

KYRGYZSTAN



Kyrgyz Republic, the Government of the Kyrgyz Republic (GOK) recognizes the importance of advancing reforms in some sectors and welcomes U.S. assistance in improving security, promoting economic development, and addressing social issues such as education and health. However, progress on strengthening democratic institutions and fighting corruption has been asymmetrical, with backsliding in many areas. Additional work is required to keep the country from slipping further from its previous democratic trajectory. Other important foci of U.S. assistance are strengthening the GOK's capabilities to fight terrorism, halt narcotics trafficking, and combat other transnational threats. The FY 2010 request seeks a significant increase over FY 2009 and represents a strategic shift to focus on programs that will stabilize and reform the Kyrgyz economy during turbulent times. The largest increases are for economic programs to address chronic food insecurity and create jobs, and for security programs designed to improve the professionalism of government security force

FOREIGN RELATIONS

The Kyrgyz Republic maintains close relations with other former Soviet countries, particularly with Kazakhstan and Russia. Recognizing Russia's concerns about the Russian-speaking minority in the Kyrgyz Republic, President Akayev was sensitive to potential perceptions of discrimination. For example, although the 1993 constitution designates Kyrgyz as the state language, an amendment to the constitution in 2001 granted official status to the Russian language. The amended December 30, 2006 constitution reaffirmed the status of the two languages.

While the Kyrgyz Republic initially remained in the ruble zone, stringent conditions set by the Russian Government prompted the Kyrgyz Republic to introduce its own currency, the som, in May 1993. Withdrawal from the ruble zone was done with little prior notification and initially caused tensions in the region. Both Kazakhstan and Uzbekistan temporarily suspended trade, and Uzbekistan even introduced restrictions tantamount to economic sanctions. Both nations feared an influx of rubles and an increase in inflation. Uzbekistan and Kazakhstan's hostility toward the Kyrgyz Republic was short-lived, and the three nations signed an agreement in January 1994 creating an economic union. Economic cooperation within the region, though, is still hampered by unilateral barriers created by the Kyrgyz Republic's neighbors. The Kyrgyz Republic has been active in furthering regional cooperation, such as joint military exercises with Uzbek and Kazakh troops.

Turkey has sought to capitalize on its cultural and ethnic links to the region and has found the Kyrgyz Republic receptive to cultivating bilateral relations. The Kyrgyz Republic is a member of the OSCE, the CIS, the Shanghai Cooperation Organization (SCO), the WTO, and the United Nations.

Since December 2001, the Kyrgyz Republic has hosted Manas Transit Center, an important logistical hub for the coalition effort in Afghanistan.

U.S.-KYRGYZ RELATIONS

The U.S. Government provides humanitarian assistance, non-lethal military assistance, and assistance to support economic and political reforms. It also has supported the Kyrgyz Republic's requests for assistance from international organizations.

The United States helped the Kyrgyz Republic accede to the WTO in December 1998. U.S. assistance

aids the Kyrgyz Republic in implementing necessary economic, health sector, and educational reforms, and supports economic development and conflict resolution in the Ferghana Valley.

Peace and Security: The United States can best assist the Kyrgyz Republic in this objective by focusing on security sector reform, counter-narcotics efforts, and cooperative activities to combat transshipment of weapons of mass destruction (WMD). Supporting military and border security restructuring, reform, and operations will have an immediate and lasting impact on peace and security in the Kyrgyz Republic and the region. Department of State funding will support programs to improve the Kyrgyz military and border guard readiness to combat numerous cross-border threats. Training and equipment funded by the Department of State for the GOK's Security and Armed Forces will help improve overall governmental security capacity. Counter-narcotics programs will help the Ministry of Internal Affairs and the Drug Control Agency improve interdiction capabilities. Department of State and other U.S. agency law enforcement reform programming will help the GOK fight trafficking-in-persons, financial crimes, money laundering, and narcotics smuggling. The Department of State will also work to prevent the proliferation of WMD by helping to secure the Kyrgyz Republic's vulnerable borders.

