

USAID/Kyrgyz Republic

COUNTRY DEVELOPMENT COOPERATION STRATEGY

FY 2015– FY 2019

U.S. Agency for International Development

TABLE OF CONTENTS

Executive Summary	3
Development Context, Challenges & Opportunities	5
Development Challenges	6
Nascent Democracy with Weak Rule of Law	6
Deteriorating Public Administration & Service Delivery	7
Health Care & Education Services	8
Geographic Disparities & Inclusion Challenges.....	10
Struggling Economy, Unemployment & Migration.....	12
Development Opportunities.....	15
Strong Political Will to Consolidate Democratic Gains	15
Foundation of Steady Annual Growth and Progress on MDGs	16
Health & Education Progress	17
Regional connections: New Silk Road & Almaty Consensus	18
Strategic Approach & Development Hypothesis	20
USAID/Kyrgyz Republic Results Framework	21
Integrated Approach.....	21
U.S. Foreign Policy Interests, U.S. Goals & Priorities	23
Alignment with the Government of the Kyrgyz Republic & Key Stakeholders	24
Critical Overarching Assumptions & Risks	25
Development Objective 1: Inclusive and Accountable Democracy	27
DO 1 Critical Assumptions & Risks	31
DO 1 Intermediate Results.....	31
DO 1 Linkages to Other USAID/ Kyrgyz Republic Programs & Central Asia Regional Development Cooperation Strategy.....	34
DO 1 Other U.S. Support, Donor Coordination & Key Stakeholders (GoKR)	36
Development Objective 2: Improved Service Delivery and Policies for All Citizens	37
DO 2 Rationale.....	37
DO 2 Critical Assumptions & Risks	40
DO 2 Intermediate Results.....	41
DO 2 Linkages to Other USAID/Kyrgyz Republic Programs & Central Asia Regional Development Cooperation Strategy.....	45
DO 2: Other U.S. Support, Donor Coordination & Key Stakeholders	46
Development Objective 3: Accelerated Growth of Diversified and Equitable Economy.....	47
DO 3 Critical Assumptions & Risks	52
DO 3 Intermediate Results.....	52

DO 3 Linkages to Other USAID/ Kyrgyz Republic Programs & Central Asia Regional Development Cooperation Strategy.....	57
DO 3 Other U.S. Government Support, Donor Coordination & Key Stakeholders	58
Annexes	59
Annex 1: References	59
Annex 2: Donor Landscape in Select Sectors	62

EXECUTIVE SUMMARY

The Kyrgyz Republic is located in the heart of Central Asia and is of crucial importance to U.S. foreign policy goals. This small, landlocked, former Soviet country features a nascent democracy, a vibrant and increasingly influential civil society, and robust cooperation with the U.S. on a number of issues. While it has been successful in lowering its rate of extreme poverty, over 38% of the population remains below the national poverty line. Continued U.S. Government development assistance will help the country consolidate its encouraging progress toward accountable, inclusive governance, and reap significant development outcomes such as increased economic opportunities and increased resilience to shocks.

Under this Country Development Cooperation Strategy (CDCS) for the U.S. fiscal years 2015-2019, USAID can build on the Government's commitment to further reform in democracy and the social sectors as well as relatively strong recent economic growth in order to achieve the CDCS goal of assisting in the development of a democratic, well-governed, and prosperous Kyrgyz Republic. This goal is based on the hypothesis that if government institutions' relationship with the citizenry is characterized by increasing accountability and inclusiveness, then its main 'deliverables' – service delivery and policy – will improve across all socio-economic development sectors, thus increasing the legitimacy and stability of the Kyrgyz Republic's nascent democracy.

This goal reflects the significant democratic gains that the country has made in the past few years, as well as the remarkable vibrancy of its civil society through periods of renewed authoritarianism. USAID/Kyrgyz Republic is confident that the parliamentary democracy established by the 2010 constitution has developed strong foundations. Governing coalitions have dissolved and reformed, elections have been held peacefully and fairly, and most political parties and leaders see the advantages of participation in the democratic system. That is not to say that the democratic system is fully consolidated. In order for its democracy to be fully established, the Kyrgyz Republic must strengthen the rule of law and fight corruption, increase the level of inclusion and protection for all people – particularly ethnic minorities and women, and expand the role of civil society in providing oversight over the democratically elected government in order to enable the citizenry to peacefully and responsibly hold their government accountable.

While improvements in democracy are vital for the future of the Kyrgyz Republic, USAID/Kyrgyz Republic believes that the success of this democratically-elected government is fundamentally dependent on its ability to improve the lives of its citizens through their increased opportunities, ability to realize their full human potential, and freedom of expression in all its forms. This requires improvements in essential services that bring outcomes that the population can see and feel – in particular improvements to education and health.

Finally, the Kyrgyz Republic's economy must be able to sustain the services and opportunities that the population needs to improve their overall quality of life. The country's productivity in key sectors, including agriculture, is not sufficient to drive employment, trade, and economic growth. The population is not sufficiently prepared to participate in the modern workforce, and improvements to the

business environment are needed to encourage increased investment and the expansion of job-creating sectors.

With this background, USAID/Kyrgyz Republic has identified three Development Objectives (DOs) necessary to achieve the goal of a democratic, well-governed, and prosperous Kyrgyz Republic. These three objectives are mutually reinforcing, and each is required to achieve the CDCS goal. As all citizens are better able to interact with government in an inclusive and accountable democracy, the legitimacy and effectiveness of the country's nascent political and civil society institutions will grow. As the ability of governing institutions to better deliver services expands to include all segments of society, the environment and capacity for economic growth will improve. Similarly, with a stronger economy and empowered private sector, the Kyrgyz Republic's ability to effectively mobilize revenues will increase and better enable service delivery.

Development Objective 1: Inclusive and accountable democracy: This DO seeks to build inclusive and accountable democracy by increasing the participation of all citizens in democratic processes, increasing mutual accountability between citizens and government, and protecting the universal human rights of all citizens.

Development Objective 2: Improved service delivery and policies for all citizens: This DO seeks to improve service delivery and policies for all citizens through building the capacity of key state bodies to govern, increasing the use of quality public services (particularly health and education), and increasing civil society partnerships with government for improved policy and service delivery.

Development Objective 3: Accelerated growth of diversified and equitable economy: This DO seeks to build accelerated growth of a diversified and equitable economy through expanded human capital, an improved business enabling environment, and improved competitiveness of key economic sectors.

This CDCS will be implemented in close coordination with the USAID/Central Asian Republics Regional Cooperation and Development Strategy in recognition of the fact that the Kyrgyz Republic is an important player in the long-term stability and prosperity of the Central Asian region – including Afghanistan and Pakistan. Just as stability and cooperation with its neighbors is vital for the Kyrgyz Republic's development, this country has the potential to serve as a model for democracy in the region.

DEVELOPMENT CONTEXT, CHALLENGES & OPPORTUNITIES

The Kyrgyz Republic is located in the heart of Central Asia and is of crucial importance to U.S. foreign policy goals. This small, landlocked, former Soviet country features a nascent democracy, a vibrant and increasingly influential civil society, and robust cooperation with the U.S. on a number of issues. The past ten years have been marked by successive political revolutions and occasional bursts of ethnic violence. Following the ouster of the authoritarian president in April 2010, a new constitution established the Kyrgyz Republic as a parliamentary democracy. Since then, it is successfully passing through its transition phase to become a fully democratic country and stands as a positive model among its less progressive neighbors. Continued U.S. Government development assistance will help the country consolidate its encouraging progress toward accountable, inclusive governance, and reap significant development outcomes such as increased economic opportunities and increased resilience to shocks.

The Kyrgyz Republic is a mountainous country with a population of roughly 5.5 million. While it has been successful in lowering its rate of extreme poverty, over 38% of the population remains below the national poverty line of \$1.30 per day (men: 39%, women: 37.2%).¹ It is a disaster-prone country particularly at risk for earthquakes and landslides. Further, the country is susceptible to a variety of other shocks such as volatile global and regional food prices, political instability and ethnic conflict. Although it has considerable gold resources and hydropower as a source of electricity, the Kyrgyz Republic has no hydrocarbon resources. Its considerable physical, educational, medical, and social service infrastructure is the legacy of Soviet subsidy and investment, but over two decades after the collapse of the Soviet Union, these systems are crumbling and suffering from overuse, neglect, and low human capital.

Although the Kyrgyz Republic faces many challenges, it also presents key opportunities for development assistance to have sustainable and powerful impact. USAID can build on the new Government's commitment to reform gains in democracy and the social sectors combined with relatively strong recent economic growth. By applying timely assistance in concert with the donor partners and the people of the Kyrgyz Republic – and encouraging key reforms – over the five years of this Country Development Cooperation Strategy (CDCS), USAID will achieve the following:

- 10% increase in citizen satisfaction with key government institutions – courts and Parliament
- 10% decrease in the poverty rate in the Feed the Future zone-of-influence, by the National Poverty Rate
- 15% relative reduction in stunting rate in the Feed the Future zone-of-influence
- 90% of all primary grade students with improved reading instruction, curriculum, and reading materials
- 50% reduction in the number of MDR TB cases
- Access to treatment for every patient diagnosed with MDR TB
- 75% treatment success rate for MDR TB
- 5% relative reduction in HIV among people who inject drugs

¹ The GoKR poverty rate is set at 70.82 Kyrgyz Som (KGS) per day. In March 2014 the KGS fell against the U.S. Dollar, reaching a low of 58 KGS/U.S. Dollar (which dropped the national poverty rate to \$1.22/day.) As of April 2014, the KGS has risen slightly to 54, which sets the national poverty rate at \$1.30/day.

DEVELOPMENT CHALLENGES

As the newest democracy in the former-Soviet world and the only democracy in Central Asia, the Kyrgyz Republic faces a unique set of challenges to its stability. The democratic system, which presents real choices to an empowered electorate and requires power-sharing among the branches of Government, has yet to prove itself to either the people or Government. A risk remains that the country will return to the non-democratic systems of neighboring countries, as it did after the 2005 revolution. The country's 22 years of independence show a pattern of severe shocks, including natural disasters, economic crises, government instability and ethnic conflict. For the population to become resilient to these shocks the Kyrgyz Republic will require a rapid increase in Government capacity for key social services, increased inclusiveness of development achievements, and expanded economic opportunity.

NASCENT DEMOCRACY WITH WEAK RULE OF LAW

The Kyrgyz Republic has made enormous strides since the overthrow of President Kurmanbek Bakiyev in 2010. Nonetheless, as USAID's 2013 Democracy, Rights, and Governance (DRG) Assessment notes, "the impressive democratic breakthroughs of the last three years are threatened by ineffective, unaccountable and often predatory government and rule of law superstructures that fail to deliver for all citizens, but especially fail to defend the human rights of the minority against the prejudice of the majority."² While the opportunity to consolidate democratic gains is ripe in the Kyrgyz Republic, many significant challenges remain.

The new Parliament that came out of the October 2010 elections has seen its ruling coalition collapse three times and reconfigured itself without provoking an existential crisis. Political competition is being channeled into a legitimate, rule-based arena. Still, despite changes to electoral and political party legislation, there remains a structural incentive for parties to rely on opaque sources of fundraising and to 'sell' political patronage to business interests in exchange for support. This fundamental fact is difficult even for well-meaning parties to overcome, as financial and administrative resources are still the key to winning elections. This status quo will likely remain until a party with a clear identity, articulated platform, and transparent finances demonstrates that it can win elections.

Progress is also needed on gender equality in politics. While 27 of the 120 members of Parliament are women (22.5%), this number is below the 30% quota adopted in 2007 and few top positions in the Government are held by women.³ There is also a lack of women in political leadership at the local level.⁴ Women make up 42% of public servants, though the problem of income inequality persists, with men occupying higher-paid managerial positions and women in lower-paid occupations. Additionally, anecdotal reports show an increase in domestic violence and gender based violence with limited assistance for victims from law enforcement institutions.

The Kyrgyz Republic suffers from a broad range of major weaknesses in rule of law that threaten its democratic reforms. The first is the Soviet legacy of political manipulation and the vestiges of a powerful police state designed to serve the interests of the ruling party and to control the population. This system was later captured by corrupt officials who manipulated it for personal gain. That led to the second problem: the legacy of criminal capture of the State and State-provided services during the first two decades of the Kyrgyz Republic's independence. The third rule of law problem has emerged since the 2010 ethnic clashes in the South.

² USAID/Asia Bureau. *Democracy, Human Rights and Governance Assessment of the Kyrgyz Republic*. USAID. March 2013. p. 13.

³ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. USAID. June 2013. p. 23.

⁴ Somach, Susan, and Deborah Rubin. *Gender Assessment USAID/Central Asian Republics: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan*. USAID & DevTech Systems Inc, March 2010. p. 34.

Increasingly the application of justice through the courts and the police, and even the level of payment necessary to avoid them has become an ethnicity issue, especially in the South.⁵ Every government in the Kyrgyz Republic since 1993 has declared that it would strengthen the independence of the judiciary and the effectiveness of law enforcement agencies in order to reassure the public as well as foreign investors that the rule of law would prevail. Yet after almost twenty years of judicial reforms, the goals of having an independent and professional judiciary and efficient administration of justice remain elusive. The post-revolutionary Government represents a new surge in stated political will to tackle rule of law reforms. In addition to changes to the Constitution, the President and Parliament have publicly declared the importance of establishing an independent judicial branch and reforming the police.

More than anywhere else in Central Asia, the Kyrgyz Republic boasts a robust civil society, capable both of grassroots service provision and macro-level advocacy around a few key policy issues. However, strength and sustainability in the sector is unevenly distributed, with a small number of national civil society organizations (CSOs) demonstrating high levels of organizational development and commanding a strong voice in national policy debates, while a mass of small organizations in the regions outside the capital and rural areas lead a hand-to-mouth existence. Over the past three years, CSOs have been able to work independently, openly and generally free of government interference.

Financial sustainability remains an elusive goal for CSOs in the Kyrgyz Republic. While CSO financial legislation is in place, widespread financial support has not emerged from the business community or population at large. The Government has started to allocate funding to CSOs through state social procurement administered by the Ministry of Social Development in increasing amounts over the last three years. Nonetheless, most funding still comes from international donors. Since the June 2010 events, a regional imbalance has emerged as donors directed funds to the South. As a result, CSOs in other parts of the Kyrgyz Republic have dwindled without financial support.

DETERIORATING PUBLIC ADMINISTRATION & SERVICE DELIVERY

The Kyrgyz Republic continues to suffer from the paradoxical ailment of being simultaneously over-governed and inefficiently governed. The Soviet and post-Soviet autocratic legacy has left an oversized four-layer government based on the old Soviet model of unitary, top-down hierarchical control by officials who have mostly been appointed from above.⁶ The Kyrgyz Republic inherited the Soviet bureaucratic machinery to deliver a broad range of public goods, and remains highly centralized, inefficient, under-resourced, and in some cases subject to rent-seekers, impeding the ability of the Government to implement reforms even when there is political will. The problem is not that there are insufficient staff to implement reforms, but rather that both the quality of the country's bureaucrats and the way they are used is inadequate to meet the task. The lack of competitive pay and adequate training make recruitment difficult and encourage rent-seeking and corruption among those in service.

In 2012 the Kyrgyz Republic was ranked 125 of 187 countries with a score of 0.622 on the UN Human Development Index.⁷ Many services of critical importance to the population (police, schools, health care, civic documents) are technically beyond the jurisdiction of now democratically-elected local officials and are managed by appointed and largely unaccountable representatives of central ministries and agencies. Local elections have made municipal and

⁵ USAID/Asia Bureau. pp 6-7.

⁶ USAID/Asia Bureau. p. 6.

⁷ UNDP. *Kyrgyzstan Country Profile: Human Development Indicators*. 2013.

<http://hdrstats.undp.org/en/countries/profiles/KGZ.html> Accessed August 27, 2013.

rural officials answerable to their population, regardless of whether they have the means to solve problems. The Soviet legacy has been a strong countervailing force to decentralization throughout the past twenty years, with centralized ministries largely dominating the decision-making in many critical areas of service delivery, regardless of who gets elected or appointed locally.

On paper, the Kyrgyz Republic has pushed decentralization further than any other Central Asian country, with political power, representation and fiscal authorities devolved down to local government units. Unfortunately, decentralization in the Kyrgyz Republic remains only half-finished, which undermines long-term attempts to improve governance in the country. The current decentralization program fails to clearly delineate how local government units are to transition from their current service provision model to the one mandated by legislation. At the heart of this process is the on-going redefinition of what the state does, what it reserves to itself, and what it allows to be managed outside of its control. The Kyrgyz Republic lacks a consensus vision of what this division of labor should be and how to manage the contraction of the state.

While corruption and inefficiencies have driven many citizens to minimize contact with the state, there are five key 'touch points' where these sorts of interactions are virtually inevitable and where citizen attitudes toward the government are formed. These are: 1) health care; 2) education; 3) law enforcement; 4) issuance of official documents; and 5) the criminal justice system.⁸

HEALTH CARE & EDUCATION SERVICES

The Kyrgyz Republic is a country at risk of losing the social sector advantages of its Soviet past. Deteriorating Soviet-era infrastructure is both expensive to maintain and inadequate to the task of supporting high quality health care for all citizens. Despite being an early leader in health sector reform,⁹ the Ministry of Health is having difficulty capitalizing on those reforms to ensure good health, combat priority infections such as HIV and Tuberculosis (TB), and reduce death and disability from chronic diseases. Substantial efforts to improve health care service delivery have not led to a commensurate impact on health status in the country. The health sector requires both resources and technical assistance in order to fulfill the promise of reform.

TB care is plagued by low capacity at the national and service delivery levels. Improved care for drug-susceptible TB has successfully slowed the rate of new infections and TB mortality – over the last decade the TB incidence rate for men has fallen 29% and the rate for women has fallen 20%, although men remain 1.4 times more likely to be infected with TB than women.¹⁰ The achievements with drug-susceptible TB demonstrate that the health sector is capable of providing good care, but capacity is still lacking in terms of MDR TB. The Kyrgyz Republic is among the 27 WHO high burden countries for MDR TB.¹¹ Rates of MDR TB are on the rise; they are an increasing proportion of all TB cases.

