th out of 178 countries assessed. So they have got a real corruption problem, and yet they are getting $123 million from us. Tajikistan is getting $48 million. It ranks 154th. Russia gets $65 million.

And I just would like to know why, when the corruption level is so high, we are giving large amounts of money to these countries, as well as others, and why is Russia getting any? So if you want to answer that question real quick, then we will submit the rest for the record.

Ms. ALEXANDER. I will start on Ukraine, because I think that Ukraine was disproportionately affected by the global economic crisis, and the corruption element really requires political will. So when you have a global economic crisis that is crashing a country and you have a lack of political will, there is a need to help because that will actually affect and have a snowball on the region.

Mr. BURTON. But the one thing that none of us want is for us to give aid and then, because there is no political will, it ends up in a Swiss bank account. We have had an awful lot of countries around the world, and I experienced it because I was in Zaire when they had Mobuto over there, and he was getting billions of dollars and it was all in a Swiss bank account or in the French Riviera.

If we are going to give aid, we want to make sure it is going for a purpose. And if there is political corruption we can't deal with, it seems to me, unless we can go through a private agency that is not connected to the government, we shouldn't be giving them any money.

Ms. ALEXANDER. Part of this is addressing the political will of the players, but it is also the legal and regulatory reforms that you

have in these countries. And when you don't have those systems set up, these things can happen.

And so I think that there have been incomplete market-oriented reforms that have limited the ability of the politicians to actually conquer this political will that is necessary to address the corruption issues. So through Transparency International, through a lot of our technical assistance in these countries, we have actually been shepherding some of these programs through. I know in Central Asia, too, corruption is an issue that Nisha——

Ms. BISWAL. And I just want to assure you, Mr. Chairman, that while we may have assistance programs in countries where corruption is a major concern, U.S. assistance dollars, we are not providing budget support to these countries. We are not providing U.S. funds directly to governments. We are only providing technical——

Mr. BURTON. What is it, going through PVOs?

Ms. BISWAL. We are going through private voluntary organizations, nongovernmental organizations. We are also going through U.S. contractors who are undertaking a lot of the programs on our behalf, and so we are not providing assistance to governments, and we take very strong measures of accountability to track U.S. resources.

Mr. BURTON. Well, what I would like to do is, in addition to submitting these questions for the record, because we are out of time and we don't want to keep you, if you could give us some idea of how you police this; because I was senior Republican on Africa for 10 years, and the money we were poring into Zaire and a whole host of countries, South Africa and elsewhere, was going right down—pardon my expression—the rat hole. And when we are talking about the fiscal problems we have right now, we can't allow that to happen, or at least keep it to a minimum.

So with that, I just say thank you very much. We will submit these questions for the record, and I really appreciate you being here today.

Thank you very, very much. We stand adjourned.

[Whereupon, at 4:17 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Subcommittee on Europe and Eurasia
Dan Burton (R-IN), Chairman

April 12, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs' Subcommittee on Europe and Eurasia, to be held in **Room 2200* Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Thursday, April 14, 2011

TIME: 2:30 p.m.

SUBJECT: Budget Oversight: Examining the President's 2012 Budget Request for Europe and Eurasia

WITNESSES: Mr. Daniel Rosenblum
Coordinator of U.S. Assistance to Europe and Eurasia
Bureau of European and Eurasian Affairs
U.S. Department of State

Ms. Susan Elliott
Deputy Assistant Secretary
Bureau of Central and South Asian Affairs
U.S. Department of State

The Honorable Paige Alexander
Assistant Administrator
Bureau for Europe and Eurasia
U.S. Agency for International Development

The Honorable Nisha Biswal
Assistant Administrator
Bureau for Asia
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Europe and Eurasia* HEARING

Day *Thursday* **Date** *April 14, 2011* **Room** *2200*

Starting Time *2:30 PM* **Ending Time** *4:30 PM*

Recesses [*2:45*] (*3:15* to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Dan Burton

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [ ]
Stenographic Record [✓]

TITLE OF HEARING:

"Budget Oversight: Examining the President's FY 2012 Budget Request for Europe and Eurasia."

SUBCOMMITTEE MEMBERS PRESENT:

Dan Burton, Eliot Engel, Ted Poe, Theodore Deutch

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

None

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Dan Burton's opening remarks
Witness statement of Mr. Daniel Rosenblum, Coordinator of U.S. Assistance to Europe and Eurasia at the Bureau of Central and South Asian Affairs, the U.S. Department of State
Witness statement of Ms. Susan Elliot, Deputy Assistant Secretary at the Bureau of European and Eurasian Affairs, U.S. Department of State
Witness statement of the Honorable Paige Alexander, Assistant Administrator at the Bureau for Europe and Eurasia, U.S. Agency for International Development
Witness statement of The Honorable Nisha Biswal, Assistant Administrator at the Bureau for Asia, U.S. Agency for International Development.

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *4:25 PM*

Mark O. Walker
Subcommittee Staff Director

Questions for the Record of the Honorable Dan Burton
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "Budget Oversight: Examining the President's FY 2012 Budget Request for Europe and Eurasia."
Thursday, April 15, 2011

Mr. Daniel Rosenblum and Ms. Susan Elliot, (U.S. Department of State):

1) Innovative platforms for engagement: This concept is highlighted within the QDDR (page 52). The American corner, an initiative which is said to cost $5,800 annually, appears to be a cost effective way of projecting the 'soft power,' including sharing American values and educating the people about America.

