

Donors Pledge \$1.1 Bln to Kyrgyzstan

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BISHKEK, Kyrgyzstan — International donors pledged \$1.1 billion in aid Tuesday to help Kyrgyzstan rebuild after months of political and ethnic violence.

The aid will be allotted over just 30 months — good news that is likely to boost the caretaker government working to stabilize the country before October parliamentary elections.

"The world has come to the Kyrgyz Republic's aid in an impressive demonstration of speed and resolve," World Bank official Theodore Ahlers said after co-chairing the donor meeting in the Kyrgyz capital, Bishkek.

The economy is expected to shrink 5 percent this year, a stark reversal from earlier projections of 5.5 percent growth estimated before the bloody April uprising that unseated President Kurmanbek Bakiyev.

Aid earmarked for use this year totals about \$600 million and will go toward funding the public sector, helping economic recovery and building infrastructure.

Officials with donor organizations said they were confident that the interim government

would spend the funds properly, despite Kyrgyzstan having been criticized for corruption and a lack of transparency in the past.

"We are encouraged by the efforts of the new authorities to raise standards in public life, improve accountability [and] strengthen oversight over public spending," Ahlers said.

Interim leader Roza Otunbayeva said control will be maintained over reconstruction programs, as a new constitution adopted in a July referendum had strengthened laws against corruption "and will help to destroy the schemes of grand larceny of people's money that were devised by the previous regimes."

She said the prospect of aid would help preserve harmony, as poverty is a key source of tension in the country, where both the United States and Russia have military air bases.

"It is only with peace and stability that the Kyrgyz Republic can return to a path of social and economic growth, and it is in this spirit that we reach out for support to our friends and allies from many countries and international organizations," Otunbayeva said.

Most of the economic damage was caused by ethnic violence in the southern cities of Osh and Jalal-Abad, both heavily reliant on trade and agriculture.

In June, hundreds were killed when small clashes in Osh, Kyrgyzstan's second-largest city, swelled into devastating rampages by ethnic Kyrgyz mobs on Uzbek neighborhoods. The violence, which later spread to Jalal-Abad, left hundreds of minority Uzbeks dead and forced 400,000 others to flee.

The official death tally currently stands at 351, although government officials have said the real figure is likely much higher. Some 2,300 homes were devastated and major markets and businesses were ravaged, depriving the south of important sources for jobs and development.

Otunbayeva had said during the donor conference that about \$100 million would be needed to rebuild the economy of Osh, with another \$350 million needed for reconstructing homes in Osh and Jalal-Abad.

The government's immediate focus has been on the humanitarian situation in the south, where thousands have been living in tents or with relatives.

The United Nations humanitarian coordinator for Kyrgyzstan, Neal Walker, said a revised flash appeal launched over the weekend is seeking \$96 million to fund assistance programs covering food security, health, shelter and education.

Investment prospects have been hurt by the interim government's swift moves to nationalize a swathe of businesses, including real estate, banks and media companies, in the wake of the April revolt.

Kyrgyz Finance Minister Chorobek Imashev stressed the need to prop up the banking sector as a way of boosting credit. Banking had relied on a major domestic lender that authorities say was controlled by Bakiyev's family and has since been nationalized.

Otunbayeva said the nationalization drive was meant to root out corrupt practices.

"Nationalization was made necessary by exceptional circumstances and the desire to cancel the effects of the illicit acquisition of assets by aggressive takeovers at below-market prices and through the use of administrative resources by the deposed president, his family and his entourage," Otunbayeva said.

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