

Bill Kilby and Ben Walker
Country Operations Group,
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DFID
1 Palace Street
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22 November 2010

Re: Urgent reappraisal of DFID engagement in Central Asia

Dear Mr. Kilby and Mr. Walker,

In the context of the DFID Bilateral funding review, Bond's *European Neighbourhood Working Group* (ENWG) concerned about the deteriorating situation in Kyrgyzstan and Tajikistan and urgently appeals for continued support for both countries, in particular on the basis of their sustained and chronic poverty, their continued vulnerability to insecurity and conflict and the threat a worsening situation brings to regional and international stability.

Although DFID has necessarily reduced bilateral support in the CIS over time, support has appropriately continued for Kyrgyzstan and Tajikistan in recognition of the long term unmet development needs in these two countries and the tenuous nature of their relative state structures. Particularly given the tensions Kyrgyzstan and Tajikistan are currently facing, ENWG advocates continued support for these countries following the bilateral review as shared and country specific needs align with DFID's priorities as set out in the 2011-2015 business plan particularly in the areas of social protection, access to safe water and food security as well as the prioritisation of strengthening governance and security in fragile and conflict-affected countries

DFID clearly argues the need to invest support in fragile states in order to best meet the MDGs. Kyrgyzstan and Tajikistan properly belong in the category of fragile states as defined by DFID. Both countries fit in the category of states recovering from or prone to conflict.

A compelling context for continued DFID support:

ENWG has written an overview of some of the most important constraints affecting development in both countries attached to this letter.

The statistics are compelling: Large numbers remain below the poverty line: 41% in Tajikistan, 35% in Kyrgyzstan; The two countries have 2010 HDI levels below those of several Sub-Saharan African states; Maternal mortality rates in both countries remain high at over 100 deaths per 100,000 births; food insecurity affects 32% in rural Tajikistan and 28% in Kyrgyzstan. In both countries the space for civil society remains restricted.

The problems are multitude: decay of infrastructure, reduced state investment in healthcare and social welfare, energy poverty with high fuel costs. Household income figures mask the higher costs of living,

resulting in part from a landlocked geography and cold environment. Winter temperatures often reach -15°C. DFID have taken a valuable lead in improving understanding of the impact of cold weather on poverty and this work should continue. Both countries are highly dependent on remittances and socially and economically impacted by both large scale labour migration and the impact of the global financial crisis on reduced remittance transfers. DFID's global engagement with the interface between migration, remittances and poverty is a valuable addition to a discourse on migration which is often too narrowly focused on border control. DFID's Central Asia Strategy aim to improve the benefits to the poorest of labour migration is an important focus. Central Asia is the region identified by the World Bank as the most vulnerable to the impact of the global financial crisis as a result of its dependence on remittance payments which have significantly declined.

Dependence on labour migration has strong implications for Central Asian women by creating a large number of female-headed households. There is a need for labour market policies to better enforce equal opportunities and eradicate discrimination. Effective measures are necessary to strengthen women's economic, land and property rights, their opportunities in the labour market and political participation. There is also the phenomenon of the "Skipped Generation" households where young and middle-aged adults (mostly men) have migrated, leaving households of women, older people and children who have limited income, and reduced life chances.

Falling growth with the decline in remittances, coupled with the increased needs for expenditure on social welfare and falling fiscal revenue are stretching government budgets making it less likely that MDG targets will be met. The rapid growth of the informal sector has meant a complete disconnection from the social protection system including health, and any benefits including maternity, unemployment, disability, old age pensions. This disconnection represents an immense social policy challenge across the region over the coming decades and it will potentially have a devastating impact on the extent and permanency of poverty.

There are multiple sources of instability in Central Asia. The recent violence and tensions in Southern Kyrgyzstan and in the Rasht Valley and other parts of Tajikistan, have pointed to deeper underlying causes of conflict, which include internal dividing lines (on regional and/or ethnic bases), poor government-community relationships, authoritarian, mistrusted, malfunctioning and non-transparent law enforcement agencies and other government ministries, and perceived marginalisation of the opposition, civil society, minorities and other disenfranchised groups, as well as the repression of media and religious freedoms. The more relative pluralism achieved in Kyrgyzstan is undermined by political instability and a worrying rise in the use of nationalist rhetoric. In addition there are also significant destabilising factors such as regional tensions over natural resources (water) and energy access, the spill-over from conflicts in Afghanistan and Pakistan, in terms of radicalisation and narcotics trafficking. All of these factors which need to be addressed through conflict-sensitive longer-term strategies focusing for example on the reform of the law enforcement and justice sector, governance and accountability, anti-corruption, economic recovery and job creation, infrastructure development and resource management reinforce the argument for continued DFID support for the region.

