

CENTRAL ASIA: DECAY AND DECLINE

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CENTRAL ASIA: DECAY AND DECLINE

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Quietly but steadily Central Asia's basic human and physical infrastructure – the roads, power plants, hospitals and schools and the last generation of Soviet-trained specialists who have kept this all running – is disappearing. The equipment is wearing out, the personnel retiring or dying. Post-independence regimes made little effort to maintain or replace either, and funds allocated for this purpose have largely been eaten up by corruption. This collapse has already sparked protests and contributed to the overthrow of a government.

All countries in the region are to some degree affected, but the two poorest, Kyrgyzstan and Tajikistan, are already in dire straits. Their own specialists say that in the next few years, they will have no teachers for their children and no doctors to treat their sick. Power cuts in Tajikistan each winter – twelve hours a day in the countryside, if not more – are already a tradition. Power failures in Kyrgyzstan are becoming increasingly common. Experts in both countries are haunted by the increasingly likely prospect of catastrophic systemic collapse, especially in the energy sector. Barring a turnaround in policies, they face a future of decaying roads, schools and medical institutions staffed by pensioners, or a new generation of teachers, doctors or engineers whose qualifications were purchased rather than earned. These problems will be exacerbated by other deep political vulnerabilities in both countries – the gradual increase of an insurgency and an aging autocrat in Tajikistan, and a dangerously weakened Kyrgyz state.

Uzbekistan and Turkmenistan are heading in the same direction. Exactly how far they have gone is hard to say as reliable data either does not exist or is secret, while extravagantly upbeat public statements bear no resemblance to reality. But Turkmenistan's marble-faced model hospitals and Uzbekistan's mendacious claims of prosperity are no answer to their countries' problems. Even Kazakhstan, the region's only functioning state, will be severely tested by infrastructure deficiencies, particularly in transportation and training of technical cadre. Any dreams of economic diversification and modernisation will have to be put on hold for the indefinite future.

The current predicament has many causes. As part of the Soviet Union, the five countries were tightly woven into a single system, especially in energy and transport. These interdependencies have proven difficult to unravel, and have produced serious imbalances. During the Soviet era, the countries were obliged to work together. Now they no longer have to get along, and usually do not, especially as far as energy is concerned. Education and healthcare suffered with the end of the social safety net. Most importantly, governments across the region seemed to feel their Soviet inheritance would last forever, and the funds earmarked for reforms, education, training and maintenance were often misused and insufficient.

The consequences of this neglect are too dire to ignore. The rapid deterioration of infrastructure will deepen poverty and alienation from the state. The disappearance of basic services will provide Islamic radicals, already a serious force in many Central Asian states, with further ammunition against regional leaders and openings to establish influential support networks. Economic development and poverty reduction will become a distant dream; the poorest states will become ever more dependent on the export of labour. Anger over a sharp decline in basic services played a significant role in the unrest that led to the overthrow of Kyrgyz President Kurmanbek Bakiyev in April 2010. It could well play a similar role in other countries, notably Tajikistan, in the not too distant future.

Events in one state can quickly have a deleterious effect on its neighbours. A polio outbreak in Tajikistan in 2010 required large-scale immunisation campaigns in neighbouring Kyrgyzstan and Uzbekistan and triggered reports of infection as far away as Russia. Central Asia may also be negatively affected by its neighbours: a further decline in infrastructure is likely to coincide with increasing instability in Afghanistan, and a possible spillover of the insurgency there.

The needs are clear, and solutions to the decline in infrastructure are available. The fundamental problem is that the vital prerequisites are steps that Central Asia's ruling elites are unwilling to take. These amount to nothing less than a total repudiation of regional leaders' values and

behaviour. They would need to purge their governments of top-to-bottom systemic corruption; cease using their countries' resources as a source of fabulous wealth for themselves and their families; and create a meritocracy with decent pay that would free officials from the need to depend on corruption to make ends meet. All these changes are so far from current realities that foreign governments and donors may dismiss them as hopelessly idealistic. Yet without organised change from above, there is a growing risk of chaotic change from below.

Donors are doing nothing to prevent such a scenario. Their cautious approach seems driven by the desire not to upset regional leaders, rather than using the financial levers at their disposal to effect real change. Aid is often disbursed to fulfil annual plans or advance broader geopolitical aims. Donors have made no effort to form a united front to push for real reform. Without their involvement, the status quo can stumble along for a few more years, perhaps, but not much longer. Collapsing infrastructure could bring down with it enfeebled regimes, creating enormous uncertainty in one of the most fragile parts of the world.

RECOMMENDATIONS

To the Governments of Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan and Kazakhstan:

Corruption

1. Develop and implement a detailed, long-term plan to eradicate corruption based on successful examples in the post-Soviet space, such as the Baltic countries and Georgia.

Human resources

2. Develop a comprehensive set of policies to retain the workforce that would include pay-for-performance, opportunities for in-service training, and more generous social benefits (eg, pension, additional healthcare insurance, assistance for dependents); and follow up with local authorities to ensure that the existing benefits program for young specialists is properly financed and implemented.
3. Improve the managerial and fiscal capacity of local governments through proper training, staffing and compensation.
4. Stop the use of doctors and teachers for non-related government functions, such as vote mobilisation and provision of social services.

Technical reform

5. Undertake technical reforms in each of the infrastructure sectors by:

- a) conducting a systematic study on the extent of decline and the resources needed for modernisation;
- b) publicising the results of this study and engaging in an open discussion with local experts, media, donors and the general public on major solutions for each sector;
- c) developing technical reform strategies that have pragmatic goals, a realistic timeline and proper financial backing through a combination of domestic and international funding;
- d) improving transparency and streamlining procedures in the key infrastructure sectors, especially in procurement for construction and rehabilitation of schools, roads and hospitals, and in energy sales and revenues;
- e) engaging public pressure groups that would include civic activists and independent technical experts and that would have access to government data and officials in order to monitor and report on reforms in specific sectors;
- f) empowering internal government agencies charged with oversight and fraud investigation through an impartial system of appointments and a clearly defined legal mandate; and
- g) establishing independent bodies for quality control – eg, testing and degree certification in education, hospital licensing in healthcare.

Sector-specific reforms

6. In education: concentrate on improving three key issues – textbooks, basic school infrastructure (heating, electricity, indoor toilets) and teacher training and retention.
7. In healthcare: focus on primary healthcare by creating a system of incentives that would attract medical personnel and patients.
8. In education and healthcare: drastically decrease budgetary allocations for narrowly focused, high-end technological initiatives (eg, interactive whiteboards in classrooms or tertiary care hospitals) until basic needs in each sector are satisfied.
9. In energy: open the sector to market reforms by significantly decreasing state control and encouraging competition and external investment. Develop a timeline for bringing tariffs in line with market prices and design a targeted system of assistance for socially vulnerable populations.
10. In transportation: give equal attention to regional and local roads by establishing stable revenue sources for their financing and maintenance.