> **Could you please speak more about the impact that this initiative has had in the host countries with the jurisdiction of this subcommittee?**

2) Organization for Security and Economic Cooperation in Europe (OSCE): According to the State Department's FY 2012 budget justification (page 267), "the OSCE has entered a transition phase with potential for expanded activity and success, including projects to assist Afghanistan and Central Asia, on democracy, human rights, border management and counter-narcotics. The strengthened role for the OSCE in early warning, conflict prevention and resolution, and post-conflict rehabilitation that the U.S. is proposing will require a special fund and increased personnel, but could greatly promote stability."

> **Please elaborate on the potential expansion of the role of the OSCE in Central Asia and Afghanistan. What would this expanded role entail? What funding would it call for? Which countries would contribute these funds? How would the burden be shared among the 56 members of the OSCE?**

3) Coordinating assistance with allies and partners: To avoid duplication, the U.S. must better coordinate assistance with like-mined allies and partners, such as the United Kingdom (projected to spend approximately $14.7 billion on foreign aid), France, and several other countries in Europe.

> **How much do our European allies spend on foreign aid? How are we coordinating aid to avoid duplication? What more can be done to foster unity in our efforts?**

> **How much aid (military and development) does China and Russia allocate to countries in Central Asia?**

4) Aid transparency: Several of our allies and partners, including the United Kingdom, Denmark, Finland, Germany, Ireland, are involved in the International Aid Transparency Initiative (IATI). Additionally, international institutions, to which U.S. provides funding, are

involved. IATI seeks to "bring together donors, partner countries, and civil society to enhance aid effectiveness by improving transparency."

What is your opinion of the International Aid Transparency Initiative or other projects seeking additional transparency in international assistance? What effect such initiatives could make on the efficiency as well as the impact of aid?

5) Increasing the impact of U.S. assistance: According to the written remarks of the USAID's Assistant Administrator for Europe and Eurasia, Paige Alexander, the Azeri government has provided a next to one-to-one match to co-finance USAID-implemented economic growth and community development programs.

Which governments provide matching funds to co-finance U.S. assistance for projects in their countries? In what other ways the U.S. assistance is multiplied within the region? For example, do nongovernmental organizations match U.S. funds? If yes, which ones?

6) Public Diplomacy (PD): State Department proposes to spend $101.852.000 on Public Diplomacy in Europe and Eurasia while requesting another $43.282.00 for South and Central Asia.

What is the biggest challenge in conducting Public Diplomacy in Europe, Eurasia and Central Asia? Do U.S. PD efforts in the region include cultural diplomacy? If so, how effective has cultural diplomacy been in the region? How is the U.S. using the new media for the purposes of PD in the region? How is the USAID using its programs within the region as force multiplier? How is our PD in Central Asia and the Caucuses helping to counter raising extremism?

7) Change to Department of Defense (DoD) posture in Europe: On April 8, 2011, DoD announced that it will retain three (out of four) Brigade Combat Teams (BCTs) in Europe to maintain a flexible and rapidly deployable ground force to fulfill the United States' commitments to NATO, to engage effectively with allies and partners, and to meet the broad range of 21st century challenges. This decision revises an earlier plan to withdraw two of four brigade combat teams from Europe. According to DoD press releases, the decision was based on the administration's review, consultations with allies, and commitments within NATO's new Strategic Concept.

How does DoD's announcement to withdrawal one of its Brigade Combat Teams affect the U.S. State and AID FY 2012 budget request? How will maintaining three BCTs, instead of the current four, impact our relationships in Europe and Eurasia?

8) Economic Support Funds (ESF): FY 2012 request includes $3,500,000 for Cyprus and $2,500,000 for Ireland. In 2010, the CIA world fact book provided the amounts of the Gross Domestic Product on a purchasing power parity basis divided by population for 228 countries.

As of 1 July, 2010, Cyprus ranked 62nd, while Ireland placed 27th. State Department background materials explain that ESF in both countries will be used to encourage reconciliation.

Why relatively wealthy countries, like Cyprus and Ireland need U.S. Economic Support Funds? While these allocations may be important to U.S. goals, it appears that Cyprus, Ireland or the European Union might be able to pay for the programs that the U.S. currently funds.

9) Protecting the borders while improving trade: Accoridng to the testimony of Daniel Rosenblum, Coordinator of U.S. Assistance to Europe and Eurasia, assistance efforts in Central Asia include programs to bolster border security throughout the region. Borders within the region are some of the most porous in the world. At the same time, Central Asia is one of the least integrated regions in the world in terms of trade and economics.

What programs does the U.S. support to bolster border security in Central Asia? What efforts is the U.S. making to balance border protection with the free flow of people and goods, both of which are essential to foster trade and economic growth within the region?

10) Energy: Accoridng to the testimony of Daniel Rosenblum, Coordinator of U.S. Assistance to Europe and Eurasia, assistance efforts focus on energy, which remains a "specific challenge in this region." USAID's "programs seek to broaden access to energy sources, reduce inefficiencies, increase transparency and integrate markets."

Please describe programs focusing on energy within Europe, Eurasia and Central Asia.

3

[NOTE: Responses to the above questions were not received prior to printing.]

Questions/Statement for the Record of the Honorable Ted Poe
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "Budget Oversight: Examining the President's 2012 Budget Request for Europe and Eurasia"
April 14, 2011

Mr. Rosenblum: Assistant Administrator of USAID on November 2010 at a Senate confirmation hearing confirmed that there are operational limitations on running the assistance to victims of the Nagorno-Karabakh conflict that prevent USAID from spending more than $2 million in the region. CRS has also confirmed the limitations. So why does the President's budget request $8 million to the Nagorno-Karabakh region of Azerbaijan, when operational limitations result in only up to $2 million being spent annually?

[NOTE: A responses to the above question was not received prior to printing.]