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Before the
House Committee on Foreign Affairs; Subcommittee on Europe, Eurasia and Emerging Threats
Reviewing the Administration's FY 2015 Budget Request for Europe and Eurasia
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Chairman Rohrabacher, Ranking Member Keating and distinguished Members of the Subcommittee:

Thank you for the invitation to testify today on the role of the United States Agency for International Development (USAID) in addressing U.S. foreign policy priorities and development assistance needs in Central Asia. I am pleased to be testifying alongside my colleagues from USAID and the U.S. Department of State: Jonathan Katz, Deputy Assistant Administrator for the Bureau for Europe and Eurasia, and Daniel Rosenblum, Coordinator of U.S. Assistance to Europe and Eurasia.

This afternoon, I want to share with you our perspective on the vital role of U.S. foreign assistance in Central Asia. I will briefly describe how USAID's development programs in Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan address regional challenges and advance American interests.

Bounded by Russia, China, Afghanistan and Iran, Central Asia is not only physically at the core of the Asian continent but it is also strategically central to key U.S. foreign policy priorities. Our ability to succeed in Afghanistan and Pakistan is impacted by stability in Central Asia. Increasing connectivity between Central and South Asia in areas such as trade and energy could hold tremendous promise in helping the region stand firmly on its own and substantially contribute to the political and economic stability of neighboring countries, however there is substantial resistance to regional integration by the leaders of several of the region's nations. While we are already seeing some promising results from regionally-led efforts to reduce barriers to trade, invest in each other's economies and create new North-South transit and trade routes that complement vibrant East-West connections across Eurasia, there is much work left to be done to help this region grow economically and politically. 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.

American involvement in the region—along with that of its friends and allies—provides balance as well as choices for a disparate collection of countries that face ever-more complex challenges in determining their own futures. These challenges will become even more formidable during the next five years against a backdrop of uncertainty in Afghanistan, rising geo-political interests of Russia, growing Chinese influence and looming political transitions across a region where the Soviet legacy continues to have an important impact. From the U.S. perspective, active engagement in Central Asia, and especially the goodwill and cooperation that result from well-

designed and well-implemented assistance programs, can help to establish a lasting alternative to forces that would otherwise destabilize the region.

By promoting economic growth and democratic opportunity; investing in people and institutions; and strengthening physical and human security for all ethnic groups, women and other marginalized populations, we advance USAID's mission to end extreme poverty and promote resilient, democratic societies in a region of the world critical to stability and prosperity in broader Eurasia. One example of this is the Kyrgyz Republic—a bright spot for democracy in Central Asia that stands as a positive model among its neighbors. The Kyrgyz Republic is moving through a democratic transition. Throughout, USAID has engaged the legislative, executive and judicial sectors as well as launched new programs in an attempt to strengthen independent media, support human rights for all citizens of the Kyrgyz Republic, and build the role of the country's active civil society in both policy advocacy and service delivery. USAID is also prioritizing the diversification of the economy to contribute to broad-based economic growth and poverty reduction that helps cement democratic gains. While challenges remain, USAID continues to prioritize efforts to strengthen democracy in the Kyrgyz Republic as the country moves through landmark Parliamentary elections in 2015 and Presidential elections in 2016.

The President's Fiscal Year 2015 budget request of \$133 million for Department of State and USAID assistance in Central Asia enables both organizations to continue to play an integral role in strengthening democratic systems of governance and diversifying economies—as well as meeting urgent human needs through a focus on health, agriculture and other issues such as combating human trafficking—to help ensure countries grow peacefully and sustainably with the wherewithal to determine their own futures. We are tackling complex regional challenges and advancing U.S. foreign policy through three development approaches:

- 1) Increasing regional economic connectivity that accelerates trade and yields greater prosperity and stability across the broader region as more cross-border ties are forged.
- 2) Addressing regional development challenges through the three Presidential Initiatives: the Global Health Initiative, with an increased focus on advancing the President's Emergency Plan for AIDS Relief (PEPFAR); Feed the Future; and the Global Climate Change Initiative.
- 3) Leveraging science, technology, innovation and partnerships to extend our reach and maximize our impact, while driving down costs and yielding a better return for the American taxpayer.