**To the International Donor Community
in general:**

11. Adopt a fundamentally new strategy of aid provision by:
 - a) initiating an independent, thorough and critical review of the assistance provided since the countries became independent two decades ago; publicising the results and engaging host governments, civic activists and key opinion-makers in a discussion about improving aid delivery; and
 - b) re-thinking the fundamental assumptions behind existing assistance programs in light of the strong likelihood of a further general deterioration in Kyrgyzstan and Tajikistan, the continuation of authoritarian trends in Uzbekistan and Turkmenistan, and the decreased reliance on foreign aid in Kazakhstan; and developing new ways to exert leverage on host governments given these realities.
 12. Establish better coordination mechanisms for aid delivery among donors by:
 - a) holding regular consultations to ensure that key vulnerabilities in the infrastructure sectors are addressed in a timely manner; and
 - b) engaging at the highest political level with key regional actors like Russia and China, which may be adversely affected by infrastructure failures in Central Asia, on issues of mutual interest (eg, child vaccination, teaching Russian as a foreign language) and pushing for a joint early response.
 13. Identify joint criteria or conditionalities and ensure that foreign funding is not mismanaged by:
 - a) providing financial assistance on the condition that a host government meets specific reform targets and that the progress can be independently verified;
 - b) establishing an independent monitoring mechanism to verify that foreign aid is used for its intended purpose;
 - c) being prepared to provide direct support to the population (eg, food supply, power generators, basic literacy courses) if financial mismanagement of aid by a host government persists;
 - d) offering technical aid (such as training and capacity building programs) only upon securing a high-level official commitment that participants will have the medium-term job security sufficient to implement the reforms for which they were trained; and
 - e) insisting on, in matters of fundamental public health (eg, HIV/AIDS, polio, swine flu), unimpeded access to information by all citizens and the availability of preventative and diagnostic measures.
14. Institute a policy of complete transparency by:
 - a) making publicly available key documents, such as internal and external evaluations, financial audits of programs and government progress reports;
 - b) engaging civil society, the media and the general public in regular discussions about key projects and their impact at a local level; and
 - c) indicating whether the data provided in your publications has been independently corroborated and offering alternative information based on fieldwork when official data is unavailable or unreliable.

To Russia and China in particular:

15. Recognise that the stability and security of Central Asia is of interest to the entire international community.
16. Bring bilateral aid programs into line with an international aid strategy that is explicitly aimed at removing the risks to the survival of highly vulnerable states in a geopolitically crucial part of the world.
17. Coordinate aid programs and regularly consult with other donors with the aim of exerting the maximum pressure for reform, and depriving any single regime of the opportunity to play one donor off against another.

Bishkek/Brussels, 3 February 2011

CENTRAL ASIA: DECAY AND DECLINE

I. INTRODUCTION

This report analyses the situation in the healthcare, education, energy and transportation sectors of the five Central Asian countries that emerged in 1991 from the break-up of the Soviet Union. It looks at both physical infrastructure (the state of hospitals, roads and schools) and human capacity (the training of teachers, retention of doctors and expertise of energy specialists).

These sectors are critical. First, they affect all citizens on an almost daily basis. Second, their condition sheds light on the overall capacity of these countries. Governments frequently over-invest in “hard power” capabilities (army, police, security forces). This is especially true of Central Asia’s largely authoritarian regimes. An evaluation of the sectors which are more likely to be under-funded provides a more accurate picture of state vulnerabilities. Third, state weakening in Central Asia is likely to happen not as a result of one spectacular event, but as a gradual process. The decay of infrastructure will probably play a key role – perhaps the central role – in this process. Fourth, there are links between the current infrastructure decline and the potential for future conflict. Lack of basic services, like healthcare, electricity and roads, erodes allegiance to the state and fuels public discontent. The vacuum is easily filled by populists, militants or religious extremists whose messages find a ready reception among uneducated populations.

Uzbekistan and Tajikistan and Turkmenistan have so far managed to escape this scenario because of extensive labour migration, harsh repression, or both. Kyrgyzstan, where two governments have been overthrown since independence, has been much less lucky. Kazakhstan has undertaken reforms but the gap in service provision between cities and the countryside and among different regions is wide and growing. The current economic and political conditions that allow governments to postpone dealing with fundamental infrastructure problems will not last for long. In fact, the large-scale protests against an energy tariff hike in Kyrgyzstan, which led to the collapse of the Baki-

yev regime in April 2010, underscored the crucial importance of infrastructure in maintaining political stability.¹

Interviews and research for this report were carried out in Kazakhstan, Kyrgyzstan and Tajikistan from July 2009 to January 2011. Interviews were conducted with local and national government officials, civic leaders, journalists, teachers, donors, specialists in energy and transportation, members of the donor community and ordinary citizens. Due to the sensitive nature of the subject, most requested anonymity. Crisis Group was not able to carry out field research in Uzbekistan and Turkmenistan. For these countries it analysed official and international publications and conducted phone interviews with available experts.

¹ For more information see Crisis Group Asia Briefing N°102, *Kyrgyzstan: A Hollow Regime Collapses*, 27 April 2010.

II. KYRGYZSTAN AND TAJIKISTAN: THE GREAT LEAP BACKWARD

In Kyrgyzstan and Tajikistan infrastructure decline has been precipitous and appears unstoppable. But the governments might be too preoccupied with other issues to even notice the impending collapse. In Kyrgyzstan central authorities are struggling to regain control over the south.² The government of Tajikistan is consumed by a gradually growing insurgency and early signs of a succession battle to replace President Emomali Rakhmon. In the meantime healthcare, officially state-funded, in fact survives on informal contributions and bribes paid by ordinary citizens; the services are beset by a deficit of trained, qualified personnel and demoralised by low pay and grim working conditions. The same problems exist in education, where many teachers in both countries no longer teach core competencies. The energy sector has become a gravy train for the national leadership, while the population endures electricity rationing. In transportation the preoccupation with international transit corridors and toll roads has come at the cost of neglecting regional and local infrastructure.

A. HEALTHCARE: ON ITS LAST LEGS

1. Human resource catastrophe

Healthcare in both Kyrgyzstan and Tajikistan is facing an acute shortage of medical personnel, due to low salaries, aging professionals and lack of training. Summarising the situation, a hospital chief in central Kyrgyzstan warned that without drastic measures to retain doctors there would be a “total catastrophe” in local medicine in two to three years.³ The average monthly salary is around \$65 in Kyrgyzstan and \$38 in Tajikistan.⁴ Many hospitals are forced to inflate the number of doctors with fictitious staffers in order to augment salaries. Any salary increases, one observer in Kyrgyzstan says, are barely enough to keep up with inflation and rising living costs.⁵ Pressed to the breaking point,

Kyrgyz doctors demanded a 50 per cent salary increase and an overhaul of the outdated pay system in January 2011.⁶

Given these conditions, few young doctors enter the system each year, most of them poorly trained to boot. In Kyrgyzstan out of 1,168 graduates of medical institutions in 2009 only 129 found employment through the state system [госзаказ].⁷ In 2006 in Tajikistan only 40 per cent of medical graduates worked as a doctor on graduation.⁸ A family practitioner in the central Kyrgyz city of Naryn complained that many young doctors cannot diagnose properly, so “we advise patients to pay twice and seek a second opinion”.⁹ Indeed many older professionals regard most of those trained in the past fifteen years as unqualified.¹⁰ As a tacit recognition of this, Russian clinics accept only those Kyrgyz and Tajik doctors who graduated before 1991, the year of the Soviet collapse.¹¹

The sector is rapidly aging. A chief doctor at one clinic in Kyrgyzstan said 70 per cent of his staff were already beyond retirement age.¹² The average age for TB doctors in Tajikistan is 57 years with the majority of them retiring because the sub-specialty is not profitable.¹³ The Soviet generation of medical specialists is “too much in survival state”.¹⁴ Many cannot or do not want to upgrade their skills, because some advances in medicine may eliminate their jobs.¹⁵

² See Crisis Group Asia Report N°193, *The Pogroms in Kyrgyzstan*, 23 August 2010.

³ Crisis Group interview, doctor, Naryn region, September 2010.

