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Budget Oversight: Examining the President's 2012 Budget Request for Europe and Eurasia
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Chairman Burton, Ranking Member Meeks, and members of the Committee.

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

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

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

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

USAID Successes

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

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

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

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

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

Supporting the Democratic Transition in Kyrgyzstan

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

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

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

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

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

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

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

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

Stability

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

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

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

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

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

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

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

Energy Security for Central Asia

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

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

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

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

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

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

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

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

Conclusion

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

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

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