The strategic role DFID can play:

ENWG recognises that DFID provides vital support to the World Bank, UN and EU programmes including the implementation of the EU Central Asia strategy. At the same time, we consider it important that DFID retains policy influence over the direction of development assistance, and direct involvement in addressing need and reducing instability.

Some other donors have specific strategic or military interests which influence development aid. DFID can balance this approach with a greater emphasis on community level conflict prevention and mitigation

and rights based poverty reduction, underpinned by a broader human security framework, rather than one concerned mainly with military/state security.

Although USAID and multilateral actors are continuing to fund development programmes in Central Asia, DFID has a unique added value which it is important not to lose. For example, DFID has been one of the leaders on promoting conflict-sensitive approaches in the region, and to support community-based approaches, which is more important than ever in the current situation. The NGO community also values DFID's significant policy input on social protection and essential voice in donor coordination on social protection in poverty reduction.

The prospects for democratic advance in Central Asia are clearly at a crisis point. Kyrgyzstan and Tajikistan as the two countries benefiting most from international development aid and therefore the most open to friendly influence for good governance. However, their fragility means that previous investments in this area are now at risk.

Therefore due to continued need for assistance on human security and development, and relevance to DFID priorities, ENWG members believe that for the stabilisation and economic recovery of Kyrgyzstan and Tajikistan, it is vital that DFID continues development aid to both countries beyond the bilateral aid review.

Yours sincerely,

Mark Chadwick
Chair, ENWG

On behalf of Bond's European Neighbourhood Working Group

In particular:

AgeUK
HelpAge International
Mercy Corps

Healthprom
International Alert
Saferworld

Continued need in Tajikistan and Kyrgyzstan

Common Issues

While increased engagement with the EU is seen as a long term driver for prosperity and stability throughout the FSU a proactive approach to development assistance and conflict prevention remains necessary to address the considerable residual poverty and existing political and social tensions in this region and what Stefan Buzar described as “*the hidden geographies of deprivation*”.

While poverty rates in each country have improved over the period 1999 to 2007, significant levels remained Tajikistan 41% and Kyrgyzstan 35%. The two countries have 2010 HDI levels below those of several Sub-Saharan African states – Kyrgyzstan ranks below Gabon, Namibia and Botswana, and Tajikistan also ranks below South Africa. Paul Collier (2007) counts the population of Central Asia squarely within the world’s “*Bottom Billion*”. Maternal mortality rates in both countries remain severely high with recent statistics showing 100 deaths per 100,000 births in Tajikistan and 110 in Kyrgyzstan. In both countries the space for civil society remains restricted.

Infrastructure and state investment

Decay of infrastructure and reduced state investment in healthcare and social welfare contribute to poverty as do unresolved conflicts. In the case of Tajikistan, the sustained civil war damaged infrastructure and held back economic and social development. Household income figures mask the higher costs of living, resulting in part from the landlocked geography of these countries, and their cold environment. Winter temperatures often reach -15°C, and fuel costs are high. The higher cost of living means that modified MDG parameters may be appropriate for measuring poverty reduction and also means that a nuanced definition of poverty is necessary instead of a simple analysis of economic data. In their review of MDG progress in the region, UNDP emphasise that data must also be disaggregated by gender, ethnicity, sub-national regions, and labour market status to address pockets of acute poverty. We would also say that data should be disaggregated by age.

Seasonal Poverty

Poverty has a strong seasonal aspect for many, particularly in the pre-harvest and winter periods. DFID have taken a valuable lead in supporting a better understanding of the impact of cold weather on poverty in Central Asia, both in terms of household poverty and also access to healthcare, education and social welfare. Most development literature on seasonal poverty overlooks winter weather so there is a gap in knowledge that prevents a nuanced analysis of poverty and a better integration of this understanding into government planning. Continued work on this subject is essential.

Energy Poverty

Energy poverty is a significant problem, especially as companies move away from subsidised prices. The UNDP recognise the need for additional government revenue to be used to address energy affordability for the poor, although there is also a bigger issue around how governments trade energy with neighbours and how this affects domestic availability. At the same time there is a need to address

energy efficiency and the environmental consequences of fossil fuels. The issue of gas, water, electricity access, pricing and sharing has considerable implications for stability within Tajikistan and Kyrgyzstan, and across the region. For example, a doubling of energy and heating prices in January is widely seen as a critical spark for the overthrow of the Bakiyev regime.

Food Insecurity

Food insecurity affects 32% of the rural population in Tajikistan (2009) and 28% in Kyrgyzstan (2007). Despite this the UNDP highlights “steadily declining ODA for agriculture”. More support is needed to address this chronic problem.