Furthermore, the number of patients who acquire MDR TB as their first infection, rather than developing drug resistant TB as the result of failed treatment, is also increasing.¹² This indicates poor case detection among the

⁸ USAID/Asia Bureau. pp 20-21.

⁹ Ibraimova A, Akkazieva B, Ibraimov A, Manzhieva E, Rechel B. "Kyrgyzstan: Health system review." *Health Systems in Transition*. 2011. 13(3):1–152.

¹⁰ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. pp 28-29.

¹¹ WHO Fact Page on TB in Kyrgyzstan. <http://www.euro.who.int/en/health-topics/communicable-diseases/tuberculosis/country-work/Kyrgyzstan>. Accessed on December 27, 2013.

¹² WHO, *Kyrgyz Republic Tuberculosis Profile*. Generated on December 27, 2013.

general population and weak infection control at the health care facility level. Innovative rapid testing technologies such as GeneXpert would improve case detection and support better patient segregation for infection control.

As of 2013, the Kyrgyz Republic could not treat every diagnosed case of MDR TB. In December 2013, approximately 600 people were wait-listed for MDR TB drugs and 200 people were receiving them. While wait-listed for care, infectious individuals live among the general population, putting family, friends, and colleagues at risk for MDR TB infection. Fifty-seven percent of the budget for TB control in the Kyrgyz Republic comes from donor funds.¹³

HIV in the Kyrgyz Republic is concentrated among key populations and people who inject drugs account for the largest number of new HIV infections. Overall HIV prevalence in the Kyrgyz Republic remains low, but there has been a significant increase in HIV infections, driving the cumulative number of HIV cases from 826 registered people living with HIV (PLHIV) in 2005 to an estimated 8,700 in late 2013.¹⁴ PLHIV also struggle to access treatment. Although the Government of the Kyrgyz Republic has increased the funding for HIV care, capacity remains weak. The Global Fund to Fight AIDS, TB and Malaria provides enough drugs for approximately 10% of people living with HIV, but that minimal supply goes underutilized. Health care providers lack the skills and knowledge to effectively prescribe them.

As part of the health sector reform process, responsibility for anti-retroviral (ARV) prescription and AIDS care was shifted to the primary care sector, but that responsibility was not accompanied by the necessary capacity building. Although decentralized HIV care is a best practice, it must be accompanied by the capacity to provide high quality care.¹⁵ Primary health care providers are unable and unwilling to manage ARVs, and patients go without if they lack geographic access to the AIDS Center in Bishkek. As a result, only 952 of the estimated 8,700 people living with HIV in the Kyrgyz Republic are currently receiving ARV treatment.¹⁶

Literacy in the countries of the Former Soviet Union was always considered an area of strength for the education system. As a result, more attention has been paid to adding new subjects to the curriculum, than to providing support to the fundamentals of a good education. This overloaded curriculum does not allow students time to master the basics of literacy and math, which has led to low learning levels in subjects across the learning spectrum. Additionally, the quality of education at all levels has been declining, with inadequate teacher training, inability to retain qualified staff, and inefficient management of educational institutions.¹⁷ While school enrollment is still very high in the Kyrgyz Republic, the recent increase in male dropouts at the secondary level is concerning.¹⁸ Over time this lack of attention to basic subjects has led to a dramatic decline in reading and learning outcomes over the past decade.

An Early Grade Reading Assessment (EGRA) conducted in 2011 in the Kyrgyz Republic show that while most students in grade two have some of the essential skills for reading, the percentage of children with these skills declines by fourth grade.¹⁹ This decline represents a critical lost moment to teach children to read while they are

¹³ WHO, *Kyrgyz Republic Tuberculosis Profile*, generated on December 27, 2013.

¹⁴ UNAIDS. *Global report: UNAIDS Report on the Global AIDS Epidemic 2013*. "UNAIDS / JC2502/1/E"- Revised and reissued, November 2013.

¹⁵ UNAIDS. pp 99-100.

¹⁶ Kyrgyz Republic National AIDS Center. *Monthly Report for November 2013*. November, 2013.

¹⁷ Tvaruzkova, Mirka, and Duishon Shamatov. *Review of Early Grade Teaching and Skills: The Kyrgyz Republic and Tajikistan*. USAID & Aguirre Division of JBS International, January 2012. p. 1.

¹⁸ Somach, Susan, and Deborah Rubin. p. 33.

¹⁹ Tvaruzkova, Mirka, and Duishon Shamatov. pp 13-14.

still active in school and interventions can still succeed. This decline in reading at grade level also impacts a child's ability to advance in other subjects such as math and history, creating a downward spiral that can be stopped if addressed in time.

This low performance should have been expected after almost two decades of neglect to the system. Classrooms are overcrowded and in disrepair, approximately half the children in school lack textbooks, and teachers are leaving the profession faster than new teachers are brought on. Subjects and requirements are added to the outdated curriculum, crowding out time for learning basic skills and critical thinking. For these reasons, USAID's decision to focus on measurably improving the reading skills of primary grade students comes at a critical time to encourage the Ministry of Education to focus on improving basic skills and measuring progress to show results.

In addition to the challenges facing the quality of education, access to education among children and youth is not assured. Trends show that an increasing percentage and absolute number of children are not in school or are registered for school but do not attend on a regular basis and are at risk of dropping out. According to the UNESCO Institute for Statistics, 4.7% of primary age children and 8.2% of lower secondary age children were out of school in 2010.²⁰ These statistics are fluid, but show a persistent cohort of children that do not attend school and will not have the skills to succeed in later grades. Any effort to ensure that all children in the country improve their reading skills and ultimately learn to read with comprehension will need to decrease the percentage of out of school youth, and to keep students from leaving school early.

GEOGRAPHIC DISPARITIES & INCLUSION CHALLENGES

Significant inclusion challenges remain to be addressed in the Kyrgyz Republic. These challenges include geographic disparities that closely parallel ethnic divides, backsliding on issues of gender equality and the alienation and exclusion of youth from economic and political power. These challenges are at the core of the risks to the government's stability and the risk of a return to violence in the country. Addressing these challenges is a necessary step to building the community-level resilience to shocks that is lacking in many regions of the country.

The wide disparity in malnutrition rates among oblasts is one symptom of inclusion challenges. Demographically, the population is divided both ethnically and geographically. The majority ethnic group is Kyrgyz, amounting to 65% of the population, and they are followed by Uzbeks (14%), Russians (12%), and small numbers of other ethnicities. The Uzbek population is largely concentrated in the Fergana Valley in the southwest, an area somewhat arbitrarily divided among Tajikistan, Uzbekistan, and the Kyrgyz Republic, leaving ethnic enclaves in each country and myriad international demarcation issues. Long-simmering ethnic tensions most recently erupted in June 2010. Since then, the large ethnic Uzbek population in the South has faced routine discrimination, increasing ethnic isolation and harassment by security services.

Political liberalization since 2010 has been coupled with a rising nationalist discourse among some ethnic Kyrgyz that the Kyrgyz Republic should be primarily a state for them. Uzbeks in the South appear to increasingly be forced to assimilate or emigrate. While the President has been working on a new ethnic policy, the multiethnic concept of citizenship and the narrative for peace and reconciliation has not been championed sufficiently by leading politicians. Without impartial investigation and prosecution of the perpetrators of the June 2010 violence and strong measures to improve rule of law, especially in the South, the legitimacy and stability of the Kyrgyz Republic's democratic experiment will be significantly undermined. The June 2010 inter-communal violence marked a sharp collapse of rule of law in the South that has not improved since. In the aftermath, the Uzbek

²⁰ UNICEF. "Kyrgyzstan Country Study" *All Children in School by 2015*. Global Initiative on Out-of-School Children. 2012. p. 93.

minority was disproportionately charged in the investigations. While this ethnic bias in judicial proceedings has been acknowledged by many in private, only prominent human rights groups and a few media outlets are outspoken about it, often at the risk to their own safety. Ethnic Uzbeks are presented with few attractive choices in parliamentary or presidential elections since the national parties are dominated by and appeal to ethnic Kyrgyz. However there have been increasing attempts to appeal to and include the ethnic Uzbek voter, as demonstrated by large numbers of Uzbek candidates in the Southern local council elections.²¹ Media outlets suffer from these language dynamics, with outlets finding it difficult to produce Uzbek-language news as older, experienced Uzbek-speaking journalists have left the South or stopped working as journalists and few young people want to go into journalism.

Islam is undergoing a revival in the Kyrgyz Republic, a country with a political elite that is still largely secular.²² In particular, there is a growing gap in perceptions of religion between young people and older people. Older people tend to view religion, particularly Islam, with suspicion, and are concerned about the spread of more austere forms of Islam into the Kyrgyz Republic. Younger people, on the other hand, seem to be identifying more with religion. In UNDP's analysis of young people, 68% of respondents identified themselves first as Muslims and second as citizens of the Kyrgyz Republic. American University of Central Asia (AUCA) findings indicate that young people view Islam not only as a cultural identity, but also as a political identity. At the same time, their knowledge of political Islam is superficial and largely gathered from Western media sources. The majority of respondents in the AUCA study saw the Kyrgyz Republic as a secular state with Islamic values, similar to Turkey or Malaysia.²³

Gender equality is on the official agenda for the GoKR, civil society and the NGO and donor sectors. Laws provide for equal access to education, political participation and citizenship rights. However, the recurrent political and economic transitions in the Kyrgyz Republic are having different impacts on males and females.²⁴ The Kyrgyz Republic has ratified all relevant international human rights documents, including those pertaining to gender discrimination. The principle of equal rights is specified in the Constitution as the equal rights of men and women to participate in elections and referendums; to obtain, to change and to keep citizenship; to receive education, medical aid, pensions and social benefits; to marry and to bring up children; to have parental leave for child-care; and to hold property. In 2007, the Constitution was amended to guarantee not only equal freedoms and rights, but also the equal opportunities to execute them. Despite the significant *de jure* progress in gender equality, there is a lack of implementation of these laws that, in some areas, requires legal amendments to remedy.²⁵ Women also need better awareness of their rights and representation in cases to enforce them.²⁶ In addition, the role of women seems to depend on socio-economic status while the economic opportunities for women are declining. Women decreasingly work in high-skill areas such as medicine and law in favor of lower-paid positions such as bazaar sellers. Even women working in the same fields as men make only 77% of the average male wage.²⁷ Women have occupied power positions, most notably the former Transitional President, but at the same time women continue to be exposed to discrimination and violence. The problem is deeply rooted enough that over 45% of women believe that gender based violence is justified, in some cases.²⁸

²¹ USAID/Asia Bureau. p. 9.

²² USAID/Asia Bureau. p. 11.

²³ Oliver, Daniel, and Karin Akins. *Youth Assessment: Kyrgyz Republic*. USAID & the International Youth Foundation, October 2010. pp 13-14.

²⁴ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. USAID. June 2013. p. 47.

²⁵ Somach, Susan, and Deborah Rubin. p. 29.

²⁶ Somach, Susan, and Deborah Rubin. pp 33-34.

²⁷ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. pp 38-39.

²⁸ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. pp 16-19.

Youth (people aged 10 to 25) in the Kyrgyz Republic represent a third of the population and face multiple challenges, including a lack of education, abuse of illicit substances, risky sexual behavior, and a lack of opportunities for participation in public life, as they transition from school into holding the rights and responsibilities characteristic of full, active citizenship. In reaction to poor governance, many youth are disillusioned about the promise of democracy, a significant obstacle to building a more stable and unified country. Limited investment has been directed at engaging youth as partners for their own development.²⁹

STRUGGLING ECONOMY, UNEMPLOYMENT & MIGRATION

The Kyrgyz Republic does not have some of the economic advantages in terms of natural resource endowments that its neighbors have. Economically, it has largely depended on gold mining, which represents 12% of Gross Domestic Product (GDP) and 26% of tax revenues. Remittances from the country's estimated one million labor migrants, most of whom are working in Russia, represent up to 23% of GDP. The rest is largely subsistence agriculture. While real GDP fell in 2012 due to a reduction in gold output, poor agricultural performance due to a drought and a slowdown in the economies of its leading trade partners, in 2013 it is expected that positive growth will return due to a low base of comparison and a rise in gold production. Expansion may be strained in 2014 if international gold prices fall.³⁰

POVERTY AND FOOD SECURITY

Although the Kyrgyz Republic has been successful in achieving its MDGs by reducing its rate of extreme poverty (\$1.25/day) to less than 5%, the rate has unfortunately begun to rise again – having sunk to 3.1% in 2009 only to rise back up to 4.4% in 2012. Further, the national poverty rate – which uses a standard of approximately \$1.30 per day – has now reached 38% (men: 39%, women: 37.2%). This is up from 31.7% in 2008. Although the poverty is more acute in rural (39.6%) and mountainous areas (51%), rates remain alarmingly high even in cities (35.4%) and the relatively prosperous middle altitudes (32.1%).³¹ It is further important to remember that in many ways the people of the Kyrgyz Republic are in a worst-of-both-worlds scenario. Like the residents of many developing countries, the Kyrgyz population is facing high rates of poverty and a Government that is too weak and poorly funded to help effectively. However, like residents of more developed economies, the Kyrgyz population's only historical precedents are of a relatively wealthy society, leaving them without knowledge or access to common coping mechanisms. One sign of this are the country's food security rates, which would normally be indicative of a society with higher rates of extreme poverty.

Food security in the Kyrgyz Republic is a major problem that is getting worse. The World Food Program (WFP) reports that 25% of Kyrgyz households are food insecure. Households with the smallest land holdings are especially hard hit. Household food insecurity is as high as 48% in Jalalabad, 38% in Osh, 38% in Batken, areas where there are a large number of people living below the national poverty line (e.g., in Osh the poverty rate is 40%).³² Food insecure households in the Kyrgyz Republic spend over 60% of their budgets on food, indicating high dependency on food purchases and vulnerability to market price swings. The national stunting rate is 17.7% (boys: 19.9%, girls: 15.3%). Although rates of stunting among children are highest in the South and West (22.5% in

²⁹ Oliver, Daniel, and Karin Akins. p. 9.

³⁰ Adler, Beth, and Amanda Femal. *Improving Financial and Agribusiness Linkages to Enhance Competitiveness in Kazakhstan, Kyrgyzstan, and Tajikistan*. USAID. March 2013. p. 4.

³¹ National Statistical Committee of the Kyrgyz Republic, *Standard of Living of the People of the Kyrgyz Republic*. Bishkek. 2013. pp 17-18.

³² USAID/Kyrgyz Republic. *Kyrgyz Republic: Assessment of the Agricultural Sector*. USAID. July 2013. p. 36.

Batken, 24% in Osh), they are also high elsewhere (between 9.7% in Issyk-Kul and 18.6% in Bishkek. Sex-disaggregated stunting rates are only available at the national level).³³ These households are particularly susceptible to the shock of food price increases. Building their resilience relies heavily on raising families out of poverty and increasing the reliability and availability of diverse, nutritious foods. In addition to heightened poverty and food insecurity, the Southern regions have traditionally been more susceptible to conflicts. While the causes of these conflicts are complex and often politically-driven, USAID conflict programs have identified resource constraints in rural areas – in particular access to irrigation water and pasture lands – as contributing factors for conflict.

Introducing new crops could simultaneously improve nutrition and raise farm incomes. The Ministry of Agriculture lacks policy decision making capacity, which hinders agricultural development. The Kyrgyz Republic is currently losing sizable export revenues due to the recent foot and mouth outbreak and trade embargo, leading to heavy Government engagement to try to resolve the issue. There is a lack of value-added food processing chains that can improve product quality and create value-added employment in the agricultural sector. Finally, Kyrgyz crop yields have suffered from a deteriorating irrigation system.³⁴ Low levels of trust in agriculture value chains impede their development. Even with a purchase contract, producers and processors are concerned that the other party will break a contract if a lower price is found. The lack of reliable contract enforcement impedes trust and makes purchase order finance difficult. Producers are also reluctant to cooperate with one another to access buyers.³⁵

ECONOMIC POLICY AND GROWTH

The Kyrgyz Republic has made great progress in improving its business enabling environment, but many problems remain. Following the breakup of the Soviet Union, Kyrgyz lawmakers and government administrators methodically and purposefully adopted market-oriented policies. Much of the Kyrgyz Republic's legal and regulatory code was revised soon after 1991, which ushered in many of the laws and institutions that typify a modern, market-oriented economy. However, reform is still needed in critical policy areas, including tax administration, trade regulations, commercial law and the labor market. Additionally, corruption and business formalization remain ongoing challenges for the private sector.³⁶ For example, among the (formal) trade transaction costs, there is substantial 'border friction' in the form of intentionally delayed service from customs and other officials. This has the impact of an import duty in the receiving country and as an export tax in the Kyrgyz Republic. In many cases, it is not simply the matter of paying an official fee, but rather facing the delays that represent an additional, resource-swallowing transaction cost.³⁷

USAID's 2010 Gender Assessment for the Central Asian Republics notes that gender implications in issues such as customs policy, trade reform and gender budgeting are under-addressed. In particular, social payment reform does not seem to accurately reflect costs of different programs on a gender basis.³⁸ Government influence on small business is less problematic than in other parts of Central Asia. However, the Government struggles with

³³ ICF International, Kyrgyz Ministry of Health, Kyrgyz National Statistical Committee. *Kyrgyz Demographic and Health Survey 2012*. USAID & UNFPA. March 2013. p. 21.

³⁴ Trueblood, Michael. "A Review of the Agricultural and Food Security Situation in the Kyrgyz Republic." USAID/Central Asia Mission, November 19, 2012.

³⁵ Adler, Beth, and Amanda Femal. p. 7.

³⁶ Chemonics International. *USAID/Kyrgyz Republic Economic Growth Assessment*. May 2013. p. 5.

³⁷ Mogilevskii, Roman. 2012. Trends and Patterns in Foreign Trade of Central Asian Countries, Working Paper No.1, 2012. University of Central Asia, Graduate School of Development Institute of Public Policy and Administration.

