

Strategy for development cooperation with

# Central Asia

January 2006 – December 2009



REGERINGSKANSLIET

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## **STRATEGY FOR SWEDISH DEVELOPMENT COOPERATION WITH CENTRAL ASIA, 2006-2009**

### **Introduction**

The strategy will determine the scale and scope of Swedish development cooperation with Central Asia, particularly Kyrgyzstan and Tajikistan, during the period 1 March 2006 – 31 December 2009. The strategy is based on a proposal from the Swedish International Development Cooperation Agency (Sida), supplemented by the Ministry for Foreign Affairs' own considerations and by comments from other ministries, government agencies and Swedish actors involved in development cooperation with Central Asia.

The overall objective of Sweden's policy for global development is fair and sustainable development worldwide. This objective applies to all policy areas. The Swedish development cooperation programme is to focus principally on poverty alleviation and respect for human rights.

### **Summary**

Following the disintegration of the Soviet Union, the democratic process in Central Asia was initially reform-minded, but this has since given way to increasingly authoritarian tendencies. No reform efforts are currently evident in either Uzbekistan or Turkmenistan. Sweden will focus its development assistance on the poorest countries, Tajikistan and Kyrgyzstan. Both these countries have poverty reduction strategies.

**Tajikistan** is the poorest country in the region, weakened by civil war and in great need of assistance. No budget support is foreseen during the strategy period. For such support to be feasible in the future, donor coordination must improve, as must the competence and working methods of the Tajik administration. Swedish assistance should focus on the following sectors: democratic governance and human rights, economic development, and health. Gender equality, donor coordination and the importance of transparent processes and institutions will be the most important dialogue issues.

**Kyrgyzstan** is a pilot country on harmonisation of foreign aid, and donor coordination there has made relatively good progress. A revised National Poverty Reduction Strategy (NPRS) will be developed in 2006. Sweden should become part of the joint donor effort, which has as its future goal the provision of general budget support for poverty alleviation. Development cooperation should in the meantime focus on democratic governance, particularly on improving public financial management, and on supporting the health sector. Democratic governance, transparency and gender equality will be the foremost dialogue issues.

Sweden's assessment is that opportunities for regional activities are limited, but such action may be warranted partly from a conflict prevention viewpoint to help re-establish ties between people in the Central Asian countries, and partly in relation to issues of a transboundary nature, such as

organised crime and customs matters. In these areas, closer cooperation with the EU, the UN and the OSCE would seem crucial. Central Asia will not, however, be affected by the new instrument for the EU's European Neighbourhood Policy (ENP).

It is estimated that Sweden's development assistance to Central Asia will amount to SEK 120 million in 2006, of which an estimated 50 million will go to Tajikistan, 50 million to Kyrgyzstan and 20 million to other activities in the region. Thereafter, assistance to Central Asia is expected to increase and total approx. SEK 200 million a year by the end of the period. The largest increase is expected in the case of Tajikistan, which is the poorest country in the region.

## 1. Central Asia

### 1.1 Background

Following the disintegration of the Soviet Union, the democratic process in Central Asia was initially marked by reforms, but this approach has since given way to authoritarian tendencies. Today, the five former Soviet states are becoming increasingly different in character. In Uzbekistan and Turkmenistan, political opposition was prohibited early on, and neither country has a reform process under way. During the 1990s, Tajikistan experienced a civil war that severely impeded both political and economic development. The conflict formally ended in 1997, but recovery did not begin until much later. Kazakhstan and Kyrgyzstan for their part both underwent a liberalisation of their political systems.

The geographical position of the region has hampered its integration into the world trade community. The borders to the south and east were closed during the Soviet era, and are still difficult to cross due to natural barriers and to the political unrest found in neighbouring countries such as Afghanistan. Following the events of September 11, 2001, geopolitical interest in the region increased, and both the US and Russia now have military bases there. Assessments vary on how strong the extreme religious movements in the region in fact are, but their existence is used to justify imposing restrictions on freedoms and rights. One source of concern is heroin smuggling through the region, from Afghanistan to Russia and Western Europe, which has led to a significant increase in economic crime and risks weakening the countries' state institutions still further.

Economic conditions in the various countries are highly dissimilar. **Uzbekistan** (GNI USD 460 per capita)<sup>1</sup> with its 26 million inhabitants has the densest population and also has gas and oil deposits. The country has shown a readiness to assume a leading role in the region. In recent years, however, the government's policies – including firm state control of commerce and production – have created problems both for its own population and for the region as a whole by inhibiting trade exchange with

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<sup>1</sup> World Development Indicators database, World Bank, 15 July 2005

the surrounding world. Such exchanges are essential to the task of achieving sustainable development.