⁴ “Causes of Physicians’ Attrition from the Health System of the Kyrgyz Republic”, Health Policy Analysis Centre, www.hpac.kg/images/pdf/pb21_e.pdf; Ghafur Khodjamurodov and Bernd Rechel, “Tajikistan Health System Review: 2010”, *Health Systems in Transition*, vol. 12, no. 2 (2010), World Health Organisation (WHO), p. 69, www.euro.who.int/__data/assets/pdf_file/0009/119691/E94243.pdf.

⁵ Crisis Group interview, healthcare expert, Bishkek, September 2010.

⁶ Анастасия Бенгард, “Касымбек Мамбетов: Главное требование медиков Кыргызстана – отход от единой тарифной сетки” [Anastasia Bengard, “Kasymbek Mambetov: The main demand of Kyrgyzstan’s medical workers is cancellation of the unified pay grid”], 24kg, 10 January 2011, www.24.kg/community/90282-kasymbek-mambetov-glavnoe-trebovanie-medikov.html.

⁷ “Справка об итогах деятельности организаций здравоохранения республики за 2009 год и задачах на 2010 год” [“A Note on the Results of Activities by Healthcare Organisations of the Republic in 2009 and Tasks for 2010”], Ministry of Health of the Kyrgyz Republic, 2009, p. 5, www.med.kg/Articles/ViewSection.aspx?ArticleID=300.

⁸ Khodjamurodov and Rechel, “Tajikistan Health System Review: 2010”, op. cit., p. 134.

⁹ Crisis Group interview, family medicine doctor, Naryn region, September 2010.

¹⁰ Crisis Group interview, international healthcare expert, Dushanbe, October 2010.

¹¹ Crisis Group interview, local doctor, Bishkek, September 2010.

¹² Crisis Group interview, doctor, Naryn region, September 2010.

¹³ Crisis Group interview, international donor, Dushanbe, October 2010.

¹⁴ Crisis Group interview, international healthcare expert, Dushanbe, October 2010.

¹⁵ For example, advances in the treatment of STDs (sexually transmitted diseases) no longer require hospitalisation, which was widely used in the Soviet Union. Learning new methods of treating STDs and implementing them would in fact eliminate

In the future healthcare will become scarce, especially in rural and poor areas. Tajikistan has already one of the lowest ratios of nurses and physicians in the European region.¹⁶ Only half of 5,000 positions for family doctors are currently filled.¹⁷ In Kyrgyzstan the number of paediatricians decreased by two thirds between 1998 and 2008.¹⁸ There is also a 20 per cent shortage of obstetrician-gynaecologist specialists.¹⁹ Kyrgyzstan's Naryn, Batken and Jalalabad regions have half the number of doctors per 100,000 patients than the national figure.²⁰ Khatlon and the central districts²¹ in Tajikistan are said to be in the worst shape.²²

2. A privately financed public healthcare

The low government investment in public healthcare has shifted the burden to patients. The government funds only 33 per cent of all healthcare expenditures in Kyrgyzstan and 18 per cent in Tajikistan.²³ The share of the state budget spent on healthcare is 2.1 per cent of GDP in Kyrgyzstan and 1.7 per cent of GDP in Tajikistan, which is far below the internationally suggested level of 5 per cent.²⁴ A local doctor in Bishkek said such funding is barely enough to

many hospital beds that determine the funds allocated by the state.

¹⁶ Khodjamurodov and Rechel, "Tajikistan Health System Review: 2010", op. cit., pp. 85-86.

¹⁷ Crisis Group interview, local healthcare expert, Dushanbe, October 2010.

¹⁸ "Review of the Situation on Mother and Newborn Healthcare in the Kyrgyz Republic for the Period of 2008-2009", UNICEF, 2010, p. 14.

¹⁹ "Укомплектованность акушерами по республике составляет 79%" ["OB-GYN staffing is 79 per cent nationwide"], SA-NEWS, 2 March 2010, <http://ca-news.org/news/325441>.

²⁰ Толгонай Осмонгазиева, "Сабирижан Абдикаримов: В Кыргызстане на 100 тысяч человек приходится 34 врача" [Tolgonai Osmongaziyeva, "Sabirzhan Abdikarimov: In Kyrgyzstan there are 34 doctors per 100,000 people"], 24kg, 25 August 2010, <http://24.kg/community/81280-sabirzhan-abdikarimov-v-kyrgyzstane-na-100.html>.

²¹ These areas are administratively known as Районы Республиканского Подчинения [the Districts of Republican Subordination].

²² Khodjamurodov and Rechel, "Tajikistan Health System Review: 2010", op. cit., p. 89.

²³ "Review of Total Health Expenditures for 2006-2008 (based on the National Health Accounts)", Health Policy Analysis Centre, www.hpac.kg/images/pdf/pb23nha_e.pdf; Khodjamurodov and Rechel, "Tajikistan Health System Review: 2010", op. cit., p. 57. Although the governments are increasing their healthcare budgets incrementally every year, such increases are negligible compared to the growing private contributions that come from migrant remittances.

²⁴ "Review of Total Health Expenditures for 2006-2008", Health Policy Analysis Centre, op. cit.; Khodjamurodov and Rechel, "Tajikistan Health System Review: 2010", op. cit., p. 44.

"hold up our pants".²⁵ In reality the state pays only the minimum necessary to ensure the sector does not collapse completely – essentially just doctors' salaries and hospital utility bills. Patient contributions make up 54 per cent of all expenditures in Kyrgyzstan and 76 per cent in Tajikistan.²⁶ This is an enormous burden for citizens of both countries, where the average salary is \$79-\$115 per month, unemployment is high and the poverty level stands at 32 per cent in Kyrgyzstan and 50 per cent in Tajikistan.

The result, a doctor in Bishkek said, is "the rich leave [to get healthcare], the poor die here".²⁷ A study in Tajikistan found that over half of residents in one of the poorest areas of the country report postponing seeking care due to its high cost.²⁸ A foreign donor in Dushanbe admits that primary healthcare clinics have so far failed to attract more patients because most of them cannot afford to pay a bribe and the state-mandated co-payment.²⁹

3. Many reforms, few results

Since independence both governments sought to reform the healthcare system inherited from the Soviet Union. These reforms failed to make a real difference in patient care. In Kyrgyzstan the changes were more thorough than in Tajikistan. To make the system more efficient, the country introduced a single payer system and a mandatory insurance fund, provided outpatient drug benefits and established family group practices.³⁰ In Tajikistan reforms moved in fits and starts. In 2003 a national referendum removed the right to free healthcare.³¹ Since then the gov-

²⁵ Crisis Group interview, doctor, Bishkek, September 2010.

²⁶ "Review of Total Health Expenditures for 2006-2008", Health Policy Analysis Centre, op. cit.; Khodjamurodov and Rechel, "Tajikistan Health System Review: 2010", op. cit., p. xvi. The other sources of financing include foreign assistance and tax contributions.

²⁷ Crisis Group interview, doctor, Bishkek, September 2010.

²⁸ Khodjamurodov and Rechel, "Tajikistan Health System Review: 2010", op. cit., p. 128.

²⁹ Crisis Group interview, international healthcare expert, Dushanbe, October 2010.

³⁰ The Manas National Healthcare Program was implemented in 1996-2005; its continuation, the Manas Taalimi Program, operated from 2006-2010. On the programs and their accomplishments see "Country Cooperation Strategy at Glance: Kyrgyzstan", WHO, www.who.int/countryfocus/cooperation_strategy/ccsbrief_kgz_en.pdf.