³⁸ Somach, Susan, and Deborah Rubin. p. 31.

implementation of laws and regulations. While there are few restrictions on foreign investment, investors have high perceived risks and are concerned that policies could change with little or no notice.³⁹

The banking sector is fairly stable and steadily developing. In 2012, assets grew by 12.2%, while the deposit base grew by 24.7% and the total loan portfolio grew by 14.2%. The non-banking financial sector, specifically microfinance, is also growing. Microfinance accounts for more than 70% of the country's individual loans.⁴⁰ Banks are risk adverse, requiring high levels of collateral for loans. The primary asset farmers have to pledge is their land, but banks are reluctant to take it as collateral as they have to sell it within a year of seizure. Banks are also reluctant to take small ticket loans due to the increased transaction costs incurred with doing many small loans versus a few larger loans. Banks also note that there is a scarcity of viable small and medium enterprises (SME) in agriculture and other industries (apart from mining) to which they can lend.⁴¹

Cross-border trade is low in the Kyrgyz Republic, although there is a thriving sector importing goods from China for re-export to Russia and other countries in the region. Trade with other Central Asian countries, particularly Uzbekistan, is limited by political disputes which frequently result in the closure of border crossings. Unofficial trade on these borders is common, but risky. The Kyrgyz Republic has committed to joining the Eurasian Customs Union. The impact of this move on the Kyrgyz economy is a matter of much debate within the country. It is likely to hurt the current China trade, but it may increase potential for exports of agricultural products to Russia and Kazakhstan if the country can overcome its inability to meet quality, health, and phytosanitary standards for foodstuffs.⁴² The number of firms that would benefit from cross-border trade is increasing, but firms require assistance to access these markets. Shuttle trading and related sectors provide opportunities for those who would otherwise be unemployed – particularly many women.⁴³

The Kyrgyz Republic has a looming crisis in the electricity sector. Power assets are almost universally old and approaching the end of their economic life. Tariff increases are sorely needed, but there is well-founded public distrust of such increases. High losses should be addressed before tariffs are raised. Sector companies have poor financial management and performance due in which the sector not generate or retain sufficient funds to renew and expand its capital facilities. Donors agree that the energy sector is poorly governed and managed, and there is poor transparency and apparent widespread corruption. A sound legal, regulatory and policy framework is critical to the development of the sector and currently does not exist. Political will for reforms appears inconsistent. Some donors have pulled out of the energy sector, citing a lack of progress on reform. Others, such as the World Bank, believe that the country has reached a turning point and the next few years will be favorable for reform. Meaningful metrics and valid data are needed to monitor the progress of sector reform and guide policy development. Current metrics are extremely weak. In December 2012, the *Action Plan for Reforming the Energy Sector 2012-2013* was jointly developed by donors and the Government, which may signal room for progress.⁴⁴

High unemployment and endemic poverty affect both men and women, although official statistics indicate women are more likely to be unemployed than men in almost all regions.⁴⁵ The 2013 USAID/Kyrgyz Republic Gender Analysis noted that economic activity among women of working age decreases from 81.6% in 1991 to 42.3% in

³⁹ Adler, Beth, and Amanda Femal. p. 6.

⁴⁰ Adler, Beth, and Amanda Femal. p. 4.

⁴¹ Adler, Beth, and Amanda Femal. p. 6.

⁴² Adler, Beth, and Amanda Femal. p. 6.

⁴³ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 46.

⁴⁴ Hsu, Sharon, Almaz Asipjanov, and Gulzada Azhetova. pp. 1-2.

⁴⁵ Somach, Susan, and Deborah Rubin. p. 29.

2007.⁴⁶ Young people in the Kyrgyz Republic face very difficult circumstances as it concerns employment. Having received poor training within elementary and secondary schools, vocational schools and universities, young people are often thrust into the job market with few marketable skills. The Kyrgyz Republic has a large population of young people and has an oversupply of labor as a consequence. Young people are anxious about their future, and lack the tools (practical, life, entrepreneurial, and citizenship) to change their circumstances.⁴⁷

The Kyrgyz Republic, like other Central Asian countries, has low levels of human capital which adversely impacts productivity.⁴⁸ What human capital there is often migrates abroad given the lack of opportunity at home. According to UNDP, between 700,000 and one million citizens of the Kyrgyz Republic currently work abroad. Most labor migrants are aged 20-29. Women represent 27% of labor migrants.⁴⁹ Migration eases the oversupply of labor and offers opportunities for young people to gain decent work. In many cases young people build their professional capabilities while abroad with on-the-job training that increases their chances to qualify for well-paid jobs either in the Kyrgyz Republic or elsewhere. Émigrés also send significant portions of their salaries back in remittances.

Despite these benefits, migration has significant downsides. It separates families and can potentially lead to exploitative labor practices, including human trafficking.⁵⁰ There is a perception among communities in the South that social cohesion is fraying as parents leave their communities to find work, leaving children behind. Family, neighborhood and other networks that once helped hold communities together are finding it increasingly difficult to do so. Internal migrants also become more vulnerable when they are separated from their traditional community support networks and risk becoming lost in urban communities.⁵¹ The departure of working age men from rural communities increasingly leaves the job of operating the family farm to women, who have less access to agricultural resources and are already heavily burdened with the tasks of raising children and caring for elderly family members.

DEVELOPMENT OPPORTUNITIES

In spite of these challenges, there is great potential for success – which can be unlocked through urgent reforms within a brief window of political opportunity. Key, timely interventions by the donor community can play a formative role in promoting major development gains while consolidating the only functioning democracy in Central Asia and fostering greater economic prosperity. The country already boasts the only functioning parliamentary system in the region; has an increasingly strong positive communication between government and the people through robust, independent media and strong civil society organizations; and is an increasingly open market-driven economy that encourages free enterprise and entrepreneurship. The current development context and the close partnership between the Government and development partners both bode well for the continuity of USAID operations and the possibility of the country reaching key development milestones.

STRONG POLITICAL WILL TO CONSOLIDATE DEMOCRATIC GAINS

⁴⁶ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 38.

⁴⁷ Oliver, Daniel, and Karin Akins. p. 14.

⁴⁸ Adler, Beth, and Amanda Femal. p. 6.

⁴⁹ Oliver, Daniel, and Karin Akins. p. 18.

⁵⁰ Oliver, Daniel, and Karin Akins. p.18.

⁵¹ USAID/Office of Conflict Management & Mitigation. *USAID Southern Kyrgyzstan Field Trip*. USAID, October 2012. p. 2.

The Kyrgyz Republic has made great strides towards democracy since 2010. These gains are being institutionalized, and have support from the most senior levels of Government. The political agenda of the 2010 revolutionaries, then the Provisional Government and now of the Parliament and President, have consciously prioritized the Constitutional process and the creation of a “Parliamentary Republic,” as well as general economic growth. The Government is also focusing on reform of the judiciary, the police, and the office of the prosecutor. They are seeking to consolidate and make irreversible the changes to dynamics that have dominated politics in the Kyrgyz Republic since independence. The new politics between the President, Prime Minister, and Parliament have created an inter-branch and inter-agency policy process more reminiscent of the compromise and give-and-take of democratic politics.⁵² The experience of the formation of three parliamentary ruling coalitions and three governments has demonstrated that the Parliament and its deputies are acting to preserve the institution and the formerly violent political competition between them in 2010 has largely been channeled into Parliamentary politics.

There are signs that the parliamentary system is both informally and formally evolving to meet the structural weaknesses of the Constitution by establishing a history of problem solving.⁵³ The relative powers of the President, Parliament, and the Prime Minister will be one of the key areas of struggle and development in the Kyrgyz Republic over the next five years, if not the next generation. In 2013, the GoKR created a new republican-level government agency focused on advancing the country's ambitious decentralization agenda. The Agency for Local Self-Government and Inter-ethnic Relations will have primary responsibility for strengthening the legislative and regulatory environment for decentralization, as well as training and capacity building for local government bodies. USAID can capitalize on these initiatives to help the Kyrgyz Republic to fully institutionalize its recent democratic gains.

FOUNDATION OF STEADY ANNUAL GROWTH AND PROGRESS ON MDGS

According to a 2011 United Nations (UN) survey, the Kyrgyz Republic has made some progress in achieving its Millennium Development Goals (MDGs) and has met targets for three benchmarks (poverty eradication, environmental sustainability, and global partnerships). The Kyrgyz Republic was impacted by the 2008-2009 global economic down turn and the lack of sustainability in some sectors could jeopardize development gains. However, there remains a window of opportunity in which the Kyrgyz Republic, with support of the donor community, can make more sustained development gains.

The Kyrgyz Republic has achieved a steady annual growth of 3.7% (2003-2012, adjusted for inflation),⁵⁴ but poverty remains widespread as more than a 38% of the population lives below the poverty line of approximately \$1.30 per day (men: 39%, women: 37.2%). Governing institutions are challenged to deliver basic services. While challenges remain in eradicating poverty, MDG gains have been made in reducing the incidence of extreme poverty.

The Kyrgyz Republic's textile and apparel sector is an engine of job creation and is one of the country's major export industries. Given the important roles that women and rural communities play in the industry, they stand to benefit from enhanced competitiveness. The Kyrgyz Republic's existing textile and apparel sector has many strengths, such as established trade links with regional partners, vertical integration, and well-organized industry associations. However, short and medium term challenges persist, including lack of access to finance, skilled labor,

⁵² USAID/Asia Bureau. p. 13.

⁵³ USAID/Asia Bureau. pp 18-19.

⁵⁴ World Bank. *World Development Indicators*. September 2013.

and modern inputs; difficulty meeting quality, social, and environmental requirements for accession to the Customs Union; and lack of capacity to market to demanding, yet lucrative European buyers.⁵⁵

With numerous cultural attractions, the second-largest alpine lake in the world, the Tian-Shan mountain range rising directly from the Kazakh steppe, and a critical section of the historic “Silk Road,” the Kyrgyz Republic’s tourism industry represents an important growth prospect for jobs and economic development. Since the 2010 social unrest, tourism bounced back quickly, attracting near record levels of visitors in 2012. Key challenges include: few industry standards, low service capacity, the lack of a unified marketing and information campaign, and weak local planning. These challenges can be addressed over the short and medium term. The tourism sector has a strong propensity to generate employment opportunities across all skill spectrums of the labor market, offer opportunities for small and medium sized businesses, attract investment, contribute to the diversification of the Kyrgyz economy, and enhance foreign exchange earnings.⁵⁶

Land privatization and market liberalization spurred agricultural recovery after the economic collapse which accompanied independence in 1992. However, in recent years, growth in the agriculture sector has slowed and further institutional development is required. Water Users’ Associations are an example of such development. Their work that has focused on engagement of women has been well received and successful in alleviating some of the challenges related to water availability and usage in rural areas, and brings women and men together for common problem-solving.⁵⁷

HEALTH & EDUCATION PROGRESS

The Kyrgyz Republic has been a leader in health sector reform. The Government made an early commitment to transforming the expensive, inefficient Soviet-era health care system. After over a decade of reform efforts, the health care system is now centered on primary health care – the health care people use the most. It is financed in a way that supports access to health care services. Service delivery improvements have included new clinical practice guidelines, quality improvements in priority programs for mother and child health, better care for cardiovascular and other chronic diseases, increases in access to and quality of tuberculosis and HIV/AIDS care and treatment, better medical education, and improvements for the use and procurement of drugs. As an example of this progress, the vast majority of pregnant women give birth in medical facilities with a skilled attendant.⁵⁸

Despite financial and human resource challenges, the Kyrgyz Republic has made progress in the treatment of HIV and tuberculosis. Treatment for drug-susceptible TB is available to all patients free of charge, and multiple drug resistant TB (MDR TB) treatment is available on a limited basis. HIV treatment is now available through primary health care providers, and approximately 20% of people living with HIV in the Kyrgyz Republic are receiving appropriate antiretroviral therapy. Health sector reform continues to build capacity to effectively address HIV and TB. The government has also demonstrated a new commitment to nutrition and food security. It recently joined the Scaling Up Nutrition (SUN) movement, and has developed a national food security strategy.

Education, and its importance for sustainable development, is emphasized in the National Sustainable Development Strategy for the Kyrgyz Republic where, “the quality of education is one of the most reliable

⁵⁵ Chemonics International. May 2013. p. 2.

⁵⁶ Chemonics International May 2013, pp 3-4.

⁵⁷ Somach, Susan, and Deborah Rubin. pp 30-31.

⁵⁸ Ibraimova A, Akkazieva B, Ibraimov A, Manzhieva E, Rechel B. p. 152.

indicators of the future development of any nation.”⁵⁹ As evidenced by the commitments in the Education Development Strategy for 2012-2020, the government aims to achieve the Millennium Development and Education For All goals through coordination of donor assistance and host country investments.⁶⁰ The Ministry of Education and Science is taking a lead role in coordinating the resources of the Government and support of international donors to improve learning outcomes at schools and increase the relevance of vocational training and higher education.

The public stance that the strong education system of the Soviet Union was still functioning has been replaced with a sense of realism and purpose that the Ministry of Education must place a priority on improving education outcomes from pre-school to higher education. This open approach to the challenges faced in the education sector provides new room for dialogue and engagement. Stronger support for pre-primary education, significant increases for teacher salaries in primary and secondary schools, as well as new laws to ensure the quality of higher education are indicators of the importance being placed on improving education outcomes at all levels.

REGIONAL CONNECTIONS: NEW SILK ROAD & ALMATY CONSENSUS

As then Assistant Secretary Robert Blake testified in 2010, “Central Asia plays a vital role in our Afghanistan strategy... A stable future for Afghanistan depends on the continued assistance of its Central Asian neighbors, just as a stable, prosperous future for the Central Asian states depends on bringing peace, stability, and prosperity to Afghanistan.”⁶¹ As U.S. combat troops withdraw from Afghanistan in 2014, U.S. diplomacy and development efforts will take center stage in shaping Afghanistan’s future – one that includes regional economic integration with Central and South Asia. USAID’s contribution to these integration efforts are reflected in the Almaty Consensus and a joint commitment to the objectives of the USAID/Central Asian Republic Regional Development Cooperation Strategy (RDCCS). The Almaty Consensus builds upon significant development investments in Afghanistan, Pakistan and Central Asia to promote deeper regional integration, stronger economic and trade ties, and improved people-to-people linkages. This approach is expected to contribute to a more stable, internationally reliable, and connected Afghanistan that is a dependable neighbor.

The Kyrgyz Republic will benefit from a more integrated region and improved cooperation with its neighbors – just as its participation in a more integrated region benefits others. The expansion of this regional approach, through the Almaty Consensus, offers great opportunities for the Kyrgyz Republic. Chief among these is the role that the Kyrgyz Republic can play as an electricity exporter through Afghanistan to Pakistan in the CASA-1000 project. This program requires nearly unprecedented cooperation among Afghanistan, Pakistan, Tajikistan, and the Kyrgyz Republic, and has the potential to benefit all. When completed, the project will bring the Kyrgyz Republic additional revenue from summer surpluses of energy that it can use to offset winter shortages and to fund much-needed maintenance to the overall electricity system. Further, the process will give all of the countries much needed positive experience working together towards common goals despite sometimes competing interests. This experience can be brought to the Kyrgyz Republic’s tense relations with Tajikistan and Uzbekistan regarding border demarcation and cross-border trade – showing that cooperation is possible.

⁵⁹ National Council for Sustainable Development of the Kyrgyz Republic. *National Sustainable Development Strategy for the Kyrgyz Republic, 2013-2017*. p. 38.

⁶⁰ Ministry of Education and Science of the Kyrgyz Republic. *Education Development Strategy of the Kyrgyz Republic for 2012-2020*. 2012. pp 1-3.

⁶¹ U.S. House of Representatives, Committee on Foreign Relations, Sub-Committee for Asia, the Pacific, and the Global Environment. *Hearing on Importance of the U.S.-Central Asia Partnership, Testimony of Robert O. Blake, Jr., Assistant Secretary, Bureau of South and Central Asian Affairs*. November 17, 2010.

Business relationships and trade ties between the Kyrgyz Republic and its southern neighbors of Afghanistan, Pakistan, and India are limited. Expansion of these relationships offers the Kyrgyz Republic access to markets and ports for its infant manufacturing industries as well as sources of capital and Foreign Direct Investment. The GoKR is interested to explore these markets, and USAID assistance will help establish the relationships that will benefit the broader region in the future.

Increased trade and transit have negative as well as positive effects; as borders are more open for human transit, infectious diseases spread more easily. USAID/Kyrgyz Republic efforts will combine with regional efforts to focus on mitigating negative outcomes of trade by preventing the spread of dangerous infectious disease, especially HIV and TB, along the new trade corridors between Afghanistan and rest of the region. The UN Office of Drug Control (UNODC) estimates that 20% of heroin shipped from Afghanistan passes through Central Asia and that approximately 11 metric tons is consumed in the region annually. Consequently, HIV infection in the Central Asian Republics follows the flow of heroin, with the epidemic fueled primarily by people who inject drugs located in urban centers and along drug transport corridors. The drug trade also feeds a culture of corruption in law enforcement and throughout the economy, providing a level of funding and temptation for otherwise honest officials that make the work of reformers all the more difficult.

The countries of this region are interconnected, and Afghanistan is no exception. The transition period in Afghanistan will have an effect on the Kyrgyz Republic, although what effect and how powerful it will be is not clear. For certain, the closure of the U.S. Air Force Transit Center at Manas in Bishkek will have an immediate economic impact on the country. At a minimum, beginning in 2015 the Government will no longer receive the \$60 million in rent the United States currently pays, exacerbating the country's budget shortfall. The Department of State estimates that the overall annual contribution of the Transit Center to the Kyrgyz Republic's economy is over \$100 million, which is approximately 1.5% of the country's GDP.⁶² Replacing these sources of revenue and economic output will create a challenge for both the GoKR and USAID over the period of this CDCS.

The security implications are less clear, but there is a strong potential for increased drug trafficking and renewed operations from violent extremist groups, such as the Islamic Movement of Uzbekistan, that have focused their attention on Afghanistan in recent years. While these security risks are not givens, they are nonetheless real. This highlights the importance of USAID's efforts to improve the capacity and inclusiveness of the GoKR and expanded resilience of the country to respond to all forms of shocks – including social instability and conflict.