Governing Justly and Democratically: Despite previous progress made in a number of areas, the Kyrgyz Republic continues to lag in areas such as good governance, human rights (including freedoms of religion, public association and media), and combating corruption. The U.S. Agency for International Development (USAID) will focus on promoting a respect for human rights and good governance at the local and national levels and strengthening the capacity of local governments to respond to economic opportunities. Building on the work of the Millennium Challenge Corporation, USAID will continue to support judicial reforms and combat corruption. The Department of State and USAID will work with the media and a broad spectrum of civil society organizations to promote increased citizen engagement (including youth) with the government and greater access to information and civic education opportunities. USAID will support training and technical assistance to strengthen the role of political parties as well as support electoral reforms. The Department of State and USAID will support critical rule of law reforms that will improve the efficiency and effectiveness of the criminal justice system, provide the framework for private sector development, and maintain engagement with marginalized communities.

Investing in People: Due in part to U.S. assistance, health system reform in the Kyrgyz Republic has in some ways become a model for other former Soviet Union countries, making efficient use of the limited funding for health care. However, low levels of investment by the GOK in public health make the country one of the most vulnerable in the region to poor health and hinder its achievement of health, social, and economic goals. USAID will provide support to GOK efforts targeted to institutionalize health system reforms that ensure the provision of quality, client-oriented and cost-effective primary health care services, with an emphasis on increased outreach to vulnerable groups to prevent and control infectious diseases like HIV/AIDS and tuberculosis. USAID will also support for a systems-wide approach to the growing problem of infection prevention and control in health facilities. To help reform the educational system to better prepare students for the needs of the next century, USAID will fund basic education activities to improve the quality of teacher training; integrate student-centered skills-based teaching methods into curricula; improve the quality of student assessment; and support per-capita student finance reform. Finally, USAID will support a university loan program which will give greater access to higher education for students with limited financial resources.

Focus on Performance: Funding under this heading includes a broad range of projects including anti-corruption work with local traffic police, professionalization courses for Kyrgyz military officers, and the purchase of military equipment that will improve the Kyrgyz military's ability to conduct counter-insurgency operations in mountainous terrain. The majority of the requested increase in this area is to purchase equipment for various units of the Kyrgyz military. Increased equipment purchases will broaden access to the Kyrgyz military and should increase the number of participants in U.S. exchange and

training programs and improve the quality of those participants. Increased participation in military exchange programs and accompanying equipment purchases also improve Kyrgyz understanding and support for U.S. and NATO operations in Afghanistan. The additional funding for FY 2010 should positively impact the number of Kyrgyz military and other law enforcement officers trained at U.S. military institutions and other international law enforcement academies as shown in the attached table. In addition to standard military training, participants are introduced to accepted standards for international human rights. Increased participation in these activities will enlarge the pool of officers trained to western standards and increase the possibility that new skills and organizational concepts will be integrated into future security service reforms. In FY 2010, the U.S. will start a new local economic development program in Kyrgyzstan, which will target selected locations and sectors with the highest economic potential. In order to facilitate private sector competitiveness, including in agriculture, the additional FY 2010 funding under the Financial Sector program area will allow for the support of special funds to further the U.S.'s objective of sustained economic growth. Anticipated interventions under this new program will include one, or a combination of the following: a revolving credit fund to support improvements in the efficiency and productivity of value chains and sectors; guarantee funds with municipalities and/or associations to facilitate loans in support of local economic development; DCA guarantees with one or several of the existing financial institutions; venture capital partnerships. As it is planned that the proposed financial instruments and products will be designed and launched with FY 2010 funding, the target for this first year of interventions is set at a low estimation, while the actual results are anticipated in the following years. The U.S. will increase technical assistance to Kyrgyzstan through training and capacity building for energy companies, experts and key policymakers, to enable them to improve the country's energy generation capacity and water use efficiency and cooperate with other Central Asian countries on water sharing issues and reliable operation of electricity and transmission systems. Reform of the domestic power sector is a prerequisite to establish a functioning regional electricity market with Kyrgyz participation, accelerating investment in generation capacity and transmission infrastructure, and increasing electricity exports within Central and South Asia. U.S. assistance in this program area will remain flexible to respond to the host government's needs and areas of opportunity for reforms, such as supporting reinvigorated efforts by Kyrgyz authorities to reduce losses and improve financial performance to curb sector decapitalization. Improved management of the electricity sector is essential to promoting economic growth and has positive impact on Kyrgyzstan's relations with its neighbors. U.S. assistance in the agricultural sector is critical to Kyrgyzstan's food security and economic development. Progress has been achieved in land reform, in building a private sector input supply, and in strengthening water user associations. In FY 2010, the U.S. plans to start a new local economic development program, which will target selected locations and sectors, with a special focus on agriculture and processing as a sector with high economic potential throughout the country. Assistance will be directed at facilitating improvements in the efficiency and productivity of value chains, from the production to the marketing of fresh and processed products. The additional funding will build on previous progress and expands efforts to increase food production and promote distribution frameworks that provide a good living for Kyrgyz farmers. This is a new indicator for 2009 therefore results for prior years are not available.