**Turkmenistan** (GNI USD 1,340 per capita) has substantial energy resources that are being exploited by its headstrong and autocratic leader. **Kazakhstan** (GNI USD 2,260 per capita) has large oil and gas fields, as a result of which the country has already achieved a degree of prosperity. Within the next ten years, Kazakhstan may be able to boast a standard of living several times higher than the other countries in the region.

The two poorest countries in the region are **Kyrgyzstan** (GNI USD 400 per capita)<sup>2</sup> and **Tajikistan** (GNI USD 280 per capita). Both are almost entirely lacking in gas and oil deposits, but possess water resources. They are mountainous countries with a limited amount of arable land, but agriculture is nevertheless an important sector. There is no real lack of water, but the countries' irrigation systems have fallen into disrepair and are inefficient.

A higher employment rate and greater productivity are vital to the success of poverty alleviation efforts. One of the foremost development cooperation aims is to create new opportunities for the poor to engage in productive work.

Kyrgyzstan and Tajikistan have a desire for reforms but both lack the financial resources needed to achieve them. Both are among the poorest and most indebted countries in the world<sup>3</sup>, with a lower GNI per capita than Bangladesh. They cooperate with the development banks and also with a handful of bilateral donors. Both countries have formulated their first poverty reduction strategies, and these are to be revised in 2006.

## 1.2 Relations with the EU and Sweden

When the EU TACIS programme ends in 2006, Central Asia will no longer be affected by the European Neighbourhood Policy. Instead, the Commission has proposed that development cooperation with Central Asia be transferred to its new Development Cooperation and Economic Cooperation Instrument (DCECI), which encompass most of the poor countries in the world.

Thus Central Asia will no longer be seen as a neighbour to the EU, but increased cooperation with the Union will nevertheless remain an important aim, particularly in such areas as migration, organised crime and border controls. A lack of institutional capacity and stability in these countries is causing problems, for other countries in the region as well. All the countries in the region have partnership and cooperation agreements with the EU. As of January 2006, however, not all of these agreements had been ratified by the EU member states. None of the five countries is a member of the Council of Europe.

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<sup>2</sup> World Development Indicators database, World Bank, 15 July 2005

<sup>3</sup> World Bank Country Classification

Kyrgyzstan, Tajikistan and Uzbekistan are covered by the Early Transition Countries Initiative (ETC) run by the EBRD, which means the bank will be increasing its activities there during the strategy period. This will create a number of opportunities for co-financing, e.g. on water projects. The EBRD invests primarily in infrastructure, power production and the private sector.

## **2. Other policy areas, and relations between Sweden and the countries of Central Asia**

The present strategy specifically governs Sweden's development cooperation activities vis-à-vis Central Asia. Swedish policies and activities in other policy areas are also important for relations between the countries concerned and for development in the region as a whole, despite not being financed via the central government budget allocation for international development cooperation. This strategy, therefore, must reflect the whole picture, i.e. all development assistance provided to these countries by Swedish enterprise, Swedish organisations and other actors in Swedish society.

It is in Sweden's overall interest to assist the independent states of the former Soviet Union in their efforts to develop both properly functioning, law-based democracies and market economies. Sweden, too, is affected by developments in Central Asia, whether drug smuggling or the danger of unrest and instability in the region.

Much of Sweden's development assistance to the five countries of Central Asia is provided via multilateral organisations. These include the UN, the EU, the OSCE and Partnership for Peace (PfP).

Sweden's bilateral cooperation with the countries of the region has hitherto been limited. In the commercial sector, however, a number of Swedish companies are represented in Kazakhstan, and the Swedish business sector is showing considerable interest in the country. Hitherto, Swedish companies have shown only minor interest in trade exchange with the other four countries. In the longer term, however, there is room for improvement here, too, primarily in the energy and telecom sectors. Of the five countries, only Kyrgyzstan is currently a member of the WTO.

By cultivating our relations, we can contribute to the transfer of knowledge and know-how in areas conducive to development in the region. Broader contacts foster democratic development in the countries of the region. Sweden has appointed a Stockholm-based ambassador to the countries of Central Asia, while there is an embassy chancery in Tajikistan and honorary consulates in Kazakhstan, Kyrgyzstan and Uzbekistan.

Hitherto, exchange visits and political dialogue with the five countries of Central Asia have both been fairly limited. Both sides, however, have expressed an interest in developing closer ties, primarily in the case of Kazakhstan but in time also in relation to the other countries. In 2002, the

president of Kyrgyzstan visited Sweden, and this was followed in 2004 by a visit from the president of Kazakhstan.