The Kyrgyz Republic also has a role to play as a positive model for the region. While the Kyrgyz Republic has taken a democratic path and continued along it despite challenges, Central Asia has not traditionally been fertile ground for democracy. The Kyrgyz Republic's neighbors view this path with suspicion and disbelief. Many within the Kyrgyz Republic's own population share the view that democracy in Central Asia is impractical and impossible – according to a USAID-funded poll conducted by the International Republican Institute only 50% of the population believes it is healthy for the country to have an active political opposition.⁶³ By helping the GoKR to demonstrate that a democratic system can not only sustain itself in Central Asia, but also improve services, economic opportunities, and quality of life, USAID intends to provide an example that the Kyrgyz Republic's neighbors can look to and aspire to become.

⁶² Embassy of the United States, Bishkek, Kyrgyz Republic. *Recent U.S. Contributions to the Kyrgyz Government and Economy*. http://bishkek.usembassy.gov/tc_recent_contributions.html. Accessed on December 30, 2013.

⁶³ International Republican Institute. *National Opinion Poll of Kyrgyzstan*. February 2014. Slide 37.

STRATEGIC APPROACH & DEVELOPMENT HYPOTHESIS

Development Hypothesis: If government institutions' relationship with the citizenry is characterized by increasing accountability and inclusiveness, then its main 'deliverables' – service delivery and policy – will improve across all socio-economic development sectors, thus increasing the legitimacy and stability of the Kyrgyz Republic's nascent democracy.

Goal: A democratic, well-governed, and prosperous Kyrgyz Republic.

This goal reflects the large democratic gains that the country has made in the past few years, as well as the remarkable vibrancy of its civil society through periods of renewed authoritarianism. USAID/Kyrgyz Republic is confident that the parliamentary democracy established by the 2010 constitution is strong. Governing coalitions have dissolved and reformed, elections have been held peacefully and fairly, and despite attempts by some negative political actors, most political parties and leaders see the advantages of participation in the democratic system. That is not to say that the democratic system is fully consolidated. In order for its democracy to be fully established, the Kyrgyz Republic must strengthen the rule of law and fight corruption, increase the level of inclusion and protection for all people – particularly ethnic minorities and women, and expand the role of civil society in providing oversight over the democratically elected government in order to enable the citizenry to peacefully and responsibly hold their government accountable.

While improvements in democracy are vital for the Kyrgyz Republic's future, USAID/Kyrgyz Republic believes that the success of this democratically-elected government is fundamentally dependent on its ability to improve the lives of its citizens through their increased opportunities, ability to realize their full human potential, and freedom of expression in all its forms. This requires improvements in essential services that bring outcomes that the population can see and feel – in particular improvements to education and health.

Finally, the Kyrgyz Republic's economy must be able to sustain the services and opportunities that the population needs to improve their overall quality of life. The country's productivity in key sectors, including agriculture, is not sufficient to drive employment, trade, and economic growth. The population is not sufficiently prepared to participate in the modern workforce, and improvements to the business environment are needed to encourage increased investment and the expansion of job-creating sectors.

With this background, USAID/Kyrgyz Republic has identified three Development Objectives (DOs) necessary to achieve the goal of a democratic, well-governed, and prosperous Kyrgyz Republic. These three objectives are mutually reinforcing, and each is required to achieve the CDCS goal. As all citizens are better able to interact with government in an inclusive and accountable democracy, the legitimacy and effectiveness of the country's nascent political and civil society institutions will grow. As the ability of governing institutions to better deliver services expands to include all segments of society, the environment and capacity for economic growth will improve. Similarly, with a stronger economy and empowered private sector, the Kyrgyz Republic's ability to effectively mobilize revenues will increase and better enable service delivery.

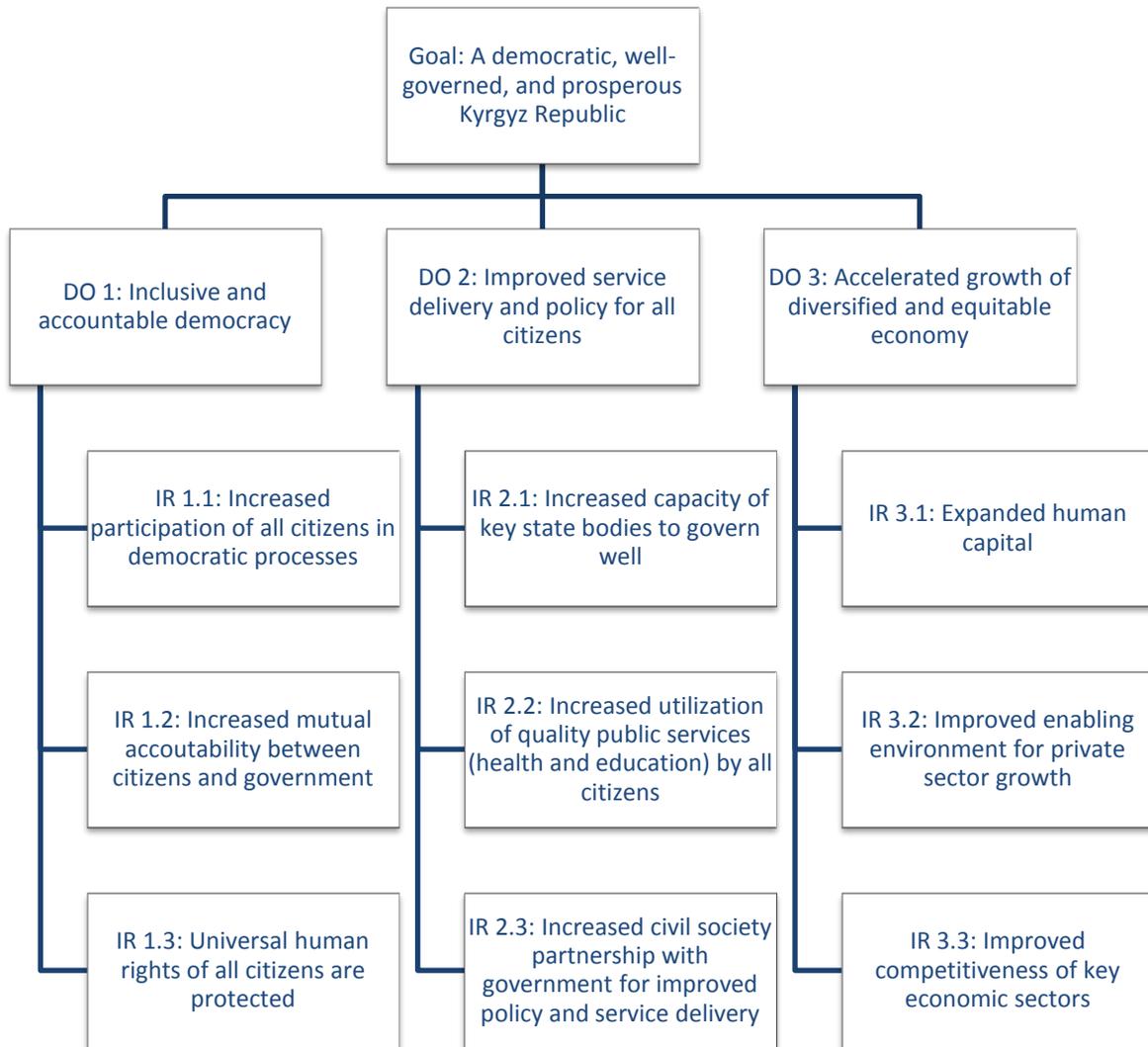
Development Objective 1: Inclusive and accountable democracy: This DO seeks to build inclusive and accountable democracy by increasing participation of all citizens in democratic processes, increasing mutual accountability between citizens and government, and protecting the universal human rights of all citizens.

Development Objective 2: Improved service delivery and policies for all citizens: This DO seeks to improve service delivery and policies for all citizens through building the capacity of key state bodies to govern, increasing the use

of quality public services (particularly health and education), and increasing civil society partnerships with government for improved policy and service delivery.

Development Objective 3: Accelerated growth of diversified and equitable economy: This DO seeks to build accelerated growth of a diversified and equitable economy through expanded human capital, an improved business enabling environment, and improved competitiveness of key economic sectors.

USAID/KYRGYZ REPUBLIC RESULTS FRAMEWORK



INTEGRATED APPROACH

The three DOs will be implemented through project designs that will consider a set of crosscutting themes and shared operational approaches to doing their work. These are common frames that will be used in all USAID/Kyrgyz Republic project designs under this CDCS: inclusivity (including gender equity and youth); reducing extreme poverty; building resilience to shocks; and science, technology, innovation and partnerships.

Inclusivity: The ethnic and regional fault lines in Kyrgyz society remain entrenched. Marginalized groups – which include ethnic and religious minorities as well as women, youth, and lesbian, gay, bisexual, and transgender (LGBT) communities – are consistently disadvantaged in their access to health care, education, economic opportunity, and political participation. The Kyrgyz Republic’s democratic transition will stall and the gains in stability and prosperity of the last three years will be lost unless this fundamental issue can be addressed. For these reasons inclusivity is central to all three of USAID/Kyrgyz Republic’s Country Development Cooperation Strategy (CDCS) development objectives. USAID seeks to expand and improve services so that they are equitable and all citizens have a voice in influencing their government. Activities will help marginalized groups to achieve better health and educational outcomes as well as increase economic opportunities. Given USAID’s gender and youth policies, USAID/Kyrgyz Republic will take the following into consideration:

Gender: As explained in the USAID Gender Equality and Female empowerment policy, “the unequal treatment of males and females is a barrier to the achievement of democracy, human rights, governance, and economic stability which is the core of sustainability in any given country.” The engagement of women as equal partners is essential to the quest for peace and security in the Kyrgyz Republic. The role of women in society has declined in many areas of the Kyrgyz Republic since independence and gender-based violence is a rising concern. It is essential that USAID work to improve access to services for women – most notably quality health care and education opportunities for young women and increased public participation and economic opportunities, especially for women heads of household.

Youth: The Kyrgyz Republic is predominantly young, with half the population under the age of 25. This young population is noticeably less educated than their parents and also faces a disproportionate unemployment rate. Joblessness among youth can result in either migration out of the Kyrgyz Republic or a small subset being susceptible to radicalization – both politically as well as ideologically. As with any country, the Kyrgyz Republic will rely on its new generation to continue its democratic transition and galvanize its new economy. Because of these factors, USAID will have to focus activities on increasing the role of young people in government and society, helping to provide economic opportunities and channels for civic participation that young people need.

Reducing Extreme Poverty: The Kyrgyz Republic has made great progress in the fight against extreme poverty, and has already achieved the Millennium Development Goal for this problem. Despite the low rates of extreme poverty, however, over 38% of the population is below the national poverty line of approximately \$1.30 (men: 39%, women: 37.2%). Further, this population has increased from 31.7% in 2008.⁶⁴ This population is severely disadvantaged, and stunting rates in the South are over 20%. USAID’s efforts will target those in poverty, helping to sustainably raise their incomes, increase their nutrition, health outcomes, and educational opportunities. USAID will also help to increase the role that those at risk play in the democratic process and holding their leaders accountable to encourage pro-poor policies in the long term.

Building Resilience to Shocks: The Kyrgyz Republic is a disaster-prone country, susceptible to both natural disasters and complex crises. Each year it sees 3,000 tremors, 10-12 earthquakes, tens to hundreds of landslides,

⁶⁴ National Statistical Committee of the Kyrgyz Republic. pp 17-18.

and close to 60 glacial lake outbursts.⁶⁵ It has also shown itself to be prone to civil conflict – having now overthrown two presidents and seen recurrent ethnic conflict since the Soviet era. Finally, sudden fluctuations in key imports – notably wheat – put the 25% of the country that is currently food insecure in even greater risk. Building resilience to these shocks requires a cross-cutting approach that increases incomes for at-risk communities while improving the quality and inclusiveness of democratic governance throughout the country.

Science, technology, innovations, and partnerships: The process of using new, breakthrough technology to accelerate development outcomes is in its infancy in the Kyrgyz Republic, despite great potential. The country has more mobile phone accounts than people, and ubiquitous remote kiosks are used for commerce ranging from basic utilities to placing bets on sporting events. These and other technologies are understood, accepted, and highly used. Recognizing this potential, USAID’s programs will build on the technologies already popular in the Kyrgyz Republic to achieve development goals. This effort is applicable to all three development objectives. For example mobile phone technology may be used to accelerate TB diagnoses, assist with patient adherence to HIV medication regimes, provide real-time agricultural market and extension information, or provide local governments with service quality data. Other technologies are needed to increase production in the agriculture sector and to improve efficiency in manufacturing. USAID will seek these opportunities by building partnerships with local entrepreneurs and civil society organizations, and investors in the country to ensure that the technologies are appropriate and sustainable. For example, USAID will build relationships with potential Kyrgyz innovators and encourage them to participate in the Grand Challenges for Development.

U.S. FOREIGN POLICY INTERESTS, U.S. GOALS & PRIORITIES

The U.S. Government is committed to building regional integration and harmony among the countries of South and Central Asia, including Afghanistan, in order to encourage regional political and economic stability. To achieve these goals, the U.S. Government promotes stability, prosperity, security, human rights, trade, and economic and political reform in the Kyrgyz Republic and in the broader Central Asian neighborhood. The CDCS for the Kyrgyz Republic represents a harmonization of the development priorities of the Government of the Kyrgyz Republic (GoKR) with the development policy priorities of the U.S. Government. As expressed in current U.S. Government development strategic plans, such as the Central Asia Assistance Review (CAAR), U.S. Government interagency policy seeks to expand economic opportunities, promote democracy, reduce narcotics trafficking, and develop energy resources. As evidence of the Kyrgyz Republic’s increasingly important strategic location for the U.S. Government, USAID/Kyrgyz Republic was transitioned from a Representative Office to a full USAID Mission in 2013 in order to provide critical, direct oversight of programs in pursuit of the CDCS goal and objectives.

Given the Kyrgyz Republic’s continued transition to democracy, history of recurrent ethnic conflict, and geopolitical importance, USAID will work closely with the State Department, Department of Justice, and Department of Defense to ensure that this CDCS leverages the full range of U.S. Government resources and furthers U.S. foreign policy objectives in the Kyrgyz Republic. USAID/Kyrgyz Republic’s focus and corresponding investments at both the national and local levels must be balanced in light of the regional nature of national politics. Recognizing the potential in a politically charged environment for foreign assistance to be viewed as supporting certain parties or interests over others, USAID will seek to achieve the results outlined in this CDCS in as transparent, impartial, and inclusive a way as possible.

⁶⁵ Teshebaeva, Kanayim and Bolot Moldobekov. *Monitoring and Prediction of Natural Disasters in Kyrgyzstan*. Central Asian Institute for Applied Geosciences (CAIAG). 2011. p. 2.

The CDCS goal reinforces the U.S. Presidential Initiatives active in the Kyrgyz Republic: Feed the Future (for which the Kyrgyz Republic is an aligned country), the President’s Emergency Plan for AIDS Relief (for which the Kyrgyz Republic is part of the Central Asia Regional program), and the Global Health Initiative (which provides the policy guidance for USAID health programming). These three initiatives represent approximately 50% of USAID/Kyrgyz Republic’s budget. Public service delivery — and ultimately improved health, education, economic development, and food security — depends on ministries and local governments effectively developing, implementing, monitoring, and evaluating strategies; planning and managing budgets; operating transparently and being held accountable to their constituents. By taking an integrated, governance and systems-strengthening-focused approach, USAID believes it can more effectively achieve the goals laid out in the Presidential Initiative strategies. Over the next five years, USAID/Kyrgyz Republic will make significant investments in the health, agriculture, private sector development, and education sectors.

Since its beginning, the USAID presence in the Kyrgyz Republic heavily relied on the USAID/Central Asian Republics Mission (USAID/CAR) for programmatic and management support. As the Kyrgyz Republic transitions into a full USAID mission, USAID/Kyrgyz Republic will continue to align regional trade and energy policies with USAID/CAR, and anticipates a continued range of programmatic and management support from USAID/CAR.

ALIGNMENT WITH THE GOVERNMENT OF THE KYRGYZ REPUBLIC & KEY STAKEHOLDERS

The GoKR’s National Sustainable Development Strategy (NSDS) for 2013-2017 was adopted by Parliament in February, 2014. The GoKR sees this strategy as a departure from sector-based strategies of the past, instead placing the emphasis on increasing the quality of life for each citizen:

*The human being ... is the center and ultimate goal of development. Therefore, human capital development will remain the Kyrgyz Republic’s absolute national priority ... all citizens will have the opportunity to obtain good quality education, to maintain their health, to buy a home, to earn a decent wage and to live in a healthy environment using their knowledge and skills. This is the first time that the priority of human development and human capital is declared as the absolute national priority in development, with each citizen equally empowered to develop.*⁶⁶

USAID/Kyrgyz Republic’s CDCS goal shares this locally-led optimism and vision, and aligns with its priorities. The NSDS goes on to elaborate the specific activities and priorities that the government will undertake to achieve these ends with activities that cross many sectors. The NSDS has a broad scope, and it is beyond USAID’s reach to assist in every priority area. However, USAID/Kyrgyz Republic’s DOs 1 and 2 will work towards the NSDS sub-objectives related to the rule of law, combating corruption, local and national governance, supporting free elections and freedom of speech, and improving interethnic relations. Assistance under DO 3 will contribute significantly to support improvements to macro and micro-economic policies, to bolster the financial sector, and to build up key industries.⁶⁷

In order to maximize the effectiveness of USAID’s investments in the Kyrgyz Republic, USAID/Kyrgyz Republic will continue to work closely with other major international donors that operate in the Kyrgyz Republic. For example, USAID/Kyrgyz Republic currently plays a leadership role in the Development Partners’ Coordination Council (DPCC). USAID/Kyrgyz Republic exchanges development ideas and coordinates its activities with other major donors during

⁶⁶ National Council for Sustainable Development of the Kyrgyz Republic. *National Sustainable Development Strategy for the Kyrgyz Republic, 2013-2017*. 2013. p. 7.