³¹ Observers questioned the conduct of the referendum. For instance, OSCE said, "the unusually high turnout of 96 per cent raises concerns regarding the accuracy of the reporting results". See "OSCE welcomes peaceful voting during referendum in Tajikistan, but notes shortcomings in electoral framework", OSCE/ODIHR press release, 24 June 2003, www.osce.org/odihr/elections/55424.

ernment made several attempts to introduce a basic package of state healthcare services and a system of co-payments.³²

The reforms proved too ambitious for the resources provided by the governments.³³ Many efforts lack comprehensiveness. An expert in Kyrgyzstan admits that the government focused on funding mechanisms, believing an improvement in this area would enhance quality and access.³⁴ More important than technical shortcomings is the lack of capacity in health ministries and little desire for change. Ministries are said to work in an ad hoc manner, leaping to respond to daily political instructions from the administration. One donor describes the process as “we are trying to help, and they are pulling back”.³⁵

Pervasive corruption has seriously undermined attempts at reform. In 2009, for example, the Kyrgyz Central Agency for Development, Investment and Innovation (TSARII), led by the president’s son, Maxim Bakiyev, tried to dismantle the public healthcare system in the country. It proposed transferring healthcare funding to a bank that was believed to be closely affiliated with the ruling family. The bank would then issue all citizens a debit card with an annual allocation between 1,000-3,000 Som (\$22-\$66) for health expenses.³⁶ Patients would pay anything in excess of that amount out of their pocket. It was not clear whether the annual sum would be transferable among family members – a critical issue for a country where many men migrate to Russia for work and may never use the card.

Donors were urged to deposit their funding for the healthcare reform in the same bank, but were offered no assurances of accountability.³⁷

³² In 2005 the government introduced a state guaranteed package of health services and a system of co-payments. Due to public anger with high co-payments, both were cancelled. The system was re-introduced again in 2007. In December 2008 the ministry of health attempted to launch another comprehensive payment system by diagnosis through the so-called “Prikaz (Order) #600”, only to scale back the effort under pressure from donors. Crisis Group interviews, international and domestic healthcare specialists, Dushanbe, October 2010.

³³ For instance, the allocation for healthcare is expected to jump in Tajikistan to 2.2 per cent of GDP in 2011 and then return to the current level of 1.7 per cent, thereby undermining any improvement achieved in one year. Crisis Group interview, international donor, Dushanbe, October 2010.

³⁴ Crisis Group interview, national healthcare expert, Bishkek, September 2010.

³⁵ Crisis Group interview, local healthcare expert, Dushanbe, October 2010.

³⁶ Crisis Group interviews, international donors, Bishkek, September-October 2010.

³⁷ Crisis Group interview, international donor, Almaty, April 2010.

In Tajikistan independent experts point to departments at national ministries³⁸ that implement big donor projects as the most corrupt. While the financial documentation they present is spotless, contracting mechanisms are said to produce inflated prices for goods and services (sometime as high as 30 per cent) and large kick-backs from local contractors.³⁹ In many cases planned improvements are shoddy or not visible at all. Until donors establish independent mechanisms to monitor the use of funds, publicise their internal evaluations of project effectiveness and government progress reports, and be prepared to withdraw support, financial mismanagement and theft will continue.

Both countries are preparing for another round of reform. Kyrgyzstan is working on a document that will follow on from the Manas Taałimi (2006-2010) healthcare program and has identified seven priorities in the sector.⁴⁰ Tajikistan has released the national health strategy for 2010-2020, which has generated much enthusiasm among donors, who describe it as the first document with realistic goals and mechanisms to monitor implementation. However, the new documents will meet the same fate as past reform programs unless the governments move from rhetoric to action and the donors place specific conditions on the disbursement of funds. As one donor aptly summarised: “the problem is that the current actors [government officials] don’t see themselves in the new system”.⁴¹ This system envisions additional responsibility and greater accountability, but the same low salary.

4. Steep decline

The healthcare system in both countries is entering a steep decline in all respects. Most facilities have not seen any substantial investment from the state since independence. In the 1990s donors were reluctant to build new clinics because the Soviet infrastructure was extensive and ineffectively managed. Now, one of them says, “many of us are wondering if we should have done otherwise”.⁴² In Kyrgyzstan two thirds of hospitals were built 25 years ago, one third of local clinics are in a state of failure, and one fourth of maternity hospitals (роддома) need to be

³⁸ Such departments are formally called project implementation units (PIUs). Donors establish them within national ministries to help them manage large aid projects. Their staff is appointed jointly by ministries and a donor organisation.

³⁹ Crisis Group interview, international healthcare expert, Dushanbe, October 2010.

⁴⁰ “Министр здравоохранения озвучил семь приоритетов развития здравоохранения” [“The minister of health announced seven priorities for the development of healthcare”], CA-NEWS, 25 August 2010, <http://ca-news.org/news/466631>.

⁴¹ Crisis Group interview, international healthcare expert, Dushanbe, October 2010.

⁴² Crisis Group interview, regional healthcare expert, Almaty, February 2010.

demolished.⁴³ In 2010, a senior government official says the allocation of 11 million Som (\$235,550) for capital rehabilitation was reduced to 500,000 Som (\$10,710) due to budget shortfalls.⁴⁴ A senior doctor in Naryn region remarks that his clinic has not received new beds or sheets since 1983.⁴⁵ A colleague adds that the \$3,200 he gets occasionally for hospital renovation is “a pittance” given the decay.⁴⁶

In Tajikistan most healthcare facilities were built between 1938 and 1980. Many rural hospitals, especially in mountainous areas, operate only in summer, and most are said to need full reconstruction.⁴⁷ Water supplies and sanitation in almost all hospitals are neither safe nor adequate. Everything depends on chief doctors and their ability to identify gaps and fundraise from donors. Whatever is not collected through foreign grants is extorted from patients.⁴⁸

Collapsing clinics and poorly paid doctors result in miserable service. Most specialists are retirees; “you cannot discipline them because you are afraid they will leave”, one chief doctor said. “So you tolerate absenteeism, bad manners and occasional drinking”.⁴⁹ The present situation means that in the medium term both countries will become more vulnerable to epidemics. A large-scale polio outbreak in Tajikistan gives a taste of what is to come. Certified as polio free in 2002, Tajikistan confirmed 458 cases and 27 deaths from the disease in 2010.⁵⁰ The out-

break occurred because of the wide gaps in vaccination,⁵¹ which were consistently ignored by the government and donors. Experts predict similar outbreaks of cholera, hepatitis and HIV/AIDS.⁵² Some already fear a growing epidemic of diphtheria. One donor says the government and foreign agencies give a variety of reasons for what happened, “but you ask yourself if the healthcare system is working, my answer is that it is not”.⁵³

B. EDUCATION: BACK TO BASICS

1. Teachers: a dying breed

Teachers in Kyrgyzstan and Tajikistan face the same grimly low salaries as doctors. Many are on the verge of retirement, but there is no replacement generation on the horizon. Those who stay are harassed by their superiors and authorities.

Official data in both countries downplays the problem of teacher shortages.⁵⁴ Information on staff retention, however, shows a large outflow and depletion of the human

⁴³ “Review of the Situation on Mother and Newborn Healthcare in the Kyrgyz Republic for the Period of 2008-2009”, UNICEF, op. cit., p. 13. “Динара Сагынбаева: В Кыргызстане ни один родильный дом не соответствует стандартам по оказанию качественных перинатальных услуг” [“Dinara Sagynbayeva: In Kyrgyzstan no single maternity hospital meets the standards for providing quality perinatal services”], 24kg, 2 March 2010, <http://24.kg/community/70014-dinara-sagynbaeva-v-kyrgyzstane-ni-odin-rodilnyj.html>.

⁴⁴ Crisis Group interview, senior government official, Bishkek, October 2010.

⁴⁵ Crisis Group interview, doctor, Naryn region, October 2010.