Economic Growth: The Kyrgyz Republic's economy has begun to show serious signs of vulnerability to internal and external shocks. USAID and the Kyrgyz Government expect that the current food security and energy deficit crises will have an impact on the country and Kyrgyz companies' competitiveness into FY 2010. The significant increase in agricultural funding will be used to encourage the government to undertake serious reforms and to directly impact the productivity of farmers by freeing them from current non-market practices, improving their access to credit and changing their marketing habits to better align with demand. USAID's economic assistance will also focus on a two-pronged approach of supporting economic governance programs and facilitating private sector competitiveness and productivity, with a particular focus on the energy sector, as well as water and agriculture needs. USAID will assist in the development of the business and economic environment by advising on improved laws, regulations, and

macroeconomic and financial sector policies and by assisting with their effective implementation. USAID and Department of State programs will promote policy and institutional reforms needed to improve energy sector performance, plan for and manage electricity supply and consumption, and enable Kyrgyz participation in external energy markets. USAID assistance will address food security by focusing on increasing agricultural productivity with an emphasis on improved inputs, water infrastructure and resource management. To cultivate greater private sector competitiveness, and to address issues of regional disparity, USAID will support local economic development and private sector competitiveness in areas with sound economic potential. This program will also contribute to the Governing Justly and Democratically objective and to the cross-cutting objective of fighting corruption and supporting youth by increasing their opportunities for employment. Linked to the success of the private sector's growing competitiveness, is the need to strengthen trade and investment. USAID and other U.S. agency programs will help foster regional cooperation in trade policy to lower trade barriers, reduce trade associated costs, and increase the gains from international trade. Moreover, USAID will expand economic opportunities and access to small amounts of financing and business services to enable the poor to participate in local and international trade. Moreover, USAID will expand economic opportunities and access to microfinance and microcredit financing and business services to enable the poor to participate in local and international trade.

Humanitarian Assistance: Kyrgyz health and social welfare agencies are unable to meet the needs of the country's most vulnerable populations. Humanitarian assistance provided by the Department of State will help to temporarily meet some of the basic needs of orphans, the elderly, and other institutionalized populations, while the GOK builds its capacity. In addition, humanitarian assistance will include disaster preparedness activities to improve GOK response in the event of emergency.

Linkages with the Millennium Challenge Corporation

USAID is overseeing the implementation of assistance to the Kyrgyz Republic to carry out the country's Millennium Challenge Corporation (MCC) Threshold Program to fight corruption and improve the rule of law. Assistance is provided in three areas: judicial reform, law enforcement reform, and reform of the criminal justice system. In the area of judicial reform USAID has an implementing partner providing assistance to improve judicial personnel systems, management of the judiciary, reform commercial law, and computerization of courts. The U.S. Department of Justice is the implementing partner for the law enforcement and criminal justice components, targeting assistance at police personnel policies and civilian oversight; police training and equipment; improving criminal legislation and countering financial crimes; financial declarations by public official; and public awareness to counter corruption. The MCC Threshold Program began implementation in mid-2008 and will end in June 2010.