⁶⁷ The NSDS specifically names: agribusiness, mining, energy, transport and communications, and tourism. USAID will choose focus industries during its Project Appraisal process.

the DPCC meetings. Stakeholder consultations were held in late June 2013 with leaders from civil society, the GoKR, the private sector, implementing partners and bilateral as well as multi-lateral donors. The donor landscape is provided in more detail in Annex 5. The following themes were consistent among all stakeholders:

- Human capacity at all levels and in all sectors needs improvement.
- The education system needs strengthening, including vocational/civic/economic education with a focus on practical application of knowledge and skills in the labor market.
- Increased government accountability is needed. Transparency on the part of the GoKR should be increased as it develops policy and implements it. Also, better engagement of civil society and the private sector on the part of the GoKR as it improves its strategic planning function.
- Information management systems within the GoKR need improvement as well as citizens' capacity to access and use information.
- Government, donors, private sector, and civil society need to improve coordination efforts in order to establish priorities.

CRITICAL OVERARCHING ASSUMPTIONS & RISKS

Over the next five years, USAID/Kyrgyz Republic makes the following assumptions. These are factors beyond USAID's control that, based on assessments, USAID/Kyrgyz Republic believes are likely to hold true.

- Political will for key reform continues
- There will be no more revolutions or unrest, and the competitive, multi-party parliamentary democracy continues to develop
- Infrastructure continues to decay at a pace that does not involve catastrophic failure of key services such as electricity

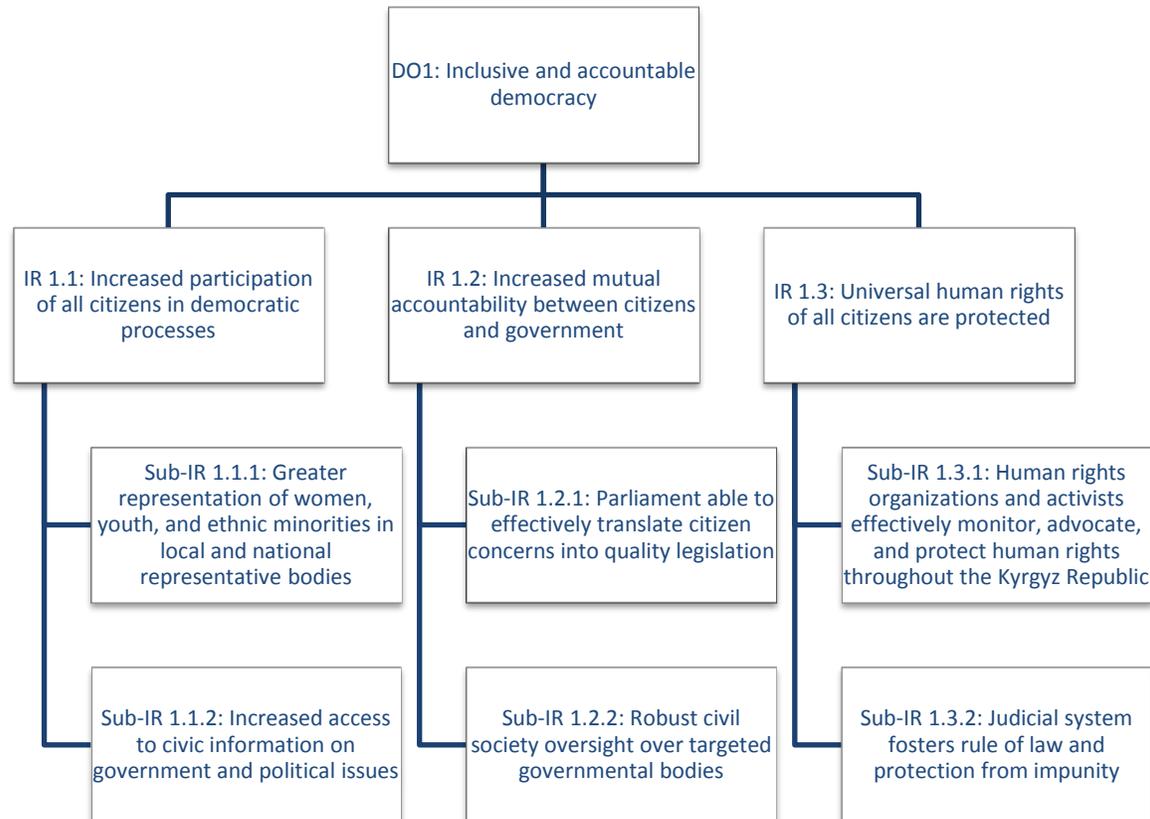
There are several risks that, if they were to come to fruition, could cause USAID to re-assess the strategy.

Risk

Impact on Development

A sudden decrease in remittances	Negative impact on GDP and cost of living
Sustained drop in the price of gold	Negative impact on GDP and cost of living
A major earthquake in a highly populated area	Insufficient coping mechanisms which could result in backslide of development gains; would likely require USAID humanitarian response.
The collapse of the energy system (major blackouts/total collapse of system)	Political instability; direct negative impact on the economy

DEVELOPMENT OBJECTIVE 1: INCLUSIVE AND ACCOUNTABLE DEMOCRACY



DO 1 RATIONALE

The Kyrgyz Republic successfully transitioned leadership following the April 2010 revolution, holding a cycle of parliamentary, presidential, and local elections that, for the first time in Central Asia, won international recognition as open and competitive. Nevertheless, this electoral transition failed to fully include all citizens of the Kyrgyz Republic and the progress of the past few years still has not delivered the reforms necessary to fully institutionalize a participatory democracy.

Political competition and the control of government patronage remains fully the domain of the ethnic majority with few channels of influence for minorities. An increasing ethnic nationalism around the Kyrgyz language and mono-ethnic identity risks the further marginalization of large minority populations and continues to partially drive an outflow of minorities, particularly the skilled and educated sub-set. A lack of inclusivity, particularly in the South, is fed by the disregard for human rights, unequal access to employment and government services, and the inability to forge a multi-ethnic vision of a national identity.

These inclusivity issues prevent democratic dividends from reaching a substantial portion of the Kyrgyz Republic's citizens. This is confirmed by USAID's 2013 Democracy, Rights, and Governance (DRG) Assessment that concludes that "the primary problem of democracy, human rights and governance in the Kyrgyz Republic today is that the impressive democratic breakthroughs of the last three years are threatened by ineffective, unaccountable and often predatory government and rule of law superstructures that fail to deliver for all citizens but especially fail to

defend the human rights of the minority against the prejudice of the majority.”⁶⁸ Further, as has been demonstrated by the USAID/Kyrgyz Republic 2013 Gender Analysis, the fact that “tradition” can be harmful and that there are problematic issues surrounding received gender roles must also be acknowledged and addressed as human rights issues.⁶⁹

This development objective seeks to overcome these challenges by enabling the “good governance handshake” between a vibrant and diverse civil society on one hand and competent, transparent state bodies on the other that lead to inclusive and accountable governance. USAID assistance can help the Kyrgyz Republic shape a more equitable, responsive and less corrupt system capable of addressing issues related to eradicating poverty, improving health systems, and delivering reliable electricity, while creating economic opportunities for its citizens.

The theory of change underpinning this DO posits that strong feedback loops between government bodies and citizens, as mediated through a number of democratic institutions (i.e. Parliament and justice sector bodies), and infused with civic values that prioritize respect, inclusivity, and human rights are the key to “making democracy deliver.” In this paradigm, democracy, stability, and prosperity become mutually-reinforcing processes. To achieve this change, USAID/Kyrgyz Republic seeks to support civil society and government leaders to strengthen mechanisms that ensure better accountability through national inclusivity, particularly at the touch points such as at the ballot box, employment line, or in the court-room. This DO further seeks an improved rule of law environment by ensuring equal access to justice and accountability of the security services through citizen input into reforms, oversight, and government priorities.

At the end of the five-year period, by working in concert with other donors and the GoKR, USAID expects to achieve the following results as part of DO 1:

- 10% increase in citizen satisfaction with key government institutions – courts and Parliament
- 2% (representing a four-fold increase) of the GoKR budget dedicated to the judicial sector
- 2015 Parliamentary elections result in a Parliament with over 30% female MPs
- Increased representation of young people and ethnic minorities on political party lists
- OTRK – the Kyrgyz Republic’s Public broadcaster established as a politically independent institution with management authority for its own budget
- Kyrgyz Republic is elevated from "Partly Free" to "Free" on Freedom House's Freedom in the World rankings

DO 1 GEOGRAPHIC FOCUS & TARGETED BENEFICIARIES

Support to the central government and civil society institutions at the national level are core to this development objective and therefore a majority of the assistance envisioned will go to the Bishkek capital region. The beneficiaries will be nation-wide, but this DO will attempt to address the needs of more vulnerable populations and those likely to not have benefitted from the Kyrgyz Republic’s political evolution. These targeted communities include ethnic minorities on the edge of the Fergana Valley or those in the sprawling *nova-stroiki* (squatter communities) outside of Bishkek that are neglected by Government attention and, most importantly, have been the targeted and exploited by various political entrepreneurs as the shock troops for past rallies and revolutions.

⁶⁸ USAID/Asia Bureau. p. 3.

⁶⁹ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 14.

The rural poor that often lack voices to effectively advocate for their needs will be another key beneficiary community. Thus, the far-flung regions where they reside away from urban wealth will be a particular focus area. Specifically, the focus will be on the poverty-beset, ex-industrial centers in Chui, Talas, and Issyk-Kul oblasts that have seen outbursts of localized ethnic violence and growth in the power of local crime bosses. Women and youth will also be a particular beneficiary of programming because as demographic groups, they have little benefited from the Kyrgyz Republic's democratic development. Women, in particular, have the potential to play an active role in achieving the targeted results of this DO, due to their lower vulnerability to mobilization for conflict, and their greater ability to support one another, even across ethnic, political or sectarian divides in the Kyrgyz Republic.

MAP OF DO 1 GEOGRAPHIC FOCUS



DO 1 CRITICAL ASSUMPTIONS & RISKS

<u>Critical Assumptions</u>	<u>Risks</u>
Regularly scheduled Parliamentary and Presidential Elections occur in 2015 and 2017	Events prevent the peaceful transfer of power and the President stepping down at the end of his term in 2017
Restrictions on civil society activity, particularly foreign assistance, are not enacted	New legislation prohibits certain foreign assistance to civil society
Political space for opposition lawmakers remains constant and less rational actors continue to draw immaterial support	The transition to digital broadcasting fails or is inhibited by foreign interference greatly reducing access to information for those in border regions
The conflict in Afghanistan does not cross borders into the Kyrgyz Republic	

DO 1 INTERMEDIATE RESULTS

The intermediate results support the development objective by demonstrating that governance in the Kyrgyz Republic is both an inclusive process for its population and remains accountable to its needs and desires. The three IRs and six sub-IRs come together in a way of ensuring that political space exists for all citizens and is wide enough to allow a range of expression while also ensuring every citizen has the basic protections within this space. Universal participation ensures accountability while also retaining protection for their expression thereby enabling the development objective of an inclusive and accountable democratic system. The focus on accountability also clearly resonates with the interventions envisioned under DO 2.

IR 1.1 INCREASE PARTICIPATION OF ALL CITIZENS IN DEMOCRATIC PROCESSES

The Kyrgyz Republic's nascent democracy as articulated in its founding documents reflects a broad vision of a vibrant, participatory system, but in practice limits the full participation of many groups. Democratic institutions that limit participation to the titular nationality or economic elites can actually prove destabilizing, rather than stabilizing. USAID/Kyrgyz Republic seeks to increase citizen's participation by mitigating factors that exclude the participation of various groups and to provide to civil society the raw materials for a more informed participation of its citizenry in governance.

IR 1.1 EXPECTED OUTCOMES

Political participation by all groups is increased, ensuring that the diverse political constituency has a voice in government and political institutions through a variety of differing voices uninhibited by political or cultural barriers that manifests itself in a quantitatively determined representational diversity. Precedents of frequent

open, public access to government deliberations and the decision-making process will occur that are difficult to undo into the future.

SUB-IR 1.1.1 GREATER REPRESENTATION OF WOMEN, YOUTH, AND ETHNIC MINORITIES IN LOCAL AND NATIONAL REPRESENTATIVE BODIES

Elected representation and the leadership of political bodies since the Kyrgyz Republic's independence have been primarily the domain of a mostly ethnic Kyrgyz male citizenry that does not fully reflect the diversity and broadness of the Kyrgyz Republic's population. National and civic identity is still being formed in the Kyrgyz Republic and many social trends tend to increase stereotypes and roles that seek to limit the participation of women and youth to a minor, sometimes perfunctory role in political discourse and civic life. These trends are detrimental to the Kyrgyz Republic's democratic evolution particularly as they are exclusionary and lead to prejudicial governance. USAID/Kyrgyz Republic will seek to enhance and increase leadership opportunities through training, mentoring women, youth, and minority political and civic leaders while also supporting civic education for a more progressive civic identity and, if needed, technical assistance to policy makers to ensure broader participation.

SUB-IR 1.1.2 INCREASED ACCESS TO CIVIC INFORMATION ON GOVERNMENT AND POLITICAL ISSUES

Effective political discourse requires a relatively informed citizenry. Access to civically-relevant information and ensuring citizen's access can help spur engagement, and thus strengthen the democratic system. USAID/Kyrgyz Republic seeks to enlarge and enrich this access through the support of sustainable initiatives that will: provide greater transparency in the lawmaking, policymaking and regulatory processes; protect the rights of the media, citizen-journalists, and civil society organizations to ensure access to information and their ability to freely reach citizens through a variety of means including the internet; and promote transparent political institutions and processes such as in political party nominations and civil society's role in serving as a government watchdog.

IR 1.2 INCREASED ACCOUNTABILITY BETWEEN CITIZENS AND GOVERNMENT

Accountability between a government and its citizens provides both the legitimacy for government to fairly govern and serves an important "quality control" mechanism to improve service delivery and policy. The Kyrgyz Republic's robust civil society and the socio-political prevalence of uninhibited political activism provide a strong foundation for increased oversight along with maturing institutions of elections and legally mandated mechanisms for non-governmental actors to provide citizen input to governance known as public advisory councils. This requires an open partnership between a complex web of political parties, elected officials, election administrators, non-governmental organizations, and the media striving to maintain transparency and accountability while fighting corruption. USAID/Kyrgyz Republic seeks to strengthen these mechanisms designed to integrate citizen input and monitoring to the system that will withstand any future shocks and prevent political violence or further upheaval. In doing so, programs will support mutual learning on both sides of the civil society (citizen) / government divide, in order to ensure that both sides, over time, increase their understanding of their relative roles, responsibilities, and authorities. This will lead to maturation in political dialogue, the de-politicization of government operations, and further contribute to political stability in the country.

IR 1.2 EXPECTED OUTCOMES

The legislative process will be fully transparent and the interplay with civil society will be an accepted and required norm in the legislative process and systems will thereby align to ensure full transparency. The government

ministries will function with frequent and regular civil society input and oversight and discernible changes and reforms will occur within these institutions that reflects citizen input. The electoral process and registration of voters and access to ballots will be fully institutionalized and require little international assistance to meet international standards and practice. To further ensure this process, political parties will have absorbed a rigorous methodology for monitoring elections and contesting any perceived violations that will largely negate the need for independent monitors in a competitive environment.

SUB-IR 1.2.1 PARLIAMENT ABLE TO EFFECTIVELY TRANSLATE CITIZEN CONCERNS INTO QUALITY LEGISLATION

The Parliament has evolved as a relatively transparent institution with frequent input and participation by civil society. The mechanisms guaranteeing input and also rationalizing these transactions have yet to fully develop and the necessary precedents for a meaningful exchange continues to need support and nourishment. USAID/Kyrgyz Republic will seek to assist the Parliament and civil society to develop a regularized, moderated exchange on legislative and regulatory inputs and a complementary oversight function while simultaneously supporting access to research and analysis. Support to Parliament's professional cadre of legal technicians, legal analysts in civil society, academia, and the emerging think tank industry will provide the necessary professionalization of skills to support the relationship.

SUB-IR 1.2.2 ROBUST CIVIL SOCIETY OVERSIGHT OVER TARGETED GOVERNMENT BODIES

Citizen oversight mechanisms over government ministries and agencies were installed following the 2010 revolution and this first step in citizen oversight and monitoring of the government has evolved in fits and starts. However, this relationship still needs significant assistance, as government officials often remain openly hostile to this perceived "intrusion" by civil society into their affairs. Efforts to ensure oversight are also inhibited by the frequent lack of knowledge and professionalization of those tasked to represent civil society. USAID/Kyrgyz Republic will seek to improve formal mechanisms that ensure accountability of the government by supporting the framework, professionalization of its membership, and the ability of Ministries to adapt to new demands and roles. It is important to note that simply increasing the sharpness and volume of civil society demands for better government operations is insufficient, if efforts are not made (addressed primarily under IR 2.1) to strengthen the ability of state bodies to respond to this demand. Further, these tasks should intersect with efforts to increase government transparency, expand access for journalists to investigate, and increase the ability of civil society to push for security sector reforms.

IR 1.3 UNIVERSAL HUMAN RIGHTS OF ALL CITIZENS ARE PROTECTED

Inclusivity of governance and ensuring political space for full participation must also provide clear protections for all citizens and accountability of the government to maintain rule of law. In addition, government security services must, of course, refrain from torture or abuse. The protection of human rights for all communities in the Kyrgyz Republic has not always occurred and USAID/Kyrgyz Republic seeks to improve mechanisms for the equal application of the law, rendering of fair justice, and ensuring basic protections of the Kyrgyz Republic's citizenry.

IR 1.3 EXPECTED OUTCOMES

The Kyrgyz Republic's security services will better attempt to provide law enforcement equally to all populations with particular sensitivity around crimes targeting women and minority groups through targeted outreach to various groups, improvement of a complaints and investigative mechanism, and recruitment that attempts to

provide more diversity within law enforcement. The budget of the judicial system will grow and court user fees will increase which will allow the system to better compensate judges, propagate the introduction of court bailiffs and security system, and create a system of internal policing for corruption of judges and court users thus providing more confidence in the judicial sector.