⁴⁶ Crisis Group interview, doctor, Naryn region, October 2010.

⁴⁷ Crisis Group interview, international healthcare expert, Dushanbe, October 2010. Also see Khodjamurodov and Rechel, “Tajikistan Health System Review: 2010”, op. cit., p. xviii.

⁴⁸ Crisis Group interview, healthcare specialist, Dushanbe, October 2010.

⁴⁹ Crisis Group interview, doctor, Naryn region, October 2010.

⁵⁰ “Минздрав Таджикистана планирует продолжить вакцинацию детей от полиомиелита” [“Tajikistan’s ministry of health plans to continue poliomyelitis vaccination for children”], Avesta, 12 January 2011, <http://avesta.tj/index.php?newsid=7032>. WHO estimated 29 deaths from polio: see “Polio Epidemic in Tajikistan ‘Almost Over’”, RFE/FL, 29 December 2010, www.rferl.org/content/tajikistan_polio_epidemic/2262660.html.

⁵¹ A review of publications shows that the government overestimated the vaccination rates. In 2005 it claimed 94 per cent were vaccinated against measles, while donors said it was 85.6 per cent (Khodjamurodov and Rechel, “Tajikistan Health System Review: 2010”, op. cit., pp. 20-22). As early as 2007-2008 donors knew the vaccination rate for the third dose of the polio vaccine (after which a child is considered fully immunised) and measles were quite low – 50 per cent and 69 per cent respectively (UNICEF, “Tajikistan Living Standards Measurements Survey”, 2007, p. 46, www.tojikinfo.tj/en/download/.../UNICEF%20TLSS%20Report%20Eng.pdf). The mid-term review of the National Immunisation Strategy found deficiencies in immunisation coverage and practice (Khodjamurodov and Rechel, “Tajikistan Health System Review: 2010”, op. cit., p. 98). This information was corroborated by numerous sources. Crisis Group interviews, international donors, foreign and domestic healthcare experts, Dushanbe, October 2010.

⁵² Crisis Group interviews, international and domestic healthcare experts, Dushanbe, October 2010.

⁵³ Crisis Group interview, international donor, Dushanbe, October 2010.

⁵⁴ The national ministries report a shortage of about 3-4 per cent. See “В школах Кыргызстана трудятся более 72,000 учителей” [“More than 72,000 teachers work in Kyrgyzstan’s schools”], 24kg, 9 August 2010, www.24.kg/community/80277-v-shkolax-kyrgyzstana-truditsya-bolee-72-tysyach.html; “Дефицит учителей в Таджикистане за последние полгода возрос в 125 раз” [“The teacher deficit in Tajikistan increased by 125 times in half a year”], CA-NEWS, 12 July 2010, <http://ca-news.org/news/432391>. The total number of teachers in Tajikistan in 2008-09 was 96,127 (Ministry of Education of the Republic of Tajikistan, “Приоритеты и анализ сектора образования на среднесрочный период 2010-2012 гг” [“The Priorities and Analysis of the Education Sector in the Medium-Term Period 2010-2012”], p. 5, 2009).

resources in education. For instance, in Tajikistan 11 per cent of all teachers quit their job in 2008.⁵⁵ Education experts say the current shortages (more likely 25 to 30 per cent⁵⁶) are masked by four factors. Schools use an inflated number of “ghost teachers” whose salaries supplement the income of actual teaching staff. They count high school students who substitute classes in primary and middle school. Many teachers work more than one teaching load [ставка], which allows them to cover additional classes. Education ministries, especially in Tajikistan,⁵⁷ force university graduates from pedagogical institutes to become teachers immediately after graduation. Although many of them quickly abandon the profession,⁵⁸ an annual inflow of new graduates temporarily solves the problem by decreasing the shortage for one academic year.

The shortages are likely to worsen in the future as the Soviet-trained teaching corps will soon be gone. One foreign expert estimates that this could happen within the next five to ten years.⁵⁹ In Kyrgyzstan 41.5 per cent of teachers are retirees.⁶⁰ “Some of our teachers are old enough to be their pupils’ grand-mothers, or even their great grand-mothers”, a senior education official in Bishkek says.⁶¹ A school principal in rural Tajikistan acknowledges that 95 per cent of his personnel are pensioners whom he had asked to stay on for lack of replacements.⁶² The profession attracts the weakest of the weak – those who failed to get into any other college and men eager to avoid con-

scription. Even after numerous increases, the monthly salary remains low – \$26 in Kyrgyzstan and \$28 in Tajikistan.⁶³ “Barely enough for one sack of flour”, says a former teacher in Dushanbe.⁶⁴ In Kyrgyzstan a national program⁶⁵ offered sign-up and annual retention bonus for young teachers. This had little effect. In a survey half the participants admitted they would leave the profession after collecting the last instalment of the retention bonus and a third were so desperate that they would leave without waiting for the money.⁶⁶

In both countries education ministries blame low salaries. This neatly shifts the blame on to the finance ministries, which determine budget allocations.⁶⁷ There are signs that teachers are losing patience. In December 2010 teachers throughout Kyrgyzstan threatened a strike if their demands for a substantial pay increase were not met. The government promised a more progressive system for salary calculation,⁶⁸ but admitted that it could not provide a significant raise given large budget shortfalls.⁶⁹

The working environment is grim: teachers are often treated as the lowest caste of public servants. A young teacher in rural Kyrgyzstan complains that they are completely at the mercy of school principals and the local administration.⁷⁰ In Tajikistan the government goes as far as to tell

⁵⁵ “Приоритеты и анализ сектора образования на среднесрочный период 2010-2012 гг” [“The Priorities and Analysis of the Education Sector in the Medium-Term Period 2010-2012”], Ministry of Education of the Republic of Tajikistan, 2009.

⁵⁶ Crisis Group interview, international education expert, Bishkek, September 2010.

⁵⁷ “Минобразования Таджикистана намерено привлечь не явившихся в школы выпускников вузов к судебной ответственности” [“The Ministry of Education of Tajikistan intends to sue university graduates who do not show up at schools”], Asia Plus, 13 January 2009, <http://asiaplus.tj/news/42/45160.html>.

⁵⁸ For instance, in Kyrgyzstan only 14 per cent of new teachers stay in school after one year. See “На педагогические специальности поступают студенты с низким баллом, даже двоечники – эксперт ЮНИСЕФ Ф. Рыскулова” [“Students with a low test score, even those who failed, apply for teaching majors – F. Ryskukova, UNICEF expert”], AKI Press, 27 August 2010, <http://kg.akipress.org/news:255941>.

⁵⁹ Crisis Group interview, Western education expert, Dushanbe, August 2009.

⁶⁰ “И. Гайпулов: В Кыргызстане более 40% преподавателей – пенсионеры” [“I. Gaipkulov: In Kyrgyzstan more than 40 per cent of teachers are pensioners”], CA-NEWS, 11 March 2010, <http://ca-news.org/news/331031>.

⁶¹ Crisis Group interview, senior government official, Bishkek, September 2010.

⁶² Crisis Group interview, school principal, rural Tajikistan, September 2009.

⁶³ Crisis Group interviews, senior government official, Bishkek, September 2010; civic activist, Dushanbe, August 2009.

⁶⁴ Crisis Group interview, former teachers, Dushanbe, August 2009.

⁶⁵ The program is known as “The Young Teacher’s Deposit” [“Депозит молодого учителя”].

⁶⁶ Crisis Group interview, international donor, Bishkek, September 2010.

⁶⁷ Crisis Group interview, international education expert, Dushanbe, August 2009.