Increasing Regional Economic Connectivity

Widely regarded as the least economically integrated region in the world, intraregional trade in Central Asia as a percentage of total trade is well below the global standard at less than 5 percent. The low level of intraregional trade reflects the lack of action to integrate trade corridors or customs procedures. While trade figures remain modest, greater economic dynamism across the region can provide future opportunities for international businesses, especially in key areas such as energy, mining, higher education, infrastructure and aircraft sales. American businesses

are well positioned to both benefit from and help promote this economic dynamism, for example through the introduction of new technologies and management approaches.

USAID contributes to U.S. Government efforts under the New Silk Road Initiative to increase regional connectivity between the economies and peoples of South and Central Asia, and ultimately foster greater political and socioeconomic stability across the broader region. While originally envisioned as a means to aid in Afghanistan's transition post-2014, our work toward regional connectivity in Central Asia is all the more critical in the current context of Russia's reassertion of influence in former Soviet spaces. USAID programming has had a significant impact on promoting regional energy transmission, building regional trade linkages, facilitating trade and transport agreements, and expanding people-to-people connections.

For example, in the energy sector, with USAID technical assistance, Pakistan, Afghanistan, Tajikistan and the Kyrgyz Republic signed the Intergovernmental Council Resolution for the Central Asia-South Asia regional electricity grid (CASA-1000) in September 2013 that is already leveraging significant resources against our investment. In addition to a U.S. contribution of \$15 million to the project, the World Bank committed \$526 million—a major milestone in enhancing economic interdependence between Afghanistan and its neighbors. When completed, CASA-1000 will facilitate electricity trade of 1,300 megawatts (MW) of existing summertime hydropower surplus from Kyrgyzstan and Tajikistan to Afghanistan (300 MW) and Pakistan (1,000 MW)—transmitting electricity for the first time from Central Asia to Pakistan. CASA-1000 will alleviate power supply shortages in South Asia, open up future supply sources, and enhance revenues and economic prospects in Central Asia.

USAID assistance is also building regional trade linkages. Within the past year, the United States has organized a series of trade delegations and business-to-business events in Almaty, Islamabad, Kabul, Mazar-i-Sharif and Termez to bring businesses together to improve import-export opportunities. Nearly \$10 million in trade deals have been reached as a result of these events, which have also helped expand long-term Central and South Asian business ties.

Finally, USAID assistance is facilitating trade and transport agreements that provide benefits to the region and beyond. For instance, USAID has been instrumental in supporting Tajikistan's successful World Trade Organization (WTO) accession and continues to work with all five Central Asian countries on WTO membership and compliance issues to facilitate trade on the global stage.

Addressing Regional Development Challenges through the Presidential Initiatives

USAID works through the three Presidential Initiatives in Central Asia to address regional development challenges and continue helping to lay the foundations for lasting progress in the region. For example, through Feed the Future in Tajikistan, where 75 percent of workers earn their living in agriculture, USAID helps farmers increase production of profitable, nutritious crops and teaches families to change dietary habits that will reduce stunting and improve nutrition outcomes. The program targets small-holder farmers living in southwestern Khatlon, an area bordering Afghanistan where the largest concentration of poor, at-risk populations live. Additionally, USAID has been instrumental in strengthening land tenure rights in Tajikistan,

contributing to increased economic independence for small farmers. Due to a long legacy of government control over farmers' agricultural choices, the continued existence of large and inefficient collective-style farms, and the lack of clear land use rights, farmers have been forced to grow unprofitable non-food crops such as cotton that contribute to a perpetual state of economic despair. USAID support trained land activists on their rights and how to break the cycle of dependency. Those activists are now educating their peers. Our support has helped hundreds of women establish their own independent family farms, enabling them to achieve financial independence and grow more profitable, nutritious food crops for their families, and it has led to the passage of a set of amendments to the land code that strengthen the security of land tenure.