SUB-IR 1.3.1 HUMAN RIGHTS ORGANIZATIONS AND ACTIVISTS EFFECTIVELY MONITOR, ADVOCATE AND PROTECT HUMAN RIGHTS THROUGHOUT THE KYRGYZ REPUBLIC

The political space for human rights organizations and activists has remained open in the Kyrgyz Republic, but their ability to effect change and promote reforms has been limited by great resistance within the law enforcement, judicial, and prosecutorial sectors for fear of removal of numerous rent-seeking opportunities. Women's rights are not fully enforced, and they lack equal access to justice. The Government's gender development plans are not significantly funded and do not effectively promote these rights.⁷⁰ USAID/Kyrgyz Republic seeks to increase and promote advocacy for human rights reforms, the effectiveness of monitoring mechanisms, and the dialogue between key stakeholders in the security and rule of law sectors. USAID/Kyrgyz Republic will also strengthen human rights organizations to promote a more tolerant and inclusive human rights environment.

SUB-IR 1.3.2 JUDICIAL SYSTEM FOSTERS RULE OF LAW AND PROTECTION FROM IMPUNITY

The collapse in the application and predictability of justice in the Kyrgyz Republic has eroded the adherence to the rule of law for society as a whole and delegitimized the state. Rogue government actors and politicians, criminal elements, and even certain business interests operate with impunity and remain out of reach from the law while general confidence in the judiciary and police has eroded to intolerable levels. USAID/Kyrgyz Republic seeks to improve the overall adherence to the rule of law by aggressively supporting continued reform of the judicial system, increasingly transparent application of justice, and citizen demand for a fair, reliable system. Further, USAID will seek to support anti-corruption initiatives within the judicial and security services to support a culture of the professional application of justice, while deterring bribery, graft, and rent-seeking throughout government. USAID will also help expand knowledge on citizen rights and protections to reduce would be corruption and human rights violations.

USAID/Kyrgyz Republic will also closely monitor the political will for additional reforms among the broader range of justice sector actors (such as relevant Parliamentary committees, law schools, the President's Council on Judicial Reform, professional associations, and the Prosecutor's office). For example, efforts to establish the legal framework for a unified defense bar are stalled within the GoKR; similarly, the GoKR remains unwilling to finance the judiciary at a level commensurate to its needs. If political will for deeper engagement in these areas opens, USAID/Kyrgyz Republic will pursue these opportunities as additional elements in arresting the further decline of the rule of law.

DO 1 LINKAGES TO OTHER USAID/ KYRGYZ REPUBLIC PROGRAMS & CENTRAL ASIA REGIONAL DEVELOPMENT COOPERATION STRATEGY

This objective is directly linked to the other two DOs, particularly to *DO 2 Improved Service Delivery and Policies for All Citizens*. Bolstering and ensuring the sustainability of the democratic reform process in the Kyrgyz Republic undergirds the entire development and U.S. foreign policy mission in the country. Creating a positive relationship

⁷⁰ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 17.

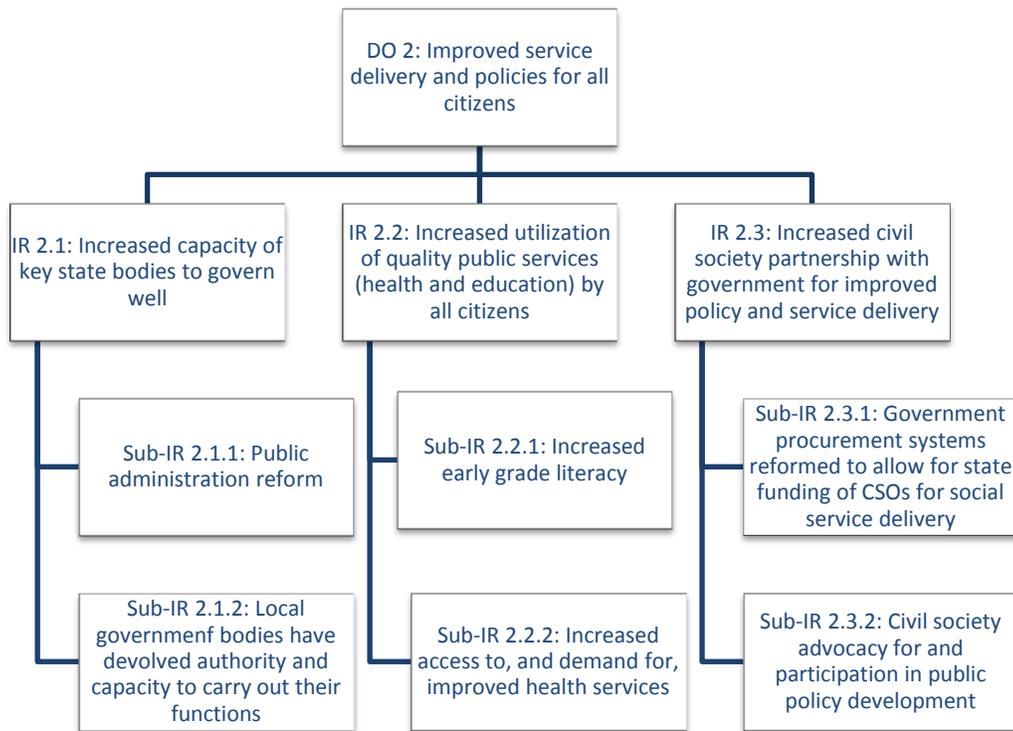
between government and citizens and improving the means for mutual accountability is central to overcoming the development challenges in all sectors. In particular, improving on this issue will provide a sustainable basis for the development of government services and public administration reforms discussed in DO 2. These improved relationships and communications systems, as well as improved parliamentary capacity, will also help create and sustain the policy environment needed for economic growth discussed in *DO 3 Accelerated Growth of Diversified and Equitable Economy*. A stronger and more active democracy will allow for private sector-led advocacy in the long-term, allowing the Kyrgyz Republic to be more responsive to the needs of the private sector. This DO aligns with the goals of the USAID/CAR RDCS DO 3: More accountable and inclusive governance institutions that serve the public need. Both objectives are aimed at improving the responsiveness and inclusiveness of government institutions to the demands of citizens. In particular both emphasize the role of civil society as a watchdog for government in support of human rights and other key citizen priorities. In many ways the Kyrgyz Republic is ahead of its neighbors on these issues, including Afghanistan, and through successful implementation of this CDCS USAID/Kyrgyz Republic hopes that the country will serve as a positive example for the region.

DO 1 OTHER U.S. SUPPORT, DONOR COORDINATION & KEY STAKEHOLDERS (GOKR)

Most major donors active in the democracy and governance sphere are currently revisiting their assistance programs in this period following the revolution. Support to traditional democracy programming – particularly elections, media, political parties is curtailing as they seek to engage in strengthening governance structures. Therefore, it remains unclear the level of support to many critical activities such as elections, media and civil society will be retained into the future.

	Political Party Support	Civil Society Strengthening	Parliamentary Strengthening	Human Rights	Judicial Strengthening and Police Reform	Elections	Media
DRL				X		X	X
Embassy Public Affairs Section		X		X		X	X
EU					X		
NED		X					
OSCE	X			X	X	X	
OSI-Soros		X		X	X		X
UNDP			X			X	
World Bank					X		
INL/DOJ					X		

DEVELOPMENT OBJECTIVE 2: IMPROVED SERVICE DELIVERY AND POLICIES FOR ALL CITIZENS



DO 2 RATIONALE

The lack of reform in government service provision following the 2010 revolution has allowed the decline of the previously functional education systems, health services, and basic infrastructure to continue. With limited revenue and a bloated and outdated bureaucracy the Government has been unable to deliver the democratic dividends beyond a relative peace. Yet the Kyrgyz Republic has potential to deliver the benefits of a more effective government. The realization of this potential will require the enactment of reforms including partnerships with civil society to deliver services. USAID/Kyrgyz Republic seeks to spur many of these governance reforms to bring about a “democratic, more prosperous, well-governed Kyrgyz Republic.”

The theory of change for this objective posits that if key state institutions are strengthened, made more transparent, and more accessible to both the public and to partnership with civil society organizations (NGOs), then the quality of both service delivery and policy-making will improve, resulting in more effective governance and netting improved citizen satisfaction. The democratic, well governed, and prosperous Kyrgyz Republic that USAID seeks in this strategy comes about through the ability of the government to be more responsive and effective for its citizenry.

Improvements in health and education services are key to this DO, as these are two of the most visible public services in the Kyrgyz Republic. These services are deeply important for the people of the Kyrgyz Republic, and improvements will be noticed by the population as well as the national and local leaders responsible for further

reforms. Just as importantly, however, improved outcomes in these sectors also provide direct benefits for other development outcomes – particularly economic growth and the fight against poverty.

The intermediate results tie directly to the objective through discrete components that seek to improve governance in the Kyrgyz Republic such as supporting public administration reforms, spurring improvement of health and education services, and enabling the civil society partnership. These results and USAID-sponsored interventions will come together to improve government effectiveness, thereby reducing corruption and extending governance to all populations in an equitable manner.

At the end of the five-year period, by working in concert with other donors and the GoKR, USAID expects to achieve the following results as part of DO 2:

- 300% increase in Kyrgyz Government financial support to Civil Society Organizations for social-service delivery
- The TB treatment relapse rate will be reduced from 32% to 22% due to more effective treatment regimens
- 5% relative reduction in HIV among people who inject drugs
- Antiretroviral therapy for HIV will be fully accessible to everyone who needs it
- 90% of all primary grade students with improved reading instruction, curriculum, and reading materials
- 50% reduction in the number of new MDR TB cases
- 75% treatment success rate for MDR TB

DO 2 GEOGRAPHIC FOCUS & TARGETED BENEFICIARIES

The geographic focus and target beneficiaries vary by intermediate result and Sub-IR as distinct and diverse programs are envisioned. Public administration reform will engage at the central level in the capital, but the effects of reforms will likely be impacted across the country as approximately 20% of the population is employed by the government, with many of those serving as teachers and health care workers across the state. The local governance activities will also be spread throughout the region in an attempt to provide geographic spread and ensure that the more volatile southern provinces are major recipients of technical assistance.

USAID's education activities will target a cross-generational range of beneficiaries. First and foremost, direct beneficiaries are primary grade students in grades 1-4. Parents are also targeted beneficiaries, as are select youth who will be engaged in education-related service-learning tasks. All seven oblasts (regions), including Bishkek city, make up the geographical focus of phased-in education activities over the next five years.

USAID/Kyrgyz Republic's health programs will target key populations, including people living with HIV/AIDS, people who inject drugs, prisoners, sex workers, men who have sex with men, and migrants. As the TB and HIV epidemics are issues in both the North and South of the country, USAID's health programs in the Kyrgyz Republic will focus on Bishkek, Chui, Issyk-Kul, Osh, and Jalal-Abad oblasts.

MAP OF DO 2 GEOGRAPHIC FOCUS



DO 2 CRITICAL ASSUMPTIONS & RISKS

<u>Critical Assumptions</u>	<u>Risks</u>
Political will for reform within select ministries, parliamentary committees and agencies exists	Continued, frequent turnover of more enlightened and progressive reformers in government ministries and agencies
Stability within leadership of select ministries and agencies exists	Inability to overcome opposition to reform of the civil service to allow modernization
Interest in a civil society partnership in government continues to exist and civil society organizations are not viewed as antagonistic, competitive parties	Budget limitations on the Ministry of Health hinder its ability to meet critical health needs
There will be high political will and dedication from Ministry of Health to continue to make progress on health reform (including anticorruption interventions)	Turnover of key health management staff within the Ministry of Health such as the heads of TB and AIDS national centers
The Sector-Wide-Approach (SWAP) implemented by international donors will continue with substantial involvement of USAID as parallel financier and main overseer of TB and HIV program implementation	Substantial decreases in international health funding from international donors
Multi-year student learning outcome data continues to result in public dialogue and subsequent education policy action	Decrease in prioritization and resource allocation for education reform by UNICEF, the Otunbayeva Foundation, and others
Political will for alignment of teacher materials and a competency-based, standards approach to teaching and learning continues to exist	
Coordinated efforts around broad-based participatory education are maintained	

DO 2 INTERMEDIATE RESULTS

IR 2.1 INCREASED CAPACITY OF KEY STATE BODIES TO GOVERN WELL

Institutional capacity is low throughout the Kyrgyz Republic and this intermediate result attempts to address this development challenge. Low government capacity and thus inefficiency is a problem in all sectors and all geographic areas. It is critical that government and non-governmental services improve so that human development can be supported and the gains from recent democratic reforms will not be lost.

Government structures at the national and local levels are poorly staffed and funded, with mandates that exceed their capacities and outdated protocols. USAID support in this sector is limited given the enormous scale of reforms and cost to implement them, but support to pilot projects for reform can demonstrate the ability of the government to modernize discrete functions, improve services and reduce corruption. These demonstrations can draw in additional donor support for further gains in reform.

IR 2.1 EXPECTED OUTCOMES

With USAID support and expertise, specific government failures will be addressed, reformed, and modernized to demonstrate stability. The types of reforms envisioned could include technical assistance to reforming the civil service code, supporting transparency mechanisms for local procurements, or expansion and improvement of government “service windows.” Pilot projects and specific reforms will demonstrate success and in the competitive political environment various emerging government and political leaders will try to emulate these reforms and modernize government services. Over time, these reforms will cascade into a clear citizen perception that local and national governments are becoming more efficient and serving basic needs.

SUB-IR 2.1.1 PUBLIC ADMINISTRATION REFORM

USAID will seek to support key public administration strengthening objectives, focused on improving the government’s ability to implement policy and laws by maximizing the efficient use of available resources. These objectives will include streamlining internal systems and procedures in order to improve bureaucratic performance; rightsizing and reorganizing bureaucratic units in order to reduce redundancies and ensure that resources are matched with priorities; and civil service reform in order to improve human capital, incentivize performance and reduce corruption in the executive branch. USAID assistance in this field will primarily take the form of technical assistance and training, although, in some cases, the strategic delivery of limited equipment support may be warranted. Disabusing post-Soviet governments of their desire to “return to how things used to be” under the communist system will be a recurring theme under this activity, as the Soviet system of nearly-unlimited resources and a “total control of total services” mentality is an inherent drag on the GoKR’s ability to evolve and effectively meet the challenges of the 21st century.

SUB-IR 2.1.2 LOCAL GOVERNMENT BODIES HAVE DEVOLVED AUTHORITY AND CAPACITY TO CARRY OUT THEIR FUNCTIONS

USAID assistance seeks to follow political will for decentralization where it presents itself and to focus on two levels: 1) working at the national level to assist the central government to put in place the organizational structures and legislative framework for enhanced devolution; and 2) helping local government bodies to effectively carry out their work. The former will likely require national level technical assistance, as well as advocacy, since decentralization, or reduction of the power of oblast (regional/state) governors, is viewed by many as a threat to central control. USAID interventions at the local (municipal) government level, meanwhile, will cover a range of issues, from imparting basic skills and knowledge to local elected councilors to improving budget management or soliciting public input into local decision-making. Effective local governments have the potential to be closely emulated as political competition incentivizes local leaders to demonstrate results. In this way, they can even serve as a personal springboard into national politics. Therefore, USAID will seek to harness this incentive system to empower local leadership to provide effective governance at the local level.

IR 2.2 INCREASED UTILIZATION OF QUALITY HEALTH AND EDUCATION SERVICES

The enabling political environment leaning towards democracy and decentralization in the Kyrgyz Republic has had a spillover effect and allowed for significant strides regarding education and health reforms in recent years. However, the Kyrgyz Republic's health system continues to work through the transition from a highly vertical, inefficient health care model to a more decentralized and efficient model of care that emphasizes prevention and primary health care. Work under this IR will both increase utilization of existing services by vulnerable populations who are more at risk to acquire, transmit, and/or become severely ill or die from any infection acquired, as well as strengthen the quality of these health services to more effectively prevent and treat illness in order to maintain a healthy and prosperous population and productive, open, and inclusive workforce. Access to these services is impacted by gender norms and cultural practices. Due to cultural notions of masculinity such as risk taking and sexual conquest, men are more susceptible to infectious diseases while simultaneously being more likely to view health-seeking behaviors as a sign of weakness.⁷¹

Service delivery within the education system is equally stalled, jeopardizing the public's perception of the value of schooling. While girls are outpacing boys in secondary school results, both groups are falling behind their peers in the region. Girls are also more likely to leave school as a result of early marriage – 12% of girls marry before they are 18.⁷² Activities under IR 2.2 will improve the effectiveness of the education system by initially focusing on the development of early grade literacy skills and competencies, which will complement and maximize the simple acquisition of facts and knowledge. This on-going process of improving curriculum, testing, and learning standards will enable public school teachers to better measure students' subject-specific and critical-thinking skills, which will increase learning productivity in the primary grades and set a foundation for the successful utilization of secondary and tertiary services. Together, improved health and education services which are delivered through national institutions and NGOs will directly respond to the identified needs of communities.

⁷¹ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 31.

⁷² USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 32.

IR 2.2 EXPECTED OUTCOMES

USAID support will increase utilization of quality education and health services and equip the Kyrgyz population with the behaviors, knowledge, and skills to transition to or successfully continue navigating adulthood. This will help the new generation to secure employment, raise healthy families, and ultimately serve as engaged and productive citizens. In education, key state curriculum documents will increasingly be drafted in a participatory manner that takes into consideration the views of those closest to both the communities who are served by the education system – teachers and regional trainers.

SUB-IR 2.2.1 INCREASED ACCESS TO IMPROVED LITERACY INSTRUCTION

The Kyrgyz Republic's participation in two internationally-administered OECD assessments served to catalyze much-needed attention around students' inability to master subject content and demonstrate mastery of basic cognitive skills. The assessments also fostered local capacity to produce and use test data, generating sustained public debate and introspection, and leading to follow-up research focused on student learning outcomes in the primary grades. Building on a decade of learning outcome data in the Kyrgyz Republic, USAID will focus on improving literacy instruction so that all students' skills increase, simultaneously strengthening the weak foundational education Kyrgyz students currently receive. This approach focuses on balanced geographic reach and specifically targeting learners and parents in their communities. Equitable and inclusive opportunities are also integrated through the alignment of learning strategies for visually impaired learners with those promulgated by the national education system. USAID will complement the national education development strategy for 2012-2020 and work through the Kyrgyz Academy of Education and its regional teacher-training institutes to achieve its results.