⁶⁸ The government’s optimistic view on a new pay system for teachers may be only for public consumption. According to one international donor, as late as October 2010 the ministry of finance had no idea how to develop, let alone use this system for calculating salaries. Crisis Group interview, international donor, Bishkek, October 2010.

⁶⁹ Айзада Кутуева, “Айгуль Рыскулова: В Кыргызстане разработана концепция по реформированию сферы образования” [Aizada Kutueva, “Aigul Ryskulova: A concept [paper] on reforming the education sphere was developed in Kyrgyzstan”], 24kg, 14 December 2010, www.24.kg/community/88714-ajgul-ryskulova-v-kyrgyzstane-razrabotana.html; “Министр финансов Ч. Имашев: Средств для повышения заработных плат учителям в республиканской казне нет” [“Minister of Finance Imashev: There are no funds in the republican treasury to increase salaries for teachers”], AKI Press, 14 December 2010, <http://kg.akipress.org/news:302981>.

⁷⁰ Crisis Group interview, school teacher, Naryn region, September 2010.

teachers how to dress and, for men, to trim their beards.⁷¹ Unless both morale and compensation are addressed, there may soon be no teachers left in Kyrgyz or Tajik classrooms. The governments need to develop policies to retain the workforce, make sure they are sufficiently funded, and stop using teachers for unrelated administrative tasks.⁷²

2. Three ways to discourage learning

Low salaries and overbearing officials are only part of the problem. Schools are over-crowded and the buildings poorly maintained; most children do not have textbooks and the curriculum is outdated and overloaded.

In both countries there are not enough schools because of high population growth and urban migration. In Kyrgyzstan's capital Bishkek, the current capacity of schools is exceeded by 37 per cent.⁷³ In Tajikistan 85 per cent of schools are reported to operate in two to three shifts.⁷⁴ In practice students interact with a teacher for only 2.5 hours per day in an education process that is reminiscent of a conveyor belt.⁷⁵ Not only are schools stretched to the limit, but they are also short-changed on repairs. A senior government official in Bishkek says the state can only repair schools affected by natural disasters, such as earthquakes and mudslides.⁷⁶ In 2007 80 per cent of schools in Tajikistan required major rehabilitation.⁷⁷ Although the government has built many schools and plans to do much more,⁷⁸

it can never catch up. By 2016 the number of secondary school students will go up by 360,000 and require 12,000 new classrooms.⁷⁹ There is little chance the current government can meet this demand. As one Western donor said, "the government will have to run in order to stay still".⁸⁰

In Kyrgyzstan, fewer than 40 per cent of pupils have textbooks.⁸¹ This is due to government corruption. In 2006 President Bakiyev cancelled the textbook rental scheme citing inefficiencies. A state tender for textbook publishing (worth \$2 million) was given to a private company with close connections to the president's younger son, Maxim Bakiyev. The company increased prices by 40 per cent, cashed some of the allocated funds and used the rest for its capital. A quarter of new textbooks have yet to reach schools.⁸² As a result, Kyrgyz President Roza Otunbayeva says, "We have one textbook for ten students, and one cannot think about any education".⁸³ In Tajikistan a textbook rental scheme exists, but the money raised is not invested in textbook publishing. Most are of very poor quality, and fall apart within a year.

The national curriculum in both states is outdated, irrelevant and incoherent. Instead of engaging in a full-scale revision, the governments make piece-meal changes that often contradict each other. "Every social problem is answered with a [new] class," an education expert in Bishkek says.⁸⁴ In 2009 to combat growing Islamisation, the Tajik government introduced a course, "The Discovery of

⁷¹ "Таджикистан: Министерство образования разрешило учителям носить бороду и ходить в галошах" ["Tajikistan: The Ministry of Education allowed teachers to wear a bear and galoshes"], Ferghana.ru, 28 September 2009, www.ferghananews.com/news.php?id=13067.

⁷² Teachers are routinely ordered by local and regional authorities to do voter registration before elections, conduct household surveys for a national census, and, in some rural areas, design entertainment activities for public holidays. In Tajikistan teachers are said to have been forced to sell shares of the Rogun hydropower plant to the families of their students. Crisis Group interviews, education experts and teachers, Kyrgyzstan and Tajikistan, September-October 2010.

⁷³ "Школы Бишкека перегружены на 37%, а детские сады – на 47%" ["Bishkek's schools are over capacity by 37 per cent, kindergartens – by 47 per cent"], AKI Press, 24 August 2010, <http://kg.akipress.org/news:254071>.

⁷⁴ Materials provided to Crisis Group by an international donor, Dushanbe, August 2009.

⁷⁵ Crisis Group interview, Western education expert, Dushanbe, August 2009.

⁷⁶ Crisis Group interview, senior government official, Bishkek, September 2010.

⁷⁷ Materials provided to Crisis Group by an international donor, Dushanbe, August 2009.

⁷⁸ The government built 19 per cent of the functioning schools since independence (see "В Таджикистане за годы независимости построено 710 новых школ" ["In Tajikistan during the years of independence 710 new schools were built"], Asia Plus,

19 January 2009, <http://asiaplus.tj/news/42/45503.html>); it plans to build and renovate another 802 schools by 2015 through a special state program (See "On Building and Repairing Schools in the Republic of Tajikistan 2008-2015", Decree of the Cabinet of Ministers of Tajikistan #436, 27 August 2008).

⁷⁹ Аваз Юлдашев, "Таджикистан перешел на 12-летнее школьное образование" [Avaz Yuldashev, "Tajikistan switched to 12-year school education"], CentralAsia.ru, 28 April 2010, www.centrasia.ru/news.php?st=1272438120.

⁸⁰ Crisis Group interview, Western donor, Dushanbe, October 2010.

⁸¹ Ирина Павлова, "В Кыргызстане обеспеченность школ учебниками не превышает 40 процентов" [Irina Pavlova, "In Kyrgyzstan the supply of textbooks in schools does not exceed 40 per cent"], 24kg, 24 August 2010, <http://24.kg/community/81159-v-kyrgyzstane-obespechennost-shkol-uchebnikami-ne.html>.

⁸² Андрей Орешкин, "Переливание в образовании" [Andrey Oreshkin, "Transfusion in education"], *Vechernij Bishkek*, 30 July 2010.

⁸³ "Президент Кыргызстана не исключает в перспективе использование iPad в школах" ["The President of Kyrgyzstan does not exclude the use of iPad at schools in the future"], AKI Press, 26 November 2010, <http://kg.akipress.org/news:295621>.

⁸⁴ Crisis Group interview, education expert, Bishkek, September 2010.

Islam”, with no textbooks or guidance for teachers.⁸⁵ Recently it cancelled the “Love of Homeland” class after it had become clear that such sentiments could be discussed elsewhere.⁸⁶ Because of the curriculum overload, teachers say they cram as much information as possible into classes. “We don’t teach them how to think logically”, a teacher in rural Kyrgyzstan says, “we give them assignments and expect right answers”.⁸⁷

3. Losing students

The poor state of schools and quality of teaching are a major deterrent to attendance. While governments cheerfully cite high enrolment rates in secondary education, absenteeism is rampant in winter due to the cold weather and in early fall and late spring due to agricultural work. An international expert says usually only half of students show up during these periods.⁸⁸ Instead of addressing the root causes of absenteeism, both governments seem to be accommodating it. In October 2010 Tajikistan extended the winter break at the expense of the spring and fall recesses.⁸⁹ This was intended to address the problem of unheated schools in winter – though, as much of the country would as usual be without electricity that winter, the children would be spending their extra long break in unheated homes. The Kyrgyz president recently floated an idea of delaying the start of the school year till mid-September or early October after the harvest.⁹⁰ Both developments set a worrying precedent, as the open acknowledgement of the government impotence in enforcing education standards would lead only to further deterioration.

