

**Testimony by Deputy Assistant Administrator Lisa Magno
Subcommittee On Europe And Regional Security Cooperation
Hearing on U.S. Engagement in the Western Balkans**

February 16, 2022

Chairperson Shaheen, Ranking Member Johnson, distinguished Members of the Subcommittee, thank you for inviting me to discuss the U.S. Agency for International Development's (USAID) work in the Western Balkans.

For over three decades, USAID has partnered with the citizens and governments of the region to support their aspirations for a democratic, economically prosperous future firmly grounded in European institutions. Thanks to generous bipartisan support from Congress, USAID assistance is helping our partners to tackle both the internal and external challenges slowing their path towards Euro-Atlantic integration. Your support also allows the agency to remain agile and to adjust to the shifting political dynamics of the region, including responding to foreign malign actors who seek to disrupt democratic progress, undermine institutions, exercise economic and political leverage, and ultimately reverse the hard won democratic and economic gains of the past 30 years.

During USAID Administrator Samantha Power's recent trip to Bosnia and Herzegovina (BiH) she made clear that a peaceful and prosperous future for BiH depends on all political leaders and citizens working together to advance the reforms necessary to achieve BiH's democratic and economic aspirations. She further underscored throughout her visit that USAID will continue to support all those working to build a more stable, inclusive, democratic future for BiH. USAID's focus is on fighting corruption, strengthening rule of law, fostering entrepreneurship, promoting reconciliation, and creating a transparent business environment which attracts investment and ensures young people have a reason to stay and build their lives in BiH.

In Serbia and Kosovo, USAID continues to support the European Union (EU)-led Dialogue and its goal of comprehensive normalization of relations, which the United States believes must be based on mutual recognition. We also support any initiatives to promote regional economic cooperation that will help prepare the countries of the region to meet their requirements for EU accession, and we believe these initiatives should be broadly open to all countries of the region. In addition, USAID is launching a regional reconciliation program that will focus on cross-border people-to-people activities between Serbia, BiH, and Kosovo. Bilaterally, USAID's strategy in Kosovo seeks to strengthen and increase citizen demand for accountable institutions and promote democratic and economic opportunities for all of Kosovo's citizens. USAID will also continue to assist the Serbian people and the Serbian government to advance democratic and economic reforms and meet the challenge of malign influence. In both countries, USAID is

working with our partners to enhance the accountability of government institutions and build a business enabling environment which attracts investment and fosters small and medium sized enterprises (SME) growth and innovation.

USAID assistance in Albania takes a targeted approach to address one of Albania's toughest remaining development challenges, countering corruption. USAID has also been a ready partner with Albania in times of crisis, from providing firefighting expertise during the 2021 wildfires to responding to COVID-19. Similarly in North Macedonia, USAID assistance is countering corruption, enhancing the competitiveness of SMEs, supporting North Macedonia's response to the pandemic, and increasing opportunities for young people to contribute to the economy and their communities.

From the pandemic to youth brain drain, USAID recognizes that many of the barriers to further economic and democratic progress are regional in nature and therefore require a regional response. USAID funds a range of regional initiatives that reinforce and coordinate with bilateral programs and engage on issues that are inherently regional in nature, such as programs that promote trade facilitation and regional energy security. USAID also invests in areas where there is the opportunity to achieve economies of scale to assist countries confronting common challenges, such as support to independent media and cross-border economic linkages. For example, through our regional media programs, we are helping journalists to produce high quality content, enhance their digital security, and build sustainable financial models so that they can continue to produce independent, fact-based journalism and keep communities informed. This work includes support for investigative journalists committed to uncovering systemic corruption in the region. USAID's regional civil society program increases the capacity of civil society to promote local, national and regional reforms in the Balkans. Our flagship regional economic growth activities are working across borders, and in concert with our bilateral activities, to improve the region's business enabling environment, reduce barriers to trade, enhance the competitiveness of businesses in the region, and increase access to finance.