SUB-IR 2.2.2: INCREASED ACCESS TO, AND DEMAND FOR, IMPROVED HEALTH SERVICES

The Kyrgyz Republic's health system faces numerous challenges in the provision of adequate health services to its population, especially in the area of infectious disease where stigma and discrimination, coupled with ineffective and inefficient service delivery mechanisms are the root causes of inequitable access to health services. USAID/Kyrgyz Republic will continue to focus on HIV and TB as it has done in the past years as these remain among the most serious health issues in the country, and these areas align with USAID's funding and comparative advantage. As such, over the next five years, USAID/Kyrgyz Republic's health program will prioritize strengthening the Ministry of Health's leadership to manage national TB and HIV programs; deliver quality, non-discriminatory TB and HIV services to vulnerable populations; implement national policies and legislation that support international standards for health service delivery; and develop standard operating procedures, protocols, and guidelines that will improve the quality of services.

USAID will place particular emphasis on increasing the involvement of health NGOs in outreach and support activities, and continue to strengthen their organizational processes and technical capabilities so that they are well-positioned to increase the utilization of health services by hard-to-reach and vulnerable populations who may not be covered as effectively by the public sector. USAID/Kyrgyz Republic will support reduced mortality and morbidity from TB and Multi-Drug Resistant (MDR) TB as it is a public health priority for the country and a major component of the Kyrgyz Republic's long term Strategic Plan for Health. USAID/Kyrgyz Republic will also continue to prioritize the prevention and treatment of HIV among key populations, including injecting drug users, prisoners, men who have sex with men, and commercial sex workers via its role as a key country in Central Asia Republics Regional PEPFAR portfolio.

IR 2.3 INCREASED CIVIL SOCIETY PARTNERSHIP WITH GOVERNMENT FOR IMPROVED POLICY AND SERVICE DELIVERY

The Kyrgyz Republic has the most vibrant and dynamic civil society in Central Asia. It is a source of resiliency to conflict, an incubator of national level and community leadership, a critical vehicle for the delivery of humanitarian assistance, and a crucial partner for the government – both in terms of providing oversight and accountability, but also as a contributor of expertise and input on certain key policy issues. Harnessing their experience, capabilities, and skills is critical to creating conditions for collaborative governance in the Kyrgyz Republic.

USAID has invested considerably into civil society strengthening over its nearly 20 years in the Kyrgyz Republic. Given the renewed commitment to democratic governance in the wake of the 2010 political changes, new opportunities to support public administration reform have arisen and there is much potential to bring USAID's partnership with civil society in the country to a new level of cooperation and transformation.

IR 2.3 EXPECTED OUTCOMES

The initial outcome will be a change in culture that will envision civil society and government as partners in a variety of activities including humanitarian relief following disasters, providing solutions to social policy issues, and even providing vocational educational opportunities. Innovative solutions will be led by the private and non-governmental sectors and the government will seek to benefit from these opportunities and be less reliant on the bureaucracy. The Government will instead create a proven cadre of administrators of grants, contracts, and other procurement vehicles while judiciously managing potential corruption.

SUB-IR 2.3.1 GOVERNMENT PROCUREMENT SYSTEMS REFORMED TO ALLOW FOR STATE FUNDING OF CIVIL SOCIETY ORGANIZATIONS FOR SOCIAL SERVICE DELIVERY

This sub-IR will seek to encourage institutional behavior change to positively alter the attitudes and values of Government to enter into social partnerships with civil society. It would provide the Government the skills and internal procedures to support civil society organizations through social tenders and grants. These vehicles will also set the stage for the future of donor assistance in the Kyrgyz Republic once it demonstrates competence and an ability to manage projects.

SUB-IR 2.3.2 CIVIL SOCIETY ADVOCACY FOR AND PARTICIPATION IN PUBLIC POLICY DEVELOPMENT

Policy-making in the Kyrgyz Republic is frequently influenced by vocal leaders with reactionary and populist rhetoric sometimes substituting for legitimate solutions. This, coupled with the weak bridge between policy expertise and policy-makers, leads to frequent short-term or ineffective solutions to issues. USAID seeks to address this through enabling better advocacy for civil society where solutions and expertise frequently lie. This broad community includes specialized NGOs active in social policy, academia, think tanks, and policy institutes and seeks to strengthen their access to policy makers.

DO 2 LINKAGES TO OTHER USAID/KYRGYZ REPUBLIC PROGRAMS & CENTRAL ASIA REGIONAL DEVELOPMENT COOPERATION STRATEGY

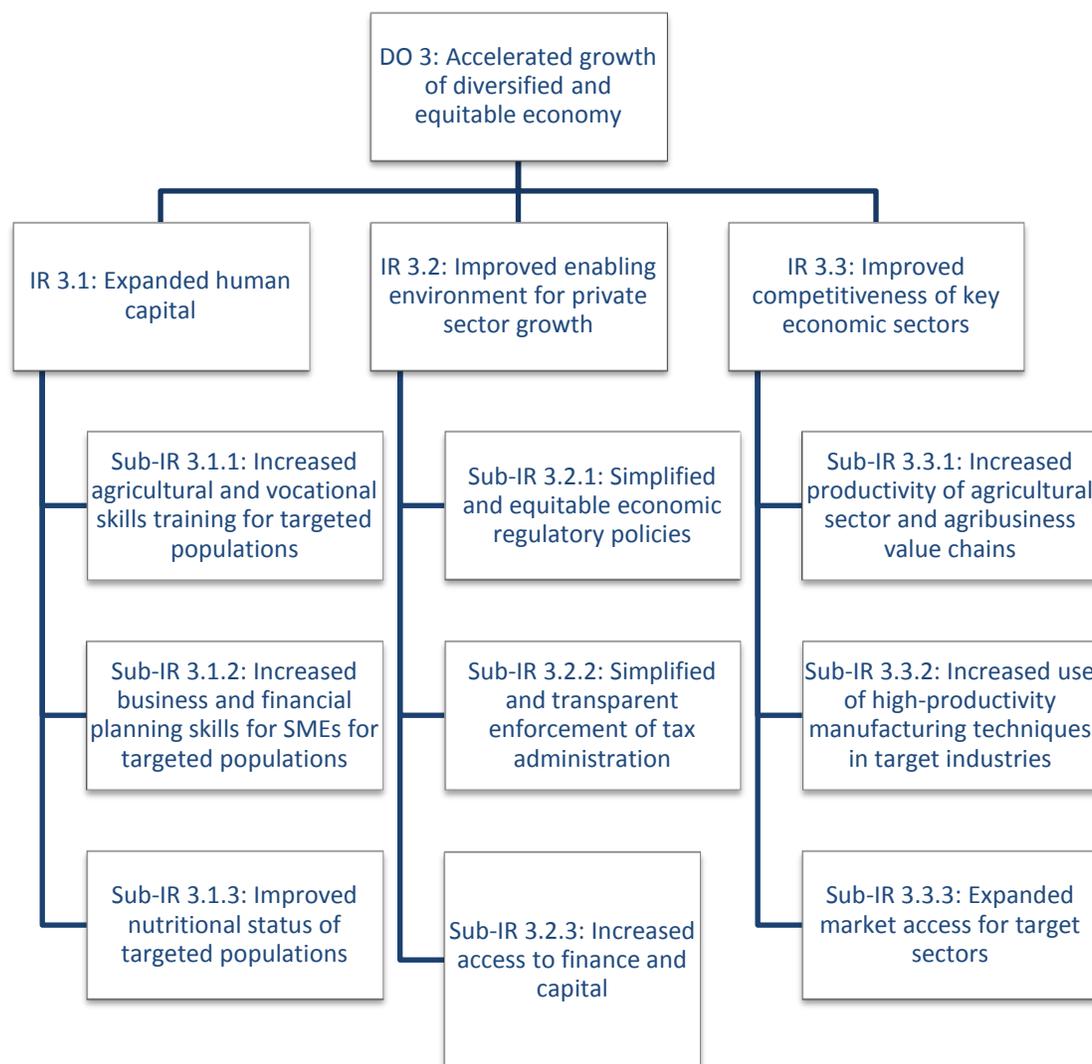
Institutional strengthening projects under DO 2 link across the portfolio and support all sectors that include engagement with government and civil society. Public administration reform and local government strengthening will complement many economic growth, health, education, and democracy activities by strengthening their counterparts.

USAID/Kyrgyz Republic's health and education activities will continue to be strongly aligned with regional activities in Central Asia. As described above, the Kyrgyz Republic will continue to receive regional HIV funds for activities which fall under a regional framework for Central Asia. The Kyrgyz Republic's TB interventions, however, will be managed and implemented by USAID/Kyrgyz Republic to a much greater degree than in past years so that USAID can be more responsive to the Kyrgyz Republic's specific needs in combatting TB. The Kyrgyz Republic's health program is aligned with the CAR RDCS, and its overall health objectives of increasing access by vulnerable populations to quality diagnosis, treatment, and care services; building the capacity of government and nongovernmental counter-parts to plan, deliver, and monitor national TB and HIV programs; and to strengthen the collection, analysis and use of data to inform programming and policy development. USAID/Kyrgyz Republic's education activities are fully aligned with USAID/Washington's Global Education Strategy and directly contribute to the strategy's ultimate targets and goals. USAID/Kyrgyz Republic's activities also complement the education activities being implemented by USAID/CAR's Tajikistan Country Office. The Kyrgyz Ministry of Education and Science's achievements through the regional (Kyrgyz Republic and Tajikistan) Quality Reading Project are anticipated to motivate and serve as a model for education counterparts and community groups in Tajikistan. South-to-South learning is an important feature of the USAID/Kyrgyz Republic's education program design.

DO 2: OTHER U.S. SUPPORT, DONOR COORDINATION & KEY STAKEHOLDERS

	Public Admin Reform	Local Gov't Strengthening	TB	HIV	Civil Society Partnerships	Education
ADB						X
Aga Khan						X
CDC				X		
GFATM			X	X		
DfID	X				X	
GIZ				X	X	
ICRC			X			
KfW			X			
MSF			X			
Peace Corps				X		
Rosa Otunbayeva						X
Soros/OSI	X			X	X	
Swiss Cooperation	X					
UNDP		X	X	X		
UNICEF				X		
UNFPA				X		
WHO			X	X		
World Bank	X		X	X		

DEVELOPMENT OBJECTIVE 3: ACCELERATED GROWTH OF DIVERSIFIED AND EQUITABLE ECONOMY



DO 3 RATIONALE

In order for the Kyrgyz Republic to realize its goal of becoming a prosperous country and re-enforcing the gains for democracy and good governance, it will be necessary to accelerate its rate of economic growth, diversify the structure of the economy, and ensure that economic opportunities exist for all citizens. The Kyrgyz Republic's economy has been growing at a respectable 3.7% for the 2003-2012 period (adjusted for inflation), but it will require higher rates of growth to significantly reduce poverty such as has been achieved in other countries.⁷³ With 38% of the country now living in poverty (men: 39%, women: 37.2%), this is a high priority. In addition, the Kyrgyz Republic will need economic growth be broad-based and equitable if it is to share the wealth throughout the country and reduce the current vulnerability from its dependency on gold mining.

⁷³ World Bank. *World Development Indicators*. September 2013.

This strategy holds that if there is accelerated growth of a diversified and equitable economy, and this is combined with inclusive and accountable government as well as improved service delivery and policy for all citizens, then the Kyrgyz Republic will reach its development goal of being democratic, well-governed, and prosperous. In order for the Kyrgyz Republic to reach the development objective of accelerated growth of a diversified and equitable economy, three key factors must be addressed simultaneously: there must be an expansion of human capital, an improved enabling environment for private sector growth, and improved competitiveness of key economic sectors.

Improving the resilience of households against shocks that may cause food insecurity is a key feature of the strategy. Short-term food price increases, and disruptions to food imports are the main short-term threats, while low incomes are the main cause of long-term food insecurity.⁷⁴ An improved business enabling environment will increase traders' responsiveness to price signals. Better regulatory regimes and tax administration will increase the number of firms operating in the formal sector, increasing their access to finance and ability to link with suppliers and distributors.

Stunting remains an issue for the Kyrgyz Republic; rates are as high as 29% in Osh city and 25% in Osh oblast. In Bishkek, which is prosperous in relation to the rest of the country, stunting rates reach 19%. This indicates a nutritional issue in children that goes beyond food security or household income levels. The mission will promote better childhood nutrition and exclusive breastfeeding to reduce stunting rates. This DO encompasses the Feed the Future (FtF) objectives to "accelerate inclusive agriculture sector growth" and "improve nutritional status." While the FtF zone-of-influence has higher rates of poverty and stunting than other parts of the country, it also enjoys geography that is conducive to fruit and vegetable production. The strategy's focus on increasing the productivity of smallholder farmers and integrating them into appropriate value chains, as well as improving the prospects for off-farm employment will address the long-term income issues for rural households. Farmers, especially smallholders, lack a number of skills critical for producing and selling to the market. Consequently, they often employ a low-input, low-risk approach to production which provides them food for home consumption, but very little for commercial sale to boost incomes. The mission will work with farmers through existing structures such as water users groups (WUGs), farmers' associations, and water users' associations to link with buyers and improve on-farm management and increased productivity, using advisory services to promote skills among farmer members and promote skills in innovation, marketing, finance, natural resource conservation, and group management.

The results under this DO are strongly interconnected. There is a link between agriculture and non-agricultural work that raises greater opportunities for families. Farming families rarely rely solely on agricultural income. Instead, they have family members who either work during the off-seasons or year round in non-agricultural occupations. Often members of rural households migrate to cities to find employment. Therefore, this DO also addresses non-agricultural economic activities. USAID/Kyrgyz Republic will provide training in critical occupational skills that are important for individuals, firms, and value chains that are hampered by under skilled workforces. Skills development for non-agricultural populations will include both men and women, enabling both to be more effective in the labor and commercial markets. In particular, since women are especially prominent in the apparel and tourism industries as owners and employees, work in value chains such as these could provide increased access to finance and means to increase productivity and profits. Furthermore, undernutrition has negative economic consequences including a less productive workforce and reduced success in school among children.

⁷⁴ World Bank. Kyrgyz Republic Agricultural Policy Update. World Bank, December 2011. p. 11.

Further, the majority of value chains in the Kyrgyz Republic – in both agriculture and non-agriculture sectors – are weak, making it difficult for even profitable businesses to compete in the international market. Business persons and farmers have difficulty finding and keeping qualified labor, securing affordable quality inputs, equipment, or delivering goods and services that meet customer and international standards for safety, quality, and price. The high rates of stunting in many parts of the country only exacerbate the problem of recruiting qualified labor, as nutrition deficiencies are directly linked to educational attainment, adult health status, and other factors necessary for a modern workforce.⁷⁵ By improving the skills of business persons, farmers and employees in conjunction with improved food security and more effective government services, Kyrgyz citizens should be able to improve business productivity and quality.

This strategy assumes that there will be continued political stability for the next period, enabling policy reforms, increased investment and growth in the economy. Some of the risks that could affect the strategy outlined below are natural disasters, sudden changes in economic policy or change in political regime, and major electrical outages. If these risks are avoided or minimized, USAID/Kyrgyz Republic envisions that this strategy over the next five years will lead to faster economic growth and reduction in poverty.

At the end of the five-year period, by working in concert with other donors and the GoKR, USAID expects to achieve the following results as part of DO 3:

- 10% decrease in the poverty rate in the Feed the Future zone-of-influence, by the National Poverty Rate
- 15% relative reduction in the stunting rate in the Feed the Future zone-of-influence
- 15% improvement within the Feed the Future zone-of-influence for women's empowerment as a measured component of the Women's Empowerment in Agriculture Index
- Increased share of business in the formal economy from 40% to 50%
- Increased investment of \$50 million in key business sectors of agriculture, manufacturing, trade and finance
- 1% increase in share of regional trade for target value chains
- 50% increase in sales to domestic and export markets for target value chains

DO 3 GEOGRAPHIC FOCUS & TARGETED BENEFICIARIES

USAID's work under DO 3 will include efforts to help the GoKR to improve the quality and effectiveness of economic policies in order to remove barriers to trade and private sector-led growth. This work will be conducted primarily at the national level. In addition, USAID/Kyrgyz Republic anticipates that the policy process will include supporting models for how improved policies will be implemented, and that these models will have to operate in both the North and South to demonstrate their effectiveness. However, the majority of on-the-ground implementation and economic assistance will focus on geographic areas that feature the highest degrees of poverty, malnutrition, and food insecurity. This will mean a significant emphasis on work in the Southern oblasts of Osh, Jalalabad, and Batken,⁷⁶ as well as Naryn further to the north.

This zone exhibits a 21% stunting rate for children under five years of age and 44% poverty rate, compared to rest of the country with a combined stunting rate of 14% and combined poverty rate of 27%. Smallholder farms are predominant within the zone-of-influence with most of them located in lowland irrigated areas suitable for the

⁷⁵ Hoddinott, John, Harold Alderman, Jere R. Behrman, Lawrence Haddad, and Susan Horton. 2013. "The Economic Rationale for Investing in Stunting Reduction." GCC Working Paper Series, GCC 13-08. pp 6-8.

⁷⁶ USAID/Kyrgyz Republic. *Kyrgyz Republic: Assessment of the Agricultural Sector*. USAID, July 2013. p. 74.

development of the high-value horticultural crops, which for which small family farms can become competitive production units.

Focusing work in the South will allow USAID to further the underlying CDCS theme of inclusiveness by placing the majority of direct assistance in ethnically diverse areas. As such, USAID/Kyrgyz Republic anticipates that economic support will be provided to all major ethnic groups and will help form economic cooperation between these groups. Women and youth will also be particular beneficiaries of programming. Women, in particular, have the potential to play a greater role in the country's economic development, with an emphasis on the agricultural work anticipated for the South. This is apt as the increasing poverty of women is closely connected to "the cultural and institutional limitations on men and women's equal involvement in economic, social and political activity that is the result of the re-entrenchment of gendered norms about the appropriate roles of males and females in society."⁷⁷ At the national level, policies will be developed and implemented that will benefit women, youth, and equally benefit all ethnic groups.