Many students drop out after the ninth grade. In Kyrgyzstan almost one third of students leave school at this point.⁹¹ Most are boys who quit studying to help their families or migrate to Russia for work. In Tajikistan more girls are dropping out.⁹² Their enrolment declines precipitously from 97 per cent at the age twelve to 48.5 per cent by age seventeen.⁹³ The country still cannot catch up with the enrolment rates it had among women during the Soviet period.⁹⁴ Girls who quit school stay at home helping with younger siblings or attend religious classes. In either case marriage soon follows. The Tajik government has tried to combat the problem by making ten years of education compulsory and raising the minimum marriage age to eighteen. These measures will have little effect without attention to a broader set of issues, such as rural poverty and lack of employment for women.

The migration of parents from rural areas to cities in search of employment is further straining the capacity of the education system. Most migrant families cannot obtain registration from the local authorities (known as *propiska*), because they do not own their housing. Although schools are required to accept any students who live in their district,⁹⁵ many use registration as a pretext to deny admission to children of new migrants. Unofficial estimates indicate that around 120,000 children in Kyrgyzstan and up to 100,000 children in Tajikistan do not attend school.⁹⁶ The state cannot solve the problem when it does

⁸⁵ Farrukh Ahrorov, “No More Teachers, No More Books”, Transitions Online, 9 November 2010, www.tol.org/client/article/21937-no-more-teachers-no-more-books.html.

⁸⁶ Хулькар Юсупов, “Патриотизм не прошел” [Khulkar Yusupov, “Patriotism did not pass”], Asia Plus, 30 September 2010, <http://asiaplus.tj/articles/42/5375.html>.

⁸⁷ Crisis Group interview, teacher, Naryn region, September 2010.

⁸⁸ Crisis Group interview, international donor, Bishkek, September 2010.

⁸⁹ “В Таджикистане упразднены осенние и весенние каникулы и продлен учебный год” [“In Tajikistan spring and fall breaks are eliminated, and the school year is extended”], Ferghana.ru, 25 October 2010, www.ferghana.ru/news.php?id=15814&mode=snews.

⁹⁰ “Р. Отунбаева предложила учителям подумать о передвижении начала учебного года на середину сентября или начало октября” [“R. Otunbayeva suggested teachers think about moving the beginning of a school year to mid-September or early October”], CA-NEWS, 8 October 2010, <http://thenews.kz/2010/10/08/557760.html>.

⁹¹ “В Кыргызстане треть школьников после 9-го класса покидает учебные заведения” [“In Kyrgyzstan one-third of school students leaves educational establishments after the ninth grade”], CA-NEWS, 1 September 2010, <http://ca-news.org/news/472221>.

⁹² The most recent official estimate is 50,000 people. See Мавджуда Хасанова, “50 тысяч молодых людей в Таджикистане не продолжают учебу после получения основного образования” [Mavjuda Khasanova, “50,000 young people in Tajikistan do not continue education after obtaining basic education”], Asia Plus, 21 July 2009, <http://asiaplus.tj/news/42/54871.html>.

⁹³ Angela Baschieri and Jane Falkingham, “Child Poverty in Tajikistan”, Report for UNICEF Country Office, January 2007, pp. 7, 51-52, www.unicef.org/tajikistan/Child_Poverty.pdf.

⁹⁴ In 1991, 48.5 per cent of students at the upper secondary level were girls compared to 25.8 per cent in 2005. Materials provided to Crisis Group by an international donor, Dushanbe, August 2009.

⁹⁵ Амалия Бенлиян и Кубанычбек Мукашев, “Умножить – значит умно жить” [Amaliya Benliyan and Kubanychbek Mukashev, “To multiply means to live wisely”], *Vecherniy Bishkek*, 3 September 2010.

⁹⁶ Asyl Osmonalieva and Gulzat Abdurasulova, “Poverty Drives Child Labour in Kyrgyzstan”, Institute for War and Peace Reporting, 5 November 2010, <http://iwpr.net/report-news/poverty-drives-child-labour-kyrgyzstan>; Мавджуда Хасанова, “В Таджикистане на улицах работают до 100 тысяч детей и подростков, «Save the Children»” [Mavjuda Khasanova, “[According to] “Save the Children”], in Tajikistan up to 100,000

not invest enough in infrastructure. Schools in Bishkek, Osh or Dushanbe do not have the classrooms to meet the growing demand.

4. Wish lists, not reforms

Education reforms since independence have had little practical impact. A donor says that the Kyrgyz government usually presents them with a wish list rather than a strategy. The Education Development Strategy for 2007-2010 was, for example, produced in just three months, with the clear aim of securing foreign funding.⁹⁷ After the 2009 presidential election TSARII, which was headed by Maxim Bakiyev, the president's son, halted all existing initiatives and instead proposed constructing elite schools in each region.⁹⁸ There is a similar tendency for making grand plans in Tajikistan. The government has developed ten state programs and five national plans in education within the last five years⁹⁹ with no mechanism to monitor their implementation. A senior donor says, "The government's motto is – we want to do it; now, donors, you support it".¹⁰⁰

Politicians want quick fixes with, preferably, little domestic investment. During the October 2010 election in Kyrgyzstan, a leader of one party suggested giving a laptop to every seven-grader.¹⁰¹ Another said he had a team of experts ready to transplant the South Korean education model.¹⁰² In 2009 the Tajik government proposed moving

from an eleven year to a twelve year education system by 2014 – an enormous task given present weaknesses. The transition has been delayed to 2016, which is still highly unrealistic.¹⁰³

The way the education sector is managed creates disincentives to reform because it focuses on financing only the fixed costs necessary to keep schools open.¹⁰⁴ The current financing system is also arbitrary and vulnerable to corruption, as school directors have to negotiate their budgets with city and district education authorities. The alternative mechanism of per capita financing would allocate the funding based on how much it costs to educate one student, multiplied by the number of students in a specific school. The logic of this system is the more students the school has, the more funding it should receive. Allocations are not determined randomly, but calculated according to the need.

In Tajikistan, instead of calculating the real cost of educating one student, the government simply divided its education budget by the number of students currently studying. The accounting trick masks the shortfall in financing by underestimating the actual per capita cost of education. In Kyrgyzstan, the ministry of education loses what it could save by making the process more efficient. In August 2010 ministry officials had to design a new pre-school course to ensure that the money saved by streamlining the fifth grade curriculum would not be taken back by the ministry of finance to plug other gaps in the budget.¹⁰⁵ In many cases senior education officials are more interested in tilting at windmills like trying to ban headscarves in schools¹⁰⁶ rather than dealing with an education system at the edge of disintegration.

children and teenagers work on the street"], Asia-Plus, 30 November 2010, <http://asiaplus.tj/news/198/71669.html>.

⁹⁷ "Donor Involvement Analysis in Education Sector Development in Kyrgyzstan: Analyses and Recommendations", UNICEF, 2008, www.unicef.org/kyrgyzstan/Donor-engl.pdf.

⁹⁸ Crisis Group interview, international donor, Bishkek, September 2010.

⁹⁹ For more on the government's view on the progress in education, see "Выступление министра образования Республики Таджикистан А.А. Рахмонова на встрече с представителями посольств, доноров, международными и неправительственными организациями, действующими в Республике Таджикистан" ["The Speech of A.A. Rakhmonov, the minister of education of the Republic of Tajikistan, at the meeting with representatives of embassies, donor, international and non-government organisations operating in the Republic of Tajikistan"], 28 May 2009, http://education.tj/VISTUPLIENIYA_Ministra_posolstvami.htm.