Cultural exchange, education and tourism are other areas in which cooperation is limited but where broader cooperation would have a favourable impact. Media interest in the region has also increased.

### **3. REGIONAL COOPERATION AND COUNTRY FOCUS**

#### **3.1 Conclusions from previous cooperation with the region, and the aims of continuing cooperation**

Cooperation with the region began as early as 1996 when Sweden took part in the Aral Sea project led by the World Bank. The first Swedish strategy for development cooperation with Central Asia covered the period 2003-2005 and aimed to create conditions for reducing poverty and preventing conflicts.

This strategy established the basic direction of Swedish initiatives, primarily capacity building. These activities were gradually stepped up, and in 2005 were worth a total of SEK 91 million. The focus has been on building up cooperation with Tajikistan, and humanitarian aid has gradually been phased out. Other development cooperation efforts have focused on Kyrgyzstan. These initiatives have primarily been long-term in character. The results can mainly be discerned at project level. The overall assessment is that Swedish development cooperation has contributed to poverty alleviation and conflict prevention. The outcome of the Tajikistan programme and the experience gained are dealt with in section 3.2, and that of the Kyrgyzstan programme in section 4.2.

The countries have many problems that require joint solutions, but to date they have found it very difficult to cooperate. Uzbekistan's tense relationship with several of its neighbours has been difficult to overcome, even when transboundary water projects are involved where the various countries all stand to benefit and clearly need to work together. This is something other donors have experienced as well, including the World Bank, the EU and the UNDP. Should this situation change, Sida should be prepared to take part in transboundary water projects, which are a key both to people's livelihoods and to peace and stability in the region.

Swedish NGOs have undertaken some minor initiatives of a social nature in the two non-priority countries Kazakhstan and Uzbekistan.

Regional projects of a *transboundary nature* have also proved worthwhile, dealing with issues such as migration, customs matters and the fight against organised crime. Sweden should continue to support the efforts of the UNODC (United Nations Office on Drugs and Crime) to combat the illicit drug trade and other forms of organised crime in Central Asia. The EU is another important actor via programmes implemented by the UNDP.

From a *conflict prevention viewpoint*, there is also reason to continue supporting certain multicountry initiatives in order to bring people together once more at both the professional and the non-professional level. Such meetings are currently being prevented by antagonism on the political front. These initiatives might include international courses and the preservation and utilization of plant genetic resources. In accordance with Swedish Government Communication 2004/05:109 on development assistance to the East, the Swedish Institute should continue to administer Masters scholarships for studies in Sweden. The SI should also consider supporting the establishment of cooperation programmes/projects between higher education institutions in Sweden and Central Asia.

### **3.2 Kazakhstan, Uzbekistan and Turkmenistan**

Swedish development cooperation should focus on fewer countries.

While considerable needs are still present in **Kazakhstan** in such areas as democracy, human rights and gender equality, cooperation with the country should be phased out during the coming strategy period due to the country's satisfactory economic progress and the need to concentrate Swedish efforts in the region.

Due to the lack of reform processes in **Uzbekistan** and **Turkmenistan** activities in these two countries are not given priority and no new bilateral projects will be launched.

## **4. TAJIKISTAN**

### **4.1 Summary of poverty analysis<sup>4</sup>**

An analysis of the various dimensions of poverty in Tajikistan yields a multidimensional picture. The civil war that followed independence added to human suffering, delayed reforms and resulted in widespread destruction of the country's infrastructure. Today, peace and stability prevail, but concern about the possibility of renewed hostilities has been used as an excuse for gradually strengthening presidential power. Human rights are inadequately protected, and the gender equality situation has worsened since independence. On average, women's pay is 62 per cent of that of men, and female representation in politics is very low.<sup>5</sup> The transition process in relation to polity, the market economy and democracy is far from complete. The national government is characterised by inadequate legitimacy and capacity, and both the rule of law and economic development are hampered by organised crime and corruption. The country's geographical position presents a number of problems. Its insularity, troublesome neighbourly relations and rugged terrain compound its isolation and hamper its exports. Due to its topography, Tajikistan is one of the most disaster-prone countries in the world. Its proximity to Afghanistan and the drug trade exert a powerful influence in terms of economic crime. Apart from the support provided via the UNODC at

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<sup>4</sup> Based i.a. on a report by Per Ronnås, chief economist, Sida, dated march 5, 2005

<sup>5</sup> Source: Human Development Index 2005

regional level, no Swedish support is foreseen in this particular field in Tajikistan, as other donors are already active there.