⁷⁷ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 7.

MAP OF DO 3 GEOGRAPHIC FOCUS



DO 3 CRITICAL ASSUMPTIONS & RISKS

<u>Critical assumptions</u>	<u>Risks</u>
Political will for economic policy reform is maintained	A sudden change in political regime or economic policies could derail reforms, leading to economic stagnation or decline and threaten democracy
World commodity prices, in particular gold, remain moderately high	Commodity prices plunge sharply, hurting export and government budget revenues, thus inhibiting the ability of the government to provide services and lead to political instability
Electrical system continues to function with tolerable disruptions	Electrical system crashes for a week or longer, leading to unrest and potential regime change
There are no major natural disasters	A major natural disaster (such as an earthquake, drought, or flood) potentially could expose Government ineffectiveness and lead to political unrest and change in economic policies

DO 3 INTERMEDIATE RESULTS

IR 3.1 EXPANDED HUMAN CAPITAL

Human capital can be defined as the abilities and skills of any individual, especially those acquired through investment in education and training that enhance potential income earning. Human capital has been identified in assessments and discussions as a key economic constraint in the Kyrgyz Republic, given the eroding education system and demand for well-trained, skilled workers.⁷⁸ Relieving this constraint will be an essential component to unleashing the growth potential of the Kyrgyz economy. Addressing this issue will also raise incomes for the affected populations and promote stability. USAID/Kyrgyz Republic's strategy will include efforts to strengthen human capital in several areas, such as transferring agricultural knowledge and skills to farmers, improving business planning and financial literacy skills, developing other technical and vocational skills, and building the capacity of public employees to formulate and implement effective policies and regulations USAID will target marginalized groups, including small women entrepreneurs, ethnic minorities, and youth, particularly in Southern oblasts where the poverty levels are highest.

⁷⁸ Chemonics International. May 2013. pp 5-7.

IR 3.1 EXPECTED OUTCOMES

Target populations will receive a boost in their knowledge and skills, thus increasing their productivity and income potential. Farmers will have better knowledge of agricultural production techniques. Other workers will have improved technical and vocational skills, increasing their livelihoods and incomes. Small business operators will have better management skills that lead to stronger companies and potentially an expansion of their businesses and employment. Women, ethnic minorities, and young people will have received training that will improve their livelihoods and increase their incomes. Public employees will have a better understanding of their role in the policy formulation and implementation and improved technical skills.

SUB-IR 3.1.1 INCREASED AGRICULTURAL AND VOCATIONAL SKILLS TRAINING FOR TARGETED POPULATIONS

The agricultural sector will be an important focus for upgrading human capital skills, given the size of the rural population. As part of a larger set of investments in the agricultural sector, USAID will work to help prioritize agricultural research activities and develop practical links to farmers and agribusinesses, particularly to small women and ethnic minority farmers, helping them receive training and gain access to improved production technologies. USAID will also provide technical and vocational education training for targeted populations where poverty levels are the highest in order to improve economic livelihoods in the non-agricultural sector. Training will be provided in areas where there is demand in local labor markets for such skills.

SUB-IR 3.1.2 INCREASED BUSINESS AND FINANCIAL PLANNING SKILLS FOR SMALL AND MEDIUM ENTERPRISES FOR TARGETED POPULATIONS

Another area where there is a need to expand human capital is in developing improved business and financial planning skills for small and medium enterprises (SMEs), including agribusinesses, for targeted populations. What is perceived as a “lack of access to finance” sometimes confuses the fact that SMEs do not have adequate training to present strong business plans to formal banking institutions or they do not understand finance issues in general. This Sub-IR will seek to improve business and financial planning for targeted populations, including women and ethnic minorities. Cultural expectations for women often reduce their ability to take risks and establish businesses. Women are also often refused credit because they are unable to offer sufficient guarantees, or because of prejudice on the part of bank officials.⁷⁹

SUB-IR 3.1.3 IMPROVED NUTRITIONAL STATUS OF TARGETED POPULATIONS

Another area where there is a need to expand human capital is in improving the nutritional status of the poorest communities, particularly those in the Southern oblasts. Despite substantial progress in maternal and child health, nationally 18% of children under five are stunted and an additional 6% are severely stunted. Rates in the zone-of-influence are significantly higher – 29% in Osh City,⁸⁰ which reflects inadequate nutrition over time in these children and possible recurrent or chronic illness. Thus, USAID/Kyrgyz Republic will support select nutrition interventions under Feed the Future (FtF) for improved child nutrition outcomes. This Sub-IR will seek to improve nutritional knowledge and practices both in terms of supply and demand for nutritious foods in poor communities. The aim is to diversify diets and reduce rates of micronutrient deficiencies.

⁷⁹ USAID/Kyrgyz Republic. *Gender Analysis for USAID/Kyrgyz Republic*. p. 45.

⁸⁰ ICF International, Kyrgyz Ministry of Health, Kyrgyz National Statistical Committee. *Kyrgyz Demographic and Health Survey 2012*. USAID & UNFPA. March 2013. p. 21.

IR 3.2 IMPROVED ENABLING ENVIRONMENT FOR PRIVATE SECTOR GROWTH

Another key component to accelerating economic growth in the Kyrgyz Republic will be to improve the enabling environment for businesses. Updating and enforcing regulatory policies and tax laws is essential to encouraging the growth of businesses⁸¹ USAID will continue to work with the GoKR to improve the overall business environment, such as streamlining the Government's permit and regulatory systems and improving tax administration so as to minimize corruption opportunities. A key element of this work will be to build both Government and private-sector capacity to routinely engage in policy-development processes. USAID also will seek to work with high level executive offices and ministries to improve research and policy analysis capacity that support private sector growth in critical areas such areas as energy, agriculture, and trade. In addition, USAID/Kyrgyz Republic expects to introduce pilot projects for ministry reform that addresses institutional weaknesses, which could serve as a model for other ministries.

IR 3.2 EXPECTED OUTCOMES

The private sector will face an environment that is much more conducive to economic growth. Working with government agencies, business associations, and other civil society organizations, regulations will be reviewed and streamlined to maintain necessary socioeconomic regulatory protection, but do so in a manner that minimizes economic distortions and encourages investment and growth. Tax systems and procedures will be simplified for businesses, reducing opportunities for illegal taxation and harassment, and the capacity to train tax administration officials will be enhanced. Economic institutions will have developed stronger economic policy capacity, leading to better economic policies and outcomes.

SUB-IR 3.2.1 SIMPLIFIED AND EQUITABLE ECONOMIC REGULATORY POLICIES

USAID/Kyrgyz Republic will continue its work with ministries and other government agencies to review and simplify regulatory policies while at the same time protecting consumer and business interests and overall public welfare. The looming crisis in the energy sector is a threat to the country's economy and potentially to the stability of democratic government. The infrastructure is severely degraded, the utility companies have major management and governance weaknesses, and the sector is rife with entrenched interests. The current energy laws are insufficient to address the corporate governance and management issues that constrain the sector. In addition, electricity customers feel frustrated by the lack of reliable year-round power, but have limited understanding of the reforms that are needed or of their rights and responsibilities as energy consumers. However, if the right policy decisions are made now, the Kyrgyz Republic has the potential to profit from an expanded role as an energy exporter throughout the region, particularly through the CASA-1000 line. USAID will continue to work for these reforms so that the Kyrgyz Republic can be an effective regional energy partner, while providing its own citizens with the electricity they need as well.

In addition, the GoKR has recently committed to important economic reforms in the electricity sector, in large part due to USAID- led advisory activities (along with other major donors such as the Asian Development Bank); implementing and monitoring these reforms in coming years will be critical to economic growth and avoiding a collapse of the dilapidated electrical system.

Special attention will be paid to Ministry of Agriculture and local government functions which affect the ability of smallholder farmers to improve productivity and access resources. Increased job knowledge by ministry and local

⁸¹ Chemonics International. May 2013. p. 10.

government employees, coupled with the organization of small farming households, will make for more equitable and transparent management of land and irrigation water resources. It will be important to provide activities that support the business sector by providing a more predictable business inspection regime. Moreover, USAID will address policies and regulations that discriminate against women and ethnic minorities.

SUB-IR 3.2.2 SIMPLIFIED AND TRANSPARENT ENFORCEMENT OF TAX ADMINISTRATION

The Kyrgyz Republic's economy suffers greatly from a complicated and nontransparent system of tax administration. Business laws change frequently and lead to confusion and lack of understanding by business operators. USAID will seek to simplify existing laws and provide a more predictable system of tax collection for business owners.

SUB-IR 3.2.3 INCREASED ACCESS TO FINANCE AND CAPITAL

In addition to providing training to SMEs in sub-IR 3.1.2, USAID will also enhance the system of credit in the Kyrgyz Republic to improve the business environment. For example, it will work with Development Credit Authority (DCA) officials to broker high impact investments in the Kyrgyz economy using DCA-backed credit guarantees to unlock a large stock of local untapped credit sources in the formal banking sector. In addition, USAID/Kyrgyz Republic will work to reduce systemic banking sector risk by expanding credit bureau services, given the significant lack of information on customers by lenders. USAID will also work with microfinance institutions to provide credit to underserved customers that do not have access formal credit institutions.

IR 3.3 IMPROVED COMPETITIVENESS OF KEY ECONOMIC SECTORS

Finally, it will be important to target sub-sectors of the economy that will have high impacts on economic growth, employment, and economic diversification. USAID/Kyrgyz Republic will focus on strengthening those sectors where the country is competitive (beyond just the mining sector) and can help with economic diversification, including agriculture and agribusiness, textiles, tourism, and trade. The agricultural sector will be an important area of focus, given its share of the labor force and its ability to reduce poverty and food insecurity for women and ethnic minorities. USAID will make targeted investments that will enable these sub-sectors to increase productivity in order to grow and thrive, such as helping firms develop strategies and co-invest in testing and certification laboratories, and, at a broader level, improving the county's trade competitiveness through examination of exchange-rate policies to make Kyrgyz goods more price competitive.

USAID will complement the transportation infrastructure work of the World Bank, Asian Development Bank and other development partners in order to increase opportunities for and reduce the cost of trade among the Central Asian countries as well as promote trade with global markets in all directions. Activities will include technical assistance for: the finalization and/or expansion of cross border trade agreements, compliance with and exploitation of the forthcoming WTO Trade Facilitation Agreement, and modernization of customs procedures and data automation.

IR 3.3 EXPECTED OUTCOMES

Key sectors in the Kyrgyz Republic's economy will be strengthened, leading to higher rates of economic growth and reduced poverty levels. The agricultural sector will see increases in productivity and the development of value chains for agribusinesses. The textile sector will see significant improvements in its competitiveness from upgrades in capital and the development of domestic and international consumer markets. The tourism sector will

develop new strategies and tourist sites, leading to increasing number of tourist visitors and higher incomes for local populations. Trade barriers with neighboring countries will be reduced.

SUB-IR 3.3.1 INCREASED PRODUCTIVITY OF AGRICULTURAL SECTOR AND AGRIBUSINESS VALUE CHAINS

The primary agricultural sector and its related agribusiness sector will be important areas in which USAID will concentrate economic activities. Based on assessments and interviews, USAID/Kyrgyz Republic expects that it will focus its activities in such areas as: improving value chains, particularly for fruits and vegetables; investing in on-farm and irrigation system improvements; improving the research and development and extension systems; and improving the institutional environment. (Note: nutrition education activities are discussed in sub-IR section 3.1.3.) It is envisioned that these activities will target women and ethnic minorities in particular, especially in the Southern oblasts where poverty rates are highest. USAID/Kyrgyz Republic will also work closely with other donors that are active in the Kyrgyz Republic, such as the World Bank, World Food Program, U.N. Food and Agriculture Organization, and the International Fund for Agricultural Development, among others.

SUB-IR 3.3.2 INCREASED USE OF HIGH-PRODUCTIVITY MANUFACTURING TECHNIQUES IN TARGET INDUSTRIES

USAID will help the Kyrgyz Republic with its diversification activities by focusing its activities on key light manufacturing sub-sectors. For example, the Kyrgyz Republic has strong growth potential in the textiles sector, according to recent assessments and interviews with experts. USAID anticipates that it will help this sector invest in testing laboratories and develop marketing strategies. USAID/Kyrgyz Republic may use DCAs or other mechanisms to help light manufacturing firms upgrade their outdated and deteriorating physical capital stocks. USAID also expects to help the tourism sector develop new tourist sites and engage in promotional activities to increase tourism employment.

SUB-IR 3.3.3 EXPANDED MARKET ACCESS FOR TARGET SECTORS

USAID/Kyrgyz Republic will attempt to expand market access for target sectors. For example, it will help the Kyrgyz Republic negotiate improved market access for traded goods, such as textile and agricultural products. USAID will help the Government to reduce tariff and non-tariff barriers in neighboring countries and key export destination markets. USAID/Kyrgyz Republic also expects to work with industry to improve the marketability of traded products by addressing “quality infrastructure” such as certification and labeling.

USAID/Kyrgyz Republic will also seek to expand markets by supporting improvements to trade competitiveness. Agriculture, in particular, is not competitive with imports, nor is it typically able to export – especially, on formal terms. Only 7% of agricultural output is reported as exported, while 23% of food is imported.⁸² This is partially because the domestic currency (for trade purposes) is seriously over-valued because of the large amount of foreign transfers received by the Kyrgyz Republic. Remittances and official development assistance together account for between 35-45% of GDP. Extractive exports also contribute to the currency valuation, as they account for another 35-40% of GDP.

⁸² Mogilevskii, Roman. 2012. Trends and Patterns in Foreign Trade of Central Asian Countries, Working Paper No.1, 2012. University of Central Asia, Graduate School of Development Institute of Public Policy and Administration.

DO 3 LINKAGES TO OTHER USAID/ KYRGYZ REPUBLIC PROGRAMS & CENTRAL ASIA REGIONAL DEVELOPMENT COOPERATION STRATEGY

The human capital impacts of this DO, directly relate to the quality of education, health status, and nutritional status of the people of the Kyrgyz Republic, and will be mutually reinforcing with DO 2. Nutrition in particular is a cross-cutting area that will be primarily addressed through DO 3, but will utilize a variety of methods – including increased incomes and availability of nutritious foods as well as community outreach and nutrition education activities to encourage healthy behaviors. These activities may be partially addressed through service delivery elements of DO 2. More broadly, the increased economic growth will provide additional resources for improved service delivery and the better implementation of policies in all sectors.

The economic policy components of this DO directly link to the USAID/CAR RDCCS and the Almaty Consensus that it supports. USAID’s activities in this area will help remove trade barriers that constrain economic exchange between Afghanistan and the Kyrgyz Republic, while direct support to Kyrgyz businesses will further help expand the trade potential in this budding partnership. In addition, USAID’s continued support for domestic energy policy reforms will ensure a stable and reliable supply of electricity for the planned CASA-1000 system, as USAID continues its support for the GoKR and other Central Asian states to enter into the energy trade arrangement.

MONITORING, EVALUATION AND LEARNING

A robust monitoring and evaluation system is critical to the success of USAID/Kyrgyz Republic’s Country Development Cooperation Strategy (CDCS). USAID intends to use Monitoring and Evaluation (M&E) as a foundation for building strong collaboration among host country counterparts, other donors, and the US Government. Active M&E cooperation with stakeholders will enhance learning within and across the development objectives (DOs) and will create the feedback loop necessary to adapt the strategy to changing conditions.

As part of the M&E process, USAID/Kyrgyz Republic will develop a performance monitoring plan (PMP) to measure and assess progress in achieving the DOs. In preparing the PMP, USAID will focus on selecting the best mix of indicators at the Intermediate Result (IR) and DO levels while also developing an effective strategy for measuring and compiling data. Evaluations will be conducted throughout the life of the CDCS to validate development hypotheses, provide precise data for management and decision-making, assess progress, and identify remaining development challenges.

DO 3 OTHER U.S. GOVERNMENT SUPPORT, DONOR COORDINATION & KEY STAKEHOLDERS

	Agriculture and Food Security	Financial Sector	Private Sector Development	Energy	Nutrition
ADB		X	X	X	
BMZ			X		
Eurasian Development Bank				X	
European Union	X				
Export Import Bank - China				X	
FAO	X				
GIZ		X			
IFC			X		
Islamic Development Bank				X	
JICA	X		X		
KfW		X		X	
Russian Federation				X	

Swiss Government	X	X	X		X
UNICEF	X			X	
World Bank	X		X	X	X
WFP	X				
WHO				X	

ANNEXES

ANNEX 1: REFERENCES

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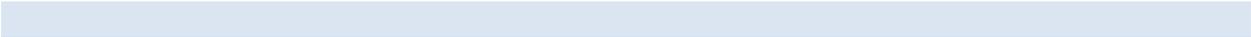
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ANNEX 2: DONOR LANDSCAPE IN SELECT SECTORS

Education	European Union	Social and Child Protection	European Union
	Asian Development Bank		German GIZ
	Soros Foundation The Kyrgyz Republic		UNICEF
	UNICEF		World Bank
	DfID	Anticorruption	European Union
	USAID		Swiss Government
	BMZ		
Agriculture, Food Security, and Rural Development	European Union		EBRD/UNCITRAL
	FAO		
	GIZ	Local Self-Governance	World Bank
	Swiss Government		European Union
	JICA		Norway MFA
	UNICEF		Switzerland
	WFP		UNDP
		USAID	
Financial Sector	Asian Development Bank	Public Health	World Bank
	EBRD		German KfW
	German GIZ		DfID
	KfW Development Bank		German Development Bank
	Swiss Government		

Private Sector Development	German BMZ	Water Supply, Sewerage, Sanitation, and Hygiene	SIDA
	ADB		Swiss Government
	IFC (multi donor financed)		ADB
	JICA		EBRD
	Swiss Government		SECO
	The multi-donor ETC Fund		UNICEF
	USAID		World Bank
	World Bank		UNDP
Energy	KfW	Tourism	European Union
	Asian Development Bank		Agha Khan Foundation
	ExIm Bank (China)		JICA
	IDB		USAID
	Russian Federation		
	World Bank		
	Eurasian Development Bank		