¹⁰⁰ Crisis Group interview, senior international donor, Dushanbe, August 2009.

¹⁰¹ Мария Яновская, "Эдил Байсалов: «Наша насквозь прогнившая, коррумпированная элита снова колоннами идет на выборы»" [Maria Yanovskaya, "Edil Baysalov: 'Our thoroughly rotten, corrupt elite is moving again in droves toward the election'"], Ferghana.ru, 8 September 2010, www.ferghana.ru/article.php?id=6717.

¹⁰² "И Гарвард нам позавидует" ["And Harvard will envy us"], Vesti.kg, 30 September 2010,

www.vesti.kg/index.php?option=com_k2&view=item&id=1428:i-garvard-nam-pozaviduet&Itemid=87.

¹⁰³ Crisis Group interview, local education expert, Dushanbe, October 2010.

¹⁰⁴ Schools receive funding through separate budget lines for electricity, salary, repairs, etc. Allocations are made on the basis of what authorities can afford, not what a school needs. Funding is oriented toward inputs (what is needed to maintain the system afloat) rather than outputs (what students are expected to learn and what schools need to have based on these expectations). Crisis Group interviews, education experts, Dushanbe, August 2009.

¹⁰⁵ Crisis Group interview, Western education expert, Bishkek, September 2010.

¹⁰⁶ For the discussion on hijab in education, please see Crisis Group Asia Report N°176, *Women and Radicalisation in Kyrgyzstan*, 3 September 2009; "Рахмонов: «Пусть ваших детей учат мулль»" ["Rakhmonov: 'Let mullahs teach your children'"], Asia Plus, 17 September 2010, <http://asiaplus.tj/articles/96/5313.html>.

5. A bleak future

Local officials like to repeat the Soviet maxim that children are our future. The future looks bleak. One foreign donor says recent test results in Kyrgyzstan showed “the longer you stay in school, the worse you become”.¹⁰⁷ According to an international assessment in 2009, 83 per cent of students were below minimum international standards in reading, 86 per cent in math and 82 per cent in science.¹⁰⁸ Kyrgyzstan performed the worst among 65 participating countries. Many experts say official figures reporting high literacy rates are no longer supported by realities on the ground.¹⁰⁹

Anecdotal evidence on the declining quality of education abounds. A local expert says that on flights to Moscow some migrants cannot write their name when they fill out migration forms in either Tajik or Russian.¹¹⁰ A mother in Dushanbe complains that when her son’s school, elite by local standards, carried out a mock test of Russia’s state school leaving exam [ЕГЭ (Единый Государственный Экзамен)], all high school graduates failed on the first try.¹¹¹ The country needs an independent body to provide testing and quality control in secondary education.¹¹²

Experts believe Kyrgyzstan and Tajikistan need to be realistic and go back to the basics: competent teachers, decent textbooks and good attendance.¹¹³ They should abandon the pretence that education is free and engage the public on how to improve its quality with limited resources.¹¹⁴ One donor notes that the Tajik government cannot claim it does not have enough money for education when it allocates huge sums for the nation’s biggest energy project, Rogun hydropower plant.¹¹⁵ Donors and locals in both

countries praise the Soviet Union for eliminating illiteracy and point with pride to having an educated population, unlike Afghanistan, their neighbour to the south. This comparison will soon be impossible. A senior donor predicts, “I see more schools with falling roofs, more teachers moving out of the profession, more girls dropping out of higher grades and a greater number of children being born to uneducated mothers whose grandmothers are better educated than they will be”.¹¹⁶

C. ENERGY: LIGHTS OUT

1. The curse of interconnectedness

In Soviet times the United Energy System of Central Asia (UESCA) provided for the exchange of water and energy between the five Central Asian states.¹¹⁷ Once the Soviet Union collapsed, these countries quickly discovered that their new, disconnected grids had significant gaps.¹¹⁸ To deliver power to its capital and industrial north Kyrgyzstan had to use transmission lines from Uzbekistan and Kazakhstan. Power supply to the southern regions of Kyrgyzstan is completely dependent on Uzbekistan. Tajikistan and Uzbekistan found themselves uncomfortably dependent on each other: Uzbekistan supplied electricity to Tajikistan’s north while Tajikistan provided power to several southern regions of Uzbekistan.¹¹⁹

The vulnerabilities of these exchanges became starkly clear in 2009. That summer Uzbekistan commissioned an additional substation and threatened to withdraw from the system. After intense negotiations Uzbekistan agreed to stay without elaborating much on the concessions extracted from Kyrgyzstan.¹²⁰ In September 2009 Kazakhstan launched a second transmission line, connecting its northern and southern regions and diminishing its dependence on Kyr-

¹⁰⁷ Crisis Group interview, senior international official, Bishkek, September 2010.

¹⁰⁸ “PISA 2009 Results: What Students Know and Can Do – Student Performance in Reading, Mathematics and Science” (Volume 1), OECD, 2010, pp. 50, 131, 149, <http://dx.doi.org/10.1787/9789264091450-en>.

¹⁰⁹ Crisis Group interviews, Western education expert, Almaty, August 2009; civic activist, Dushanbe, August 2009.

¹¹⁰ Crisis Group interview, education expert, Dushanbe, August 2009.

¹¹¹ Crisis Group interview, local resident, Dushanbe, August 2009.

¹¹² The current testing initiative is likely to place the national testing centre within the jurisdiction of the cabinet of ministers or the ministry of education.

¹¹³ Crisis Group interview, senior international donor, Bishkek, September 2010.

¹¹⁴ As experts note, there should be an honest discussion about parental contributions to schools, how to make them transparent and use them efficiently. Crisis Group interview, education experts, Bishkek, September 2010.

¹¹⁵ Crisis Group interview, senior international donor, Dushanbe, August 2009. The government plans to invest \$1.2 billion from

the budget in 2011-2013 (See “В Таджикистане до конца года начнется первый этап создания вторичного рынка оборота акций Рогунской ГЭС” [“In Tajikistan the first stage of establishing the secondary market for the circulation of Rogun hydropower plant shares will be open by the end of the year”], CA-NEWS, 25 October 2010, <http://ca-news.org/news/518961>).

¹¹⁶ Crisis Group, senior international donor, Dushanbe, August 2009.

¹¹⁷ Under the arrangement in the Soviet Union, Kyrgyzstan and Tajikistan would supply water for irrigation purposes to Uzbekistan, Kazakhstan and Turkmenistan in summer. In winter Turkmenistan, Kazakhstan and Uzbekistan would supply gas to Tajikistan and Kyrgyzstan to cover their heating needs.

¹¹⁸ UESCA began falling apart in 2003 when Turkmenistan declared its exit from the system.

¹¹⁹ Crisis Group interview, energy expert, Dushanbe, October 2010.

¹²⁰ Experts speculate that Uzbekistan buys Kyrgyz energy and then re-sells it to Afghanistan. Crisis Group interview, energy expert, Bishkek, September 2010.

gyzstan. The government in Bishkek now understands that unless it builds additional capacities, it will remain vulnerable to pressure from its neighbours.

The strained energy arrangements between Uzbekistan and Tajikistan broke down in fall 2009 when the Tajik government opened a transmission line between its northern and southern regions, thus reducing its dependence on Uzbekistan for power to the north.¹²¹ Soon after Uzbekistan launched a transmission line of its own¹²² and threatened to leave the energy system again.¹²³ At that point, Tajikistan decided it had enough domestic capacity to cover the whole country and disconnected from UESCA. A domestic expert says the pressure from Uzbekistan was predictable, once Uzbeks saw Tajikistan building additional capacities to become energy independent.¹²⁴ The debate over which country “