Beyond corruption, one of the most urgent regional challenges in the past two years to furthering prosperity in the region is the damage wrought by the pandemic on the health and economies of the Western Balkans. USAID has supported the response to COVID-19 in all of our partner countries in the Western Balkans. Through USAID, the U.S. Government has provided vaccines and medical, testing and laboratory equipment, helped schools adapt to online and hybrid learning, supported social entrepreneurship, upgraded sanitation and hygiene in medical facilities, provided critical hygiene supplies, helped to combat vaccine mis- and dis-information, and put shots into arms. Further, USAID is assisting enterprises to pivot to domestic tourism, engage in e-commerce, and enable access to capital through the creation of alternative financing mechanisms and by assisting businesses to negotiate bank loans. All of this work will not only

help SMEs to survive the pandemic but will prepare them to engage in an increasingly digital economy as the pandemic subsides.

Whether it is the Kremlin's efforts to subvert the region's fledgling democracies and shape political decisions abroad, or the People's Republic of China's (PRC) intention to capture partner economies and undermine sovereign decision-making, foreign malign influence is capable of reversing the tremendous progress that has been made in over 30 years. USAID targets its efforts to address these external challenges to regional stability. USAID's Countering Malign Kremlin Influence (CMKI) Development Framework in the Western Balkans informs programming that is strengthening vulnerable sectors in each country, including support for democracy and political processes, enabling the media environment to resist disinformation, and diversifying economic relationships to minimize reliance on Moscow. To address the PRC's efforts in the region, our programs seek to limit the PRC's economic and political influence gained through debt dependency, opportunistic economic engagements and trade imbalances; to counter its export of corruption, disinformation and pro-authoritarian narratives; and to reduce partner countries' technological and energy vulnerabilities to PRC influence. A key tenet to countering the PRC's efforts to gain political and economic leverage in the region is ensuring partner countries are able to make informed choices and identifying viable investment alternatives that do not require them to sacrifice their long-term interests in favor of short-term gains. In addition to new programming on cyber security and investigative journalism, USAID, in coordination with interagency partners, is developing a program to help partner governments understand investment flows, identify beneficial ownership, assess risks and opportunities, and analyze transaction terms to ensure transparent, beneficial investments consistent with national interests.

This winter's acute energy crisis across the European continent, leading multiple countries in the Western Balkans to declare national emergencies, has underscored the importance of USAID's efforts to enable partner countries to build and expand regional energy markets, diversify energy supplies, and build resilience in the system. This foundational work will strengthen the region's energy security and advance a sustainable and just energy transition to a clean energy future. USAID's support for long-term planning, policy reforms, and market integration has enabled Southeast Europe to invest more than \$10 billion in the electricity network and new generation, expand solar and wind generation, and lay the groundwork for stronger, more diversified markets connected with the EU.

As we discuss the significant challenges that remain, it is equally important to highlight the strength of our partnership with countries in the region. This year, our partners in the Western Balkans stepped up to support at risk Afghans who were evacuated or fled from Afghanistan in August 2021. North Macedonia, Kosovo, and Albania provided refuge to approximately 4,500 at risk Afghans. In Albania, USAID is providing support to the government of Albania to

strengthen the resilience of national systems and improve quality and access to needed services by vulnerable populations, including those relocated from Afghanistan, during times of disruption or shock. In North Macedonia, USAID is planning new programming which will ensure Afghan children have access to education and that evacuees have access to legal support and essential health services. We are tremendously grateful for the refuge our partners continue to provide for the evacuees.

In closing, I want to underscore that the Western Balkans region holds tremendous potential to illustrate to the world that democracy delivers. Ensuring that the region continues on this path will require a united front with partner governments committed to reform, citizens who continue to advocate for democracy, transparency, and rule of law, and coordinated assistance between the EU and USAID which targets the fundamental challenges which are holding these nations back. Assistance must also continue to be responsive to external threats to the region's Euro-Atlantic future. USAID will continue to support our partners who have been working for over 30 years to build a democratic and economically prosperous future for their countries and for the region.

I look forward to continuing to work with Congress in this effort and welcome your questions.