The majority of the population is poor. Tajikistan was the poorest republic of the Soviet Union and was dependent on extensive support from Moscow. A degree of economic recovery has been evident since the civil war ended, and the proportion of poor in the population fell from 81 to 64 per cent between 1999 and 2004. This trend is uncertain, however, and may chiefly be ascribed to the favourable prices for Tajikistan's principal exports, cotton and aluminium, in recent years, and to transfers from seasonal workers in Russia. Poverty is most widespread in rural parts, where three quarters of the population live.<sup>6</sup> Land reform and structural transformation of the rural economy – both of which are vital to the country's development – have proceeded slowly, due largely to the constraining influence of special interests. The demographic situation, distinguished by rapid growth and a population in which more than half are under 20 years of age, represents a challenge in terms of education and employment. Many health indicators have fallen dramatically as a result of deteriorating water quality and the dismantling of the relatively efficient social safety net that was in place during the Soviet era. Access to services, meanwhile, has become increasingly inequitable. This is adversely affecting the country's development.

In 2003, the Tajikistan parliament adopted a Poverty Reduction Strategy (PRS). The general focus and intentions of this document are well in line with the goals and principles of Swedish development cooperation. However, the strategy is not thought to have particularly strong backing in the government, and it lacks both clear priorities and adequate linkage to the national budget.

#### **4.2 Cooperation in 2003-2005: Conclusions**

Sweden has been supporting Tajikistan since 1997. Between 1997 and 2002, Swedish disbursements totalled approx. SEK 68 million in the form of humanitarian assistance. The support was channelled primarily through the UN and the Red Cross. The first Swedish development cooperation strategy for Central Asia was adopted at the beginning of 2003. It prescribed a gradual transition from humanitarian to long-term assistance and the establishment of a Swedish presence in Tajikistan, which came about in January 2004.

Funding during the previous strategy period increased from just over SEK 14 million in 2003 to approx. SEK 23 million in 2004, and is expected to total SEK 48 million in 2005. Swedish support has been directed primarily at the priority sectors: economic development, agriculture, the social sector and democracy and human rights. Sweden's conclusions regarding cooperation with Tajikistan in 2003-2005 are as follows:

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<sup>6</sup> "Progress toward the Millennium Development Goals in Tajikistan", United Nations Coordination Unit in Tajikistan

- The strategy intentions have been complied with. Humanitarian assistance has been superseded by long-term assistance, and a Swedish presence has been established in Dushanbe. Sida's assistance has targeted the priority sectors on the basis of the time frame set out in the previous development cooperation strategy.
- At local level, humanitarian work and activities undertaken via civil society have been successful. Government capacity at local level, however, is very weak. Therefore, central government structures, too, must become involved if long-term results are to be achieved.
- Donors' efforts to coordinate assistance have hitherto been insufficient.
- A lack of reliable statistics is making both problem analysis and impact assessment more difficult.

### **4.3 Other donors**

At present, the largest bilateral donors in Tajikistan are the US, Switzerland, Russia, Iran and the UK. Sweden may become one of the largest donors during the forthcoming strategy period. The largest banks are the World Bank and the Asian Development Bank. The International Monetary Fund has decided to write off the country's debt. Interest on the EU's part is fairly weak, and its programmes are directed primarily at Central Asia as a region. The European Development Bank could become a significant donor in the environment field, as Tajikistan is one of the countries in the bank's ETC initiative.

Donor coordination has hitherto been deficient, which has hampered the division of labour and also made it difficult both to focus projects and aid programmes and to lay the ground for more sector-based support. Donors are interested in better coordination, however, and information exchange in certain specific sectors has steadily increased.

Total funding to Tajikistan is relatively small in relation to needs and poverty levels. In 2004, it amounted to approx. USD 110 million, of which only USD 13 million was provided in the form of grant aid. Net financing amounts to less than 2.8 per cent of Tajikistan's GNI. An increase, however, is in the pipeline. For the period 2004-2006, donor commitments amount to USD 913 million, of which 495 million will be in the form of grant aid.

### **4.4 General considerations**

The aim of Sweden's development cooperation with Central Asia is to create the kinds of conditions that enable poor people to improve their lives.

At present, the trend in Tajikistan is tentatively favourable, in both economic and political terms. The continuing reform process is both fragile and costly. To support this process while at the same time contributing to

peace and stability, Sweden should step up its assistance over the next few years.

Swedish input should focus on a number of delimited sectors of strategic importance for dealing with some of the factors underlying poverty, among them weak institutions, incomplete land reform and a weakened social safety net.