Labour Migration

DFID’s global engagement with the interface between migration, remittances and poverty is a valuable addition to a discourse on migration which is often too narrowly focused on border control. DFID’s Central Asia Strategy aim to improve the benefits to the poorest of labour migration is an important focus. Central Asia is the region identified by the World Bank as the most vulnerable to the impact of the global financial crisis as a result of its dependence on remittance payments which have significantly declined. Remittance payments represented 40% of GDP in Tajikistan, 28% in Kyrgyzstan.

Equality

Dependence on labour migration has strong implications for Central Asian women by creating a large number of female-headed households. There is a need for labour market policies to better enforce equal opportunities and eradicate discrimination. Effective measures are necessary to strengthen women’s economic, land and property rights, their opportunities in the labour market and political participation. There is also the phenomenon of the “Skipped Generation” households where young and middle-aged adults (mostly men) have migrated, leaving households of women, older people and children who have limited income, and reduced life chances. Migration is increasingly an age and not gender related strategy; whereas previously working age mothers tended to stay behind they are increasing migrating as well as the men. Southern Tajikistan remains an exception.

Economy

With the decline in export sales and a 30% drop in remittance income, real GDP growth fell from 2008 to 2009 from 8% to 2% in Tajikistan, and from 7.6% to 0.9% in Kyrgyzstan. The increased needs for expenditure on social welfare and falling fiscal revenue are stretching government budgets. The UNDP estimate that non-income MDGs, especially in healthcare may be missed and public investment needs to be strengthened to improve social infrastructure and services. They recommend economic policy measures to promote inclusive and equitable growth creating employment, supporting rural development and reducing poverty.

The explosion of the informal sector (including most migrants) has meant a complete disconnection from the social protection system including health, and any benefits including maternity, unemployment, disability, old age pensions. The system relies almost exclusively on insurance based programmes that were possible during the Soviet era where the great majority were formally employed. This disconnection represents an immense social policy challenge across the region over the coming decades and it will potentially have a devastating impact on the extent and permanency of poverty.

Natural Resource Management

Sustainable management of land water, land and forestry is crucial. Research done by Saferworld has shown that the access to those natural resources remains one of the most frequent conflict issues

between communities, particularly cross-border. In addition, there is a need to integrate climate change mitigation and adaptation measures more thoroughly into national development strategies and programmes.

Conflict and Instability

There are multiple sources of instability in Central Asia. The recent violence and tensions in Osh and Jalalabad in Kyrgyzstan and the recent armed violence in the Rasht Valley and other parts of Tajikistan, have pointed to deeper underlying causes of conflict, which include internal dividing lines (on regional and/or ethnic bases), generally poor government-community relationships, authoritarian, mistrusted, malfunctioning and non-transparent law enforcement agencies and other government ministries, and perceived marginalisation of the opposition, civil society, minorities and other disenfranchised groups, as well as the repression of media and religious freedoms. The more relative pluralism achieved in Kyrgyzstan is undermined by political instability and a worrying rise in the use of nationalist rhetoric. In addition there are also significant destabilising factors such as the mentioned issues surrounding natural resources (water) and energy access which gives rise to regional tensions (namely with Uzbekistan), the spill-over from conflicts in Afghanistan and Pakistan, in terms of radicalisation (especially of youth) and narcotics trafficking. All of these factors which need to be addressed through conflict-sensitive longer-term strategies focusing for example on the reform of the law enforcement and justice sector, governance and accountability, anti-corruption, economic recovery and job creation, infrastructure development and resource management reinforce the argument for continued DFID support for the region.

The prospects for democratic advance in Central Asia are clearly at a crisis point. Kyrgyzstan and Tajikistan as the two countries benefiting most from international development aid and therefore the most open to friendly influence for good governance. However, their fragility means that previous investments in this area are now at risk.

Tajikistan

With a 2008 per capita GNI of only \$600 USD, around 53% of Tajikistan's population live on less than \$1.33 per day, while the national poverty line is defined as a daily income of \$2.15 USD. 42% of Tajiks lack access to sources of improved drinking water. Around 1.4 million people in Tajikistan are food insecure. The Food Security Monitoring System of the WFP reports that due to the earthquake and floods affecting Tajikistan in 2010, food insecurity has further worsened, affecting over one-third of the rural population. Local NGOs have adopted a "play safe" policy and the opportunities for influencing government are limited by a highly personalized regime and resistance to collaboration from officials at all levels.