Through the Global Climate Change Initiative, USAID is helping Kazakhstan achieve the country's aggressive and voluntary reductions in greenhouse gas emissions. Kazakhstan is one of the world's highest ranking countries in terms of greenhouse gas emissions both on a per capita basis as well as in relation to its gross domestic product. Currently, 87 percent of its steadily rising greenhouse gas emissions come from the energy and transport sectors. USAID is helping the Kazakhstani government implement two pieces of legislation that will begin to reverse this trend: one that promotes energy savings and efficiency, and another that establishes a system for trade in emissions credits between and among industries. Our clean energy program is strengthening the Kazakhstani government's regulatory framework, assisting the private sector on energy audits and energy savings technologies, and building technical skills on climate change topics among the country's energy professionals.

Leveraging Science, Technology, Innovation and Partnerships to Maximize Impact

In this constrained budget environment, USAID is utilizing a new model of development that harnesses science, technology and innovation and promotes partnerships to enhance development outcomes and maximize impact. Across Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan, for example, USAID is introducing rapid-testing technology that diagnoses drug-resistant strains of tuberculosis in hours instead of weeks, helping to prevent transmission. Some of the highest rates of multidrug-resistant tuberculosis in the world are in Central Asia, where residents are highly migratory due to lack of employment opportunities at home. The state-of-the-art technology, called GeneXpert—which is manufactured in California and was developed in partnership with the University of Medicine and Dentistry of New Jersey—is crucial in the fight against this deadly form of the airborne disease. USAID assisted the Government of Kazakhstan in making this technology part of a national strategy that prioritizes detection of multidrug-resistant tuberculosis. With USAID's support, including the use of GeneXpert machines, treatment centers in Kazakhstan cured nearly 55,000 people of tuberculosis between 2003 and 2012. The recently launched U.S. Global Development Lab will crowdsource scientific and technological research and open innovation to identify new solutions that increase the reach, speed and cost-effectiveness of development assistance, bolstering USAID's work in this and other areas.

We are also bringing U.S. scientific and technological expertise to the table to help address water security. Central Asia's economies rely heavily on water flowing out of the high mountains of the Karakoram, Pamir and Tien Shan ranges to provide hydropower, irrigation, industries and

household needs. As the impacts of climate change become more strongly evident, security of water supplies from these mountains is a growing concern for all of the region's countries. Our work with the National Snow and Ice Data Center at the University of Colorado at Boulder is establishing a cooperative research program to better understand how glaciers, snows, and rains are changing. We are supporting universities and government meteorological services to collect field data using standardized equipment and techniques. This allows the comparison of data from high mountain areas in eight countries as part of gaining a better "big picture" of long-range river flows into at least five major river basins, including those that flow south into India, Pakistan and Bangladesh as well as north into the Central Asian wheat belt that is the breadbasket of the region.

Throughout Asia, we are leveraging new talent and resources wherever possible—from the growing private sector to expanded donor collaboration. A prime example of how we utilize this approach is in Turkmenistan, where through an innovative public-private partnership with Junior Achievement and Chevron, USAID is equipping young people with practical skills that better prepare them to find jobs upon graduation and making education more relevant to the demands of the modern job market. While Turkmenistan is still primarily a centrally-planned economy, reforms are underway to privatize key sectors and to introduce market-based practices and internationally accepted economic norms. In support of this, USAID helped develop and incorporate compulsory market economics curriculum across the entire public, secondary school system just this past school year (2013-2014). As a result, thousands of young people will be much better prepared for their careers and will contribute to critically needed change for the future as the former Soviet Republic emerges from decades of isolation.

Finally, we are leveraging greater funding in support of development programs from emerging donors, such as the Government of Kazakhstan. For the past several years, the Kazakhstani government has provided two-thirds of total funding for economic development programming. These efforts have yielded direct returns for the American economy. For example, USAID assistance helped Kazakhstani entrepreneurs from small- and medium-sized enterprises find new partners in the United States. Already, more than 15 business deals with U.S. businesses have been signed in eight states, resulting in more than \$15 million in transactions. USAID is also helping Kazakhstan set up its own development agency, called KazAID, which would provide assistance in Central Asia and Afghanistan.

Conclusion

Mr. Chairman, in today's interconnected world, our success addressing development challenges in Central Asia matters more than ever. Continued USAID assistance is vital in order to sustain gains and contribute to economic and political development in a part of the world where progress can pay dividends across the broader region.

I appreciate the opportunity to share what USAID is doing in the countries of Central Asia and look forward to hearing your advice and counsel. I welcome any questions you may have.

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