For years to come, the Tajik budget is expected to be unequal to the task of meeting essential costs, not least in the social sector. It therefore needs to be supplemented by budget support as soon as the necessary conditions have been satisfied. Sufficient grounds for budget and sector-based programme support, however, are not anticipated during this strategy period.

If Swedish development cooperation is to succeed in the task of helping to build up a functioning state, ministries and administrative bodies must become actors in the programme. Assistance outside these structures have sometimes yielded rapid results, but in the longer term hamper the country's chances of developing a cohesive range of public activities. The Tajik administration should be supported in its efforts to build up basic skills and capacity with a view to developing an efficient system of public financial controls. Bearing in mind the country's finite absorption capacity and the fragile nature of government institutions, there is a limit to what may be considered a reasonable level of Sida support to a particular sector. Sweden is one of the few active donors in the human rights field, which is a strategic area if both government and nation are to develop in the long term.

Sweden already has a competitive advantage in that it has built up knowledge and know-how in areas of strategic relevance for land reform and economic development. A land reform programme is essential to economic growth, and not just in rural areas. This, however, will be a lengthy process. Several other parallel investments need to be made, therefore, to strengthen institutions. In addition, there is a need for specific investment in the private sector, including family farming.

There are immediate large-scale needs in both the health and the education fields. At present, the most promising opportunities for effective Swedish support are thought to be in the health sector. In the education sector, government ownership is weak and donor coordination deficient. Both the Ministry of Health and other donors have welcomed health-related assistance.

Hitherto, inadequate coordination has hampered a proper division of labour, which is essential to focus and efficient support. During this phase of the cooperation programme, Swedish support to three specific sectors is proposed. Sweden should actively engage in dialogue with the Tajik government and other donors during the strategy period on ways of

improving coordination. Concentration should be increased as national structures are strengthened and donor coordination improves.

#### **4.5 Goals and focus of development cooperation with Tajikistan**

The aim of development cooperation with Tajikistan during the strategy period 2006-2009 is to strengthen opportunities for popular participation in the development of society and to improve both the means of support and health of poor men and women.

The time frame should be at least 15 years. Swedish support should be directed at three sectors: democratic governance, economic development and health. These priorities are based on a poverty reduction and rights perspective and are in line with the overall aims and objectives of Swedish development cooperation and of Tajikistan's current PRS.

Gender equality shall permeate all activities. When activities are prepared and followed up, their relevance for and impact on women and men are to be analysed. In Tajikistan, Swedish support should continue to be conflict-sensitive, as both the state and national identity remain weak. Opportunities for promoting peace and stability should be explored in projects and programmes.

Due to weak recipient capacity, Sida is to focus its efforts on three sectors. Within these sectors, the emphasis is to be on large-scale sector-based initiatives in collaboration with other donors.

##### **A. Democratic governance**

*Objective: Efficient and democratic governance via projects/programmes aimed at*

- strengthening the rule of law
- enhancing transparency and influence
- creating strong basic public institutions
- improving relations between citizen and state
- combating corruption.

##### Examples of projects/programmes:

Sweden should consider supporting both methodically and financially the development of the new Tajik PRS currently in preparation. Capacity development should be supported at both local and central level, and the emphasis should be primarily on public financial management systems. Support may also be provided to strengthen respect for human rights.

##### **B. Economic development**

*Objective: Productive, socially equitable, job-creating and sustainable use of the country's natural resources via projects/programmes aimed at*

- increasing transparency and efficiency in respect of land use

- improving livelihood opportunities for poor women and men in rural areas.

Examples of projects/programmes:

Although poverty has diminished more in rural areas than in urban areas, it is still most prevalent there. Greater efficiency in agriculture means a more secure supply of food to the poor in Tajikistan. Continued support to the strategically important land reform programme in collaboration with other donors is considered appropriate, with a view to promoting a transparent and equitable process. Support for the diversification of farming and further processing aimed at boosting both the employment rate and income in the short and long term should continue during the strategy period.

**C. Health**

Objective: *The right of women and men to life and health through projects/programmes aimed at*

- improving efficiency and equitable access to health and social services.

Examples of projects/programmes:

Health-related support should focus primarily on reforming the sector in collaboration with the World Bank. The country has a limited capacity and limited resources for countering the current growth in ill-health. One aim during the strategy period is to promote the development of a cross-sectoral health assistance programme. Many different donors are dealing with the problem of the growing number of HIV/Aids cases in Tajikistan, which means Swedish involvement is less urgent. Systemic reform, however, touches upon this issue.

**Other areas**

Besides the three sectors outlined above, co-financing may be considered in relation to major environment projects such as water supply, wastewater treatment, waste management and increased energy efficiency, but only as part of internationally coordinated arrangements.

**4.6 Dialogue issues**

Donor coordination, gender equality and the importance of transparent processes and institutions are to be the principal dialogue issues.

**4.7 Implementation and follow-up**

An agreement on general terms and conditions for development cooperation with Tajikistan was concluded in 2005, and is expected to facilitate Sida's entry into project-linked agreements.

The office in Dushanbe is responsible to Sweden's Stockholm-based ambassador for Central Asia and has two officers from Sida, two locally employed programme officers and administrative staff. The office is also

responsible to a certain extent for monitoring other Sida-financed projects in Central Asia, primarily in Kyrgyzstan.

Each year, Sida will prepare country plans for the purpose of operationalising the strategy goals. Implementation of the cooperation strategy is to be followed up in Sida's annual and semi-annual reports, which also provide a basis for the consultative meetings held every six months between the Ministry for Foreign Affairs and Sida.

## **5. KYRGYZSTAN**

### **5.1 Summary of poverty analysis<sup>7</sup>**

GNI per capita in Kyrgyzstan is USD 400. It is the second poorest country in the region and among the poorest and most debt-ridden countries in the world. Following the disintegration of the Soviet Union, Kyrgyzstan's GDP was halved between 1990 and 1995, and as recently as 2001 still stood at 60 per cent of the 1990 level.

The proportion of poor people was reduced from 60 to 40 per cent between the late 1990s and 2004. Income gaps are not alarmingly large, but are widening. Poverty remains more extensive in rural areas than in urban areas, especially in the regions of Naryn and Talas, but a growing number of poor are making their way to the cities of Bishkek and Osh. There, they often find it harder to support themselves than when they lived in the countryside. Children are particularly at risk. Over 30 per cent of the population are under 14 years of age, which is expected to bring considerable pressure to bear on the employment situation as well as in other respects.

A successful land reform has done more than any other single factor to alleviate poverty, while rapid liberalisation has resulted in the eclipse of much of the country's domestic industry. Jobs are scarce both in rural parts outside the agricultural sector, and in urban areas. Poor people often have no option but to seek insecure jobs in the informal sector. Lack of employment opportunities is one of the country's greatest problems, along with the high level of debt. The latter problem means that debt servicing will remain a heavy burden on the Kyrgyz economy for many years to come. The World Bank and the IMF are currently discussing the possibility of debt reduction. The relative lack of access to public funds could severely affect areas such as healthcare and education, which would strike particularly hard at the poor and also have an adverse effect on the country's production.

Kyrgyzstan's institutions are weak. Corruption is widespread and the judicial system is in a poor state. Investments in the formal sector are inadequate. The Kyrgyz leadership is aware of the problem, but it remains to be seen what remedial action the new government under President Bakiev, who took office in 2005, is capable of taking.

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<sup>7</sup> Report by Sida's Chief Economist, Per Ronnäs, 30 March 2005

The protests that followed the parliamentary elections of March 2005 reflect both legitimate, popular dissatisfaction over the extensive corruption and abuses of power found among the country's rulers, and deeply rooted local identities and the potential for conflict, particularly between the northern and southern parts of the country. Independence in 1991 awakened hopes of progress in the fields of democracy and human rights, and a reform period ensued. In the second half of the 1990s, however, the trend was towards an increasingly authoritarian style of government, and corruption grew.

The media situation has improved to some extent following the dismissal of President Akaev in 2005. Conditions in the country's prisons are deemed unsatisfactory and torture occurs, although some improvements have been noted. A moratorium on capital punishment was introduced in 1998. Kyrgyzstan functions as a country of both origin and transit for human trafficking.

The gender equality situation is exceedingly poor. On average, women's pay is 65 per cent of that of men, despite the fact that women are more liable than men to enter higher education. The position of women is made worse by the deteriorating social system and by patriarchal attitudes. Women are severely under-represented in political life. As a result of the elections of 2005, for instance, there is not a single woman in parliament.

## **5.2 Cooperation in 2003-2005: Conclusions**

Sweden began supporting Kyrgyzstan in 1998. Between 2003 and 2005, assistance rose from SEK 7.4 million per annum to approx. 20 million in 2005. More than half of the funding has gone to the promotion of democracy and human rights, a third to agriculture and 15 per cent to land reform. The Swedish assistance has corresponded to the country's own poverty strategy.

The following conclusions may be drawn from Swedish development cooperation with Kyrgyzstan in 2003-2005:

- Activities have corresponded to the general direction of the regional strategy, i.e. projects have been implemented in the areas identified in the previous strategy.
- Donor coordination in Kyrgyzstan has been successful. Sweden should build on this in the future and work closely with other donors, both bilaterally and multilaterally. This fosters harmonisation and dialogue with the country's authorities on support for its PRS. One area of cooperation in which considerable progress has been made is health. When Sweden collaborates with other donors, sustainable results are easier to achieve.
- Events in the Ferghana valley in March 2005 showed that the conflict situation is more complex than was evident from the analysis on which

the conflict prevention measures were based. This conflict did not develop as expected between ethnic groups in the valley but between citizens and government, where abuse of power was an important element. Sida has supported the UNDP programme for conflict management in the Ferghana valley. Before a decision is taken on whether to continue supporting a direct conflict prevention project, previous input should be evaluated.

- Corruption has come to be a growing obstacle to development, in both democratic and economic terms.
- One of the aims of Swedish support in the gender equality field has been to empower and encourage women so that they become actively involved in traditionally male areas, including politics. Projects aimed at bringing women into politics and journalist training programmes, have been undertaken, but have failed to yield the expected results, due to such factors as the country's patriarchal structures. Experience has shown that the greatest obstacles are not a lack of skill or awareness among women but male resistance and institutional conditions. Further support for gender equality promotion, therefore, must also relate to men and questions of attitude.
- Sweden has provided support to land reform, to projects for children at risk, and to the fight against human trafficking.

Several individual projects have proved successful, for instance ones involving social work on behalf of children at risk, and support for the seed industry. Lack of resources among Kyrgyzstan's institutions represents a threat to sustainability as it is difficult to consolidate any progress made.

### **5.3 Other donors**

The largest donors are the US, Japan, Germany, the EU, Switzerland and the UK, and the World Bank and the Asian Development Bank (ADB). Kyrgyzstan is a pilot country on aid harmonisation. Development assistance amounts to 3.2 per cent of GDP. The World Bank, the UNDP, SDC/SECO (Switzerland), the DFID, the ADB and the EBRD have jointly initiated a study of the prospects for developing a common country strategy in 2006. This will be undertaken in parallel with the formulation of a new poverty reduction strategy (NPRS) by the Kyrgyz government. Sweden began supporting a multidonor initiative to reform the public financial management system in the autumn of 2005, and Sida is also taking part in a joint effort to further reform the health service via sector wide approach.

Donor coordination, including coordination with the EU, mainly involves regular meetings with donors on the ground in Bishkek. In determining the scope and scale of Swedish assistance, Sida has benefited considerably from the work of other donors who have been present on the ground.

#### **5.4 General considerations**

The aim of Sweden's development cooperation with Kyrgyzstan is to create the kinds of conditions that enable poor people to improve their lives.

The country's economic prospects changed drastically with the collapse of the Soviet Union. Both means of support and social security systems disintegrated when factories were forced to close. The institutions that were previously linked to the central government in Moscow now had to operate independently. Considerable efforts have been made to remedy the situation, but much remains to be done. Corruption is widespread and represents an obstacle to development.

Sustainable economic growth and stability and security are crucial to the further reduction of poverty in the country. In order to strengthen inner stability, the institutions must be given support so that they gain people's confidence. Jobs need to be created both in rural areas outside the agricultural sector and in urban areas so that poor women and men can support themselves. The economy needs to be diversified and the country needs investments.

If all this is to be achieved, legitimate and efficient institutions are required that are clearly capable of improving conditions for private sector development, of creating more jobs and of reducing opportunities for corruption. Democratisation and greater transparency are of key importance in the fight against corruption. Efficient institutions can help the formal sector develop and bring about more secure working conditions and greater tax revenue, which in turn can generate more resources for the social sector.

Social services and essential public investments will nevertheless be constrained for years to come by the country's severe burden of debt. Therefore there is a clear need not only of knowledge transfers but also of grant aid aimed at boosting the domestic financing of basic expenditure in the social sector. A concept for sector wide approach has been developed for the continuing reform of the health service where Sida is one of the participants.

Kyrgyzstan is a pilot country on harmonisation, and there is an active donor community working in accordance with the Paris Declaration. The new government and the donor community are working together to develop a revised poverty strategy (NPRS) and a joint country analysis. The new poverty strategy is expected to be more closely linked to the medium-term budget and be more specific in its priorities than the previous one. The key areas identified in this regard are good governance and the fight against corruption, growth and employment, and the

equitable distribution of public funds. Implementation is planned for 2006. Sida should join this work.

### **5.5 Goals and focus of development cooperation with Kyrgyzstan**

The goal of development cooperation with Kyrgyzstan during the strategy period 2006-2009 is to support the country's long-term programme for poverty alleviation. In time, it should be possible to provide this assistance in the form of donor-coordinated general budget support to poverty reduction.

In order to create the conditions for future budget support, Sweden should initially support the development of competent, transparent and efficient public institutions that have popular backing. Measures are to be taken in cooperation with the Kyrgyz government and other donors, in accordance with the Paris Declaration.

The preparations under way for the introduction of sector wide approach for further reform of the health service should continue. Support for reform packages aimed at improving social security systems should also be considered.

Sweden's experience of work in the gender equality field has aroused considerable interest in Kyrgyzstan. Gender equality is still a neglected area, and should therefore remain a vital part of development cooperation work with Kyrgyzstan, both mainstreamed and in individual projects. The gender equality perspective must also permeate all dialogue and activities. When activities are prepared and followed up, their relevance for and impact on women and men are to be analysed.

Opportunities for promoting peace and stability should be explored in projects and programmes.

Development cooperation should be viewed in a long-term perspective of at least 15 years.

#### **A. Democratic governance**

*Objective: Democratic institutions guaranteeing citizens effective participation in the fight against poverty, and sustainable development for the individual, the community and the state<sup>8</sup>, via projects/programmes aimed at*

- developing sound public financial management systems
- strengthening administrative competence and capability
- fighting corruption.

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<sup>8</sup> As specified in the NPRS, January 2003

*Examples of projects/programmes:*

Sweden's contributions will be determined by the joint reform package that is expected to result from the multidonor review of the country's public financial management systems and the joint efforts to develop a new NPRS. Supplementary activities may be considered for the purpose of strengthening public institutions, including the National Statistics Committee, penal care and the electoral system. Selective support may be provided in the human rights field.

**B. Health**

*Objective: The right of women and men to life and health through projects/programmes aimed at*

- greater efficiency and equitable access to healthcare
- improved social security systems that reach those in need
- fewer children in institutions.

*Examples of projects/programmes:*

In 2005, preparations began for the provision of sector wide approach in the health sector that would include support to public health, an area in which Sida has been active in Kyrgyzstan since 2004. As part of this process, Sida has begun working with the Swiss development cooperation agency on joint efforts to promote public health. This work should continue and be expanded within the framework of sector wide approach.

Measures to combat HIV/Aids will be part of the public health initiatives that are expected to be part of Sida's contribution to health funding. The incidence of HIV/Aids among people aged 15-49 in Kyrgyzstan is 0.1 per cent (2003).

Efforts in the social sector are expected to ease the situation for the most vulnerable groups in society, develop alternatives to institutional care, and improve the situation of those women who today have to step in unpaid when the public social safety net breaks down. Swedish support should be made available for the long-term reform of social security systems in Kyrgyzstan, preferably in collaboration with the World Bank.

**Other areas**

Swedish development cooperation should initially concentrate on the two principal areas outlined above, focusing on future budget support, and should mainly be implemented in collaboration with other donors.

In addition, agriculture will continue to be a relatively large part of the Swedish development programme. As the anticipated results are achieved, however, funding is to be phased out during the strategy period. Current support for land reform in Kyrgyzstan should be maintained so that the results achieved may be consolidated.

Co-financing of individual large-scale environment projects may occur in such areas as water supply, wastewater treatment, waste management

and increased energy efficiency, but only as part of internationally coordinated arrangements.

### **5.6 Dialogue issues**

The most important dialogue issues are the development of transparent and democratic governance, and gender equality.

## **6. Implementation and follow-up**

When implementing the strategy, Sida is to explore opportunities for creating synergies and developing joint initiatives with other policy areas, and with the Swedish business community.

Each year, Sida will prepare country plans for the purpose of operationalising the regional strategy goals. Implementation of the cooperation strategy is to be followed up in Sida's annual and semi-annual reports, which will also provide a basis for the consultative meetings due to be held between the Ministry for Foreign Affairs and Sida.

The principal aim is to cooperate with other donors in supporting the country's poverty reduction strategy. In order to conserve resources while taking part in the process, Sida has begun preparations for purchasing services from a donor with a strong presence on the ground in Bishkek. Together with the office in Dushanbe, this donor can assist or represent Sida in matters concerning coordination and dialogue.

Sida intends to enter into negotiations on a procedural agreement on general terms and conditions for development cooperation with Kyrgyzstan in 2006.



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