Migration

Remittances from migrant labour, largely to Russia, represented % of GDP in 2008 and the most important income for many Tajik households, particularly in rural communities. That year at least 800,000 workers migrated to Russia and remittances dwarfed state budgets representing an income of \$2.6 billion USD compared with less than \$300 million in the 2008 state education and health budget. With a large proportion of the male population engaged in migrant labour leaving women with a considerable burden supporting their households. The closure of state run kindergartens has further increased pressure on female headed households. The rapid decline in remittances attributed to the impact of the financial crisis on the Russian and Kazakh economies has had considerable impact on the

Tajik poor. The return of migrants removes what the International Crisis Group described as an economic and political safety valve for Tajikistan.

Environment

Vulnerability to shocks is an increasing concern – the severe winter of 2007-8 and the drought of the following summer led to a situation which necessitated a UN Humanitarian Food Security appeal. According to the World Bank, Tajikistan is the most vulnerable country in the region to climate change with the least capacity to adapt. Climate change particularly threatens rural families dependent on rain-fed agriculture.

Increased violence

The recent increase in armed violence among pro-government and former armed opposition forces in the Rasht valley in Tajikistan is a significant cause for concern. Also concerning are two recent bombings in Dushanbe and Khujand. There are signs of a linkage to religious extremism, participation of militants from the Islamic Movement of Uzbekistan / Turkestan, and disturbing precedents such as an alleged suicide bombing. This fits with a Government of Tajikistan narrative of a “war against Islamism” but the nature of underlying tensions is more complicated as the roots causes of the 1990s civil war were not addressed. There is a danger of the international response simplifying its analysis of conflict in a way that overlooks local structural causes and is driven by stabilisation and security priorities to the detriment of addressing human security and development needs.

Kyrgyzstan

According to UNDP MDG statistics 32% in the Kyrgyz Republic live below the national poverty line. A 2008 WFP report found stunting in 30% of children under five and that 36% of households are severely food insecure. 17% lack access to sources of improved drinking water

The impact of inter-ethnic violence

The violence affecting ethnic Uzbek and Kyrgyz communities in Osh and Jalal-Abad in June 2010 has polarised tensions between the two communities and fuelled political recriminations over the causes of the violence, amid a growing nationalist discourse, which continues to negatively affect reconciliation efforts (see discrimination and intimidation in the trials against those allegedly responsible). The violence has had an enduring economic and social impact. Most families are still divided with heads of household often remaining in Osh while the wider family stay in home villages or for the better off, abroad. A recent Mercy Corps survey found that households are spending up to 75% of income on food. Prices rises are worsened by declining production. Business has slowed down with fewer buyers coming from Russia or Kazakhstan. This is partly to do with depressed local economy and also to do with the exclusion of Kyrgyzstan from the Russia – Belarus – Kazakhstan Customs Union and the resulting tariffs on imports. Kazakhstan’s closure of the border following the violence, which prevented seeds and fertilisers to be brought to the country during the planting season, but also local traders to do business, had a significant economic impact which will be felt by communities for months to come. While the border is now open for movement of people (important for labour migration) there are still restrictions on the movement of goods. Goods imported via Uzbekistan also face additional taxation. There is still significant fear and insecurity in Osh. When the borders were shut during the April revolution and all the banks closed there was no movement of goods required for spring planting (seeds, fertilizers, etc) and access to credit was severely restricted. As a consequence it is expected that winter 2010-11 will see increased food insecurity across the country not limited to the south. There will be an extended UN Flash Appeal launched by the end of November to carry on emergency responses in the context of the forthcoming winter, which is another indication of how fragile the situation remains.

Integrated programming

While there has been significant donor support for the humanitarian emergency resulting from violence in Osh and Jalalabad in June, most of this support is appropriately for short term relief without sufficient linkages to recovery and development in the medium term. However, in order to address core underlying issues, a broader, longer-term approach is required that allows for conflict-sensitive changes at the social and structural level to happen. Examples include the need to rebuild trust and re-establish positive interaction between the people as well as between communities, the government and law enforcement agencies; to encourage the adoption of participatory approaches to address safety and conflict related issues; or to increase engagement with groups that have previously been largely ignored but will play a major role for the future of the country, such as youth. More support is needed for programming to address this significant gap, with a specific conflict mitigation or prevention focus.

DFID work in support of ARES is of considerable value both in terms of rural development and its potential for conflict mitigation. More community based work of this kind should be supported with increased emphasis on peace building.

Governance and gender

The parliamentary election results are disputed but overall the process is seen to have gone as well as might have been expected. Civil society has been thrown into disarray by the highly divisive events of 2010. While some national NGOs enjoy a high profile with access to the press and government, at local level collaboration mechanisms have been hard hit by conflict and the turnover of government officials. Kyrgyzstan is the only Central Asian country where women hold more than 25% of parliament seats, and so this is an important period for continued support in line with DFID's global priority to strengthen women's voice and engagement in decision making, and improved governance more generally.