

USAID/Central Asian Republics Regional

Annual Report

FY 2004

June 15, 2004

Please Note:

The attached RESULTS INFORMATION is from the FY 2004 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

Portions released on or after July 1, 2004

Central Asian Republics Regional

Performance:

BACKGROUND: United under the Soviet Union for over 70 years, the sovereign territories of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan have cultural and historical similarities and differences. The artificial boundaries, created by the Soviets, separated communities, created ethnic enclaves, and disrupted patterns of trade and movement. In the Ferghana Valley, the agricultural heart of Central Asia, for example, international demarcations in some cases divide a village in half or create enclaves of one country within another. To compound the tension, Uzbekistan, which is bordered by the other four Central Asian republics and Afghanistan, has severely limited passage through its borders in an attempt to combat the threats of terrorism, drug smuggling, and unsanctioned trade. The tensions at border crossings are further exacerbated by corruption among customs officials and excessive procedures for cross-border transit.

Especially relevant for the region is the question of how states can balance their commitment to move along the path of increasing democratic freedoms, while at the same time responding to the security threat posed by potential Islamic extremism. All of the regimes are authoritarian, although the political systems in Kyrgyzstan and Tajikistan are more open than the rest. The Central Asian republics since independence have taken differing approaches to economic development. Turkmenistan remains the least reformist and most closed, and conditions there continue to worsen. Kazakhstan has been the most progressive in embarking upon serious market reforms, although the dependence upon oil is troublesome. The countries' natural resource wealth also varies greatly. Kyrgyzstan and Tajikistan have abundant water resources (but little else), while Kazakhstan and Turkmenistan have abundant oil and gas resources. Both Turkmenistan and Uzbekistan also have large supplies of natural gas. Regional cooperation in trade and sharing of natural resources (i.e. water and energy) has not been as effective as it could be. Regional trade declined as the Uzbek government, citing the need to control health problems, illegal trade, and alleged terrorist threats effectively closed its borders.

Increasing injected drug use, criminalization of the economy, rising rates of HIV/AIDS and other infectious diseases also plague Central Asia, which is situated along the drug route from Afghanistan to Russia and Europe. Central Asia is facing a concentrated HIV/AIDS epidemic with overall prevalence of less than 1% among the general population, but over 5% for high risk-groups. The Centers for Disease Control and Prevention (CDC) sero-surveillance data in Central Asia indicate that the total number of people living with HIV/AIDS is estimated to be about 90,000. Based upon projections for the year 2008, this number will rise to 1.65 million without concerted efforts to target interventions. Other significant regional problems include drug trafficking, trafficking in persons, income disparities, and autocratic governments.

U.S. INTERESTS AND GOALS: The overarching U.S. goal for Central Asia is a stable, market-based democratic development to assure access to the region's substantial natural resources and to prevent the expansion of radicalism and the trafficking in weapons and narcotics. Central Asia is also strategically important to the United States due to significant oil and natural gas reserves found in Kazakhstan, Uzbekistan, and Turkmenistan. The Central Asian republics have proven to be strong partners in the war on terrorism, with continuing U.S. access to airbases in Kyrgyzstan and Uzbekistan. Tajikistan is a frontline state in the fight against terrorism and narcotics trafficking. With a large and growing population, a potential for strong economic growth, and an important strategic location, Uzbekistan's economic and democratic development remains central to the future prosperity and stability of the entire region.

Regional funding is critical to USAID's ability to address key aspects of the development challenges that are trans-boundary and regional in nature. For example, trans-boundary energy is trying to modernize electric power development, water sharing and management schemes. Conflict prevention is occurring in

communities, which straddle artificial, yet international borders. Regional funds also permit sharing of experiences, best practices and lessons learned from country specific programs to the region as a whole for more effective capacity and institutional development. This is vital in such areas as the containment of the spread of tuberculosis (TB), HIV/AIDS, and more recently the problem of expanding malaria. Health reform, World Trade Organization accession, and cross-border trade promotion activities have benefited from regional resources. Regional funds address regional problems, which is inappropriate to do from only one country specific program.

OTHER DONORS: Donor relations are detailed in individual country summaries. USAID, as a principal donor in the region works closely with bi-lateral and multi-lateral organizations to address country specific and regional issues. USAID works closely and very constructively with the World Bank, the European Bank for Reconstruction and Development and the Asian Development Bank on regional issues such as water, energy, trade, and control of HIV/AIDS.

CHALLENGES: The overall challenge in the region is to expand economic opportunities, strengthen civic and social organizations, and improve public services to provide better livelihoods for citizens, thus contributing to stability in the region. Improving economic opportunities also involves improvements in the management of the region's wealth of natural resources. The lack of political, economic and social change, affecting employment opportunities and quality of life, may serve to intensify radicalism and ethnic tensions in many parts of Central Asia. The transition to a genuine democratic system will take considerable time. The regional nature of many of Central Asia's development challenges requires coordinated and integrated assistance from USAID. In particular, decisions made regarding the use and management of water resources in one country has important implications for its neighbors. All five countries in the region are located in the Aral Sea Basin and depend on its water resources for irrigation, industrial, and domestic use. All five countries remain at odds over the most efficient and environmentally sound manner to effectively manage water resources on a regional scale. To prevent further ecological and economic disaster, it is important that all five Central Asia republics reach agreement on the allocation and use of this important resource. The resurgence of infectious disease is also a regional problem, as a disease outbreak in one country could lead to the resurgence of this disease in a neighboring country. The incidence of TB and HIV/AIDS has increased dramatically in all countries in Central Asia. Coordinated regional efforts are needed to effectively deal with these health threats. Trade barriers in one of the Central Asia republics are a threat to the economic well-being and stability of the entire the region. All five countries in the region need better access to business and economic information to facilitate the creation of improved economic opportunities and employment.

KEY ACHIEVEMENTS: USAID utilized regional funding to augment existing programs to economic growth, expand trade and investment, promote democratic reform, improve health care, strengthen conflict prevention efforts, and mediate environmental degradation help to improve the lives of citizens in the five Central Asia republics. Examples of key accomplishments are increased income opportunity; a citizenry which is more informed of their democratic and legal rights; strengthened primary health care, the care that is closest to people, and families better informed about healthy lifestyle choices through mass media campaigns and community-based health education; encouragement of economically rational use of energy and reducing energy and water losses; and the sharing of best practices and addressing trans-boundary issues which couldn't have been as easily accomplished under an exclusively country specific approach to USAID resource programming and use.

1. IMPROVED MANAGEMENT OF NATURAL RESOURCES: Pilot demonstration models, along with training and public outreach, are beginning to show positive results, particularly in energy conservation. When completed, they will provide managers and policymakers with more transparent, efficient and sustainable means to utilize the region's natural resources. Work with the National Hydromet Services has already led to the creation of a region-wide system of water data collection and exchanges, which will lead to a fairer and more transparent system of planning and allocation. Each of the countries contributes data into this unified system, and this helps to improve region-wide the level of trust and coordination on water planning. This is expected to contribute to the avoidance of conflict over water access.

2. STRENGTHENED DEMOCRATIC CULTURE AND INSTITUTIONS: Programs supported with regional

funds complement country-specific activities. To strengthen female leadership, 25 women from each of the five countries were selected for training, through the MASHAV grant, on effective communication and organization, NGO management, leadership skills, strategic planning, and mobilization of community support. The second regional activity supported with regional funds is the production of Open Asia, a 30 minute weekly television program that is distributed and broadcasted by 40 privately-owned television stations in Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, and reaches millions of people in those countries. Regional media efforts were strengthened by providing independent television stations the ability to produce stories specific to Central Asia, and reduce reliance on outside news sources such as from Russia.

Regionally there are several common issues, which apply to the development of democracy in Central Asia. Democratic political culture in Central Asia can only be realized with the evolution of participatory mechanisms for governance and an active civil society. Participatory governance remains a new concept in the region, and what dialogue exists between citizens and their governments is minimal. There has been a general lack of major reforms that protect freedom of speech and association or transparent and democratic processes. Overtly political civic organizations and political parties that would encourage citizen engagement in the political process continue to face strong resistance and even periodic repression from most Central Asian governments.

3. CONFLICT PREVENTION: For the entire region USAID was implementing more than 500 projects in more than 300 communities, directly benefiting approximately 445,000 people in Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan. Regional FY 2003 funding supported regionally-based personnel, their support costs, monitoring and evaluation, and a regional conference. To date, USAID has not begun any community development projects in Turkmenistan due to governmental constraints. However, specific projects have been identified by USAID implementing partners for commencement once conditions are favorable.

4. IMPROVED ENVIRONMENT FOR SMALL AND MEDIUM ENTERPRISES: Regional funding supplemented existing programs that affect all countries. International accounting standards in Central Asia, and the certification of accounting practitioners and international professional accountants were expanded in the region with the initiation of accounting training and certification in Tajikistan. In FY 2003, the Central Asia Microfinance Alliance Program partnered with 10 microfinance institutions across the region: one in Kazakhstan, two in Kyrgyzstan, three in Tajikistan, and four in Uzbekistan. The program's targeted technical assistance, training, and small grants helped them improve, and in some cases establish accounting, loan tracking, and internal control systems; begin annual strategic planning exercises; restructure credit committees to strengthen loan approval processes; complete external audits; and computerize their offices.

5. INCREASED ACCESS TO QUALITY HEALTH CARE: Regional funding generally used to supplement and/or start new activities, which affect more than one country. Regional efforts primarily were focused on infectious diseases (which know no borders), particularly TB and HIV/AIDS, and activities that benefit women and children. Important regional meetings to share information and lessons are served by regional funding. In FY 2003, regional funding permitted USAID to take advantage of an opportunity to expand public health services in Uzbekistan. The Uzbek government is very supported of the public health care program. USAID supported public health care programs are now accessible for 41% of the Kazakhstan population, 20% of the Uzbekistan population and all of the Kyrgyzstan population. The trend is very positive for significant expansion of public health care throughout the region.

6. CONFLICT VULNERABILITY: Regional and supplemental funding continues to support programs to reduce the likelihood of conflict emerging in Central Asia, whether as a result of Islamic extremists such as the Islamic Movement of Uzbekistan and/or disputes over resources that could take place at the community or inter-ethnic level. An assessment of our conflict prevention program has pointed out the need to focus on youth. USAID is also examining activities that will improve the dialogue about Islamic values in order to help lessen the influence of radical influences.

7. GENDER: Studies show that Central Asian women bear the brunt of economic transition marked by

increasing unemployment, alcoholism, sexually transmitted diseases, and domestic violence, amidst declining social services. USAID has placed greater emphasis on addressing gender inequities over the past several years to achieve more effective and better-targeted activities that will enhance opportunities for all citizens to participate in the region's economic and social development. Under USAID microfinance programs in Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan, approximately 90% of all micro-loans go to women, who are unable to secure financing from the formal financial sector for both start-up and established enterprises. USAID's anti-trafficking program in Kazakhstan and Kyrgyzstan will be expanded to Uzbekistan, Tajikistan, and Turkmenistan. Regional funds will be used to assess the trafficking problems in Central Asia and design a new USAID-funded initiative. Additionally, regional funds will support region-wide networking, coordination, and information activities for the new program.

8. **TRADE CAPACITY BUILDING:** Trade among Central Asian countries is vital to their economic growth, yet cross-border trade remains difficult at best. International trade has been severely constrained, and in some cases halted entirely. USAID has several programs to facilitate trade and build capacity among entrepreneurs. All of these efforts are funded through bilateral programs, even though they have a regional impact. One example of this is the Regional Trade Promotion network, which provides Central Asia's small/medium enterprises with an Internet-based marketplace linking buyers and sellers to increase regional and international trade. The website has registered to date 1,085 companies, and USAID assistance has provide direct trade advisory services to 300 clients. Of the 300 clients, 173 have concluded trade deals with a total value of \$7.8 million. Highlights include: a \$75,000 trade deal concluded between Tajikistan and Afghanistan for construction material; an Uzbekistan glass manufacturer benefiting from regional trade fairs signed new contracts worth \$420,000; and a Kazakhstan distributor of pharmaceutical and medical products signed a \$12 million distribution contract.

Country Close and Graduation:

Results Framework

176-0120 Fiscal Policy and Management

176-0130 Private Enterprise Growth

176-0131 Improved Environment for the Growth of Small and Medium Enterprises

IR 1.3.1 Increased Opportunities to Acquire Business Information, Knowledge, and Skills

IR 1.3.2 More Responsive Financial Institutions, Instruments, and Markets

IR 1.3.3 Increased Implementation of Laws and Regulations

176-0140 Financial Sector

176-0150 A More Economically and Environmentally Sustainable Energy Sector

176-0160 Environmental Management

176-0161 Improved Management of Critical Natural Resources, Including Energy

IR 1.6.1 Increased management capacity in natural resource sector

IR 1.6.2 Improved policy and regulatory framework

IR 1.6.3 Sustainable models developed for integrated natural resources management

IR 1.6.4 Public commitment established for natural resources management policies

176-0210 Citizen Participation

176-0211 Strengthened Democratic Culture among Citizens and Target Institutions

IR 2.1.1 Stronger and More Sustainable Civic Organizations

IR 2.1.2 Increased Availability of information on civic rights and domestic public issues

IR 2.1.3 Enhanced opportunities for citizen participation in governance

IR 2.1.4 More Effective, Responsive, and Accountable Local Governance

176-0240 Conflict Mitigation

IR 2.4.1 Strengthened Community Participation

IR 2.4.2 Improved Local Services Through Community Decisions

176-0310 Humanitarian

176-0320 Increased Utilization of Quality Primary Health Care for Select Populations

IR 3.2.1 Select populations are better informed about personal health care rights and responsibilities

IR 3.2.2 Improved quality of health care including infectious diseases and maternal and child health

IR 3.2.3 Improved use of health care resources for primary health care

IR 3.2.4 Improved legislative, regulatory and policy framework

176-0340 Improved Quality and Access to Basic Education in Target Areas

SO Level Indicator(s):

Attendance Rate Increased

Completion Rate Increased

Percent of Stakeholders Satisfied with Quality of Education in Target Areas

IR 3.4.1 Improved Quality and Access to In-Service Teacher Education in Target Areas

IR 3.4.2 Increased Parent and Community Involvement in Target Areas

IR 3.4.3 Strengthened Institutional, Management, and Technical Capacity in the Education System

176-0410 Special Initiatives

176-0420 Cross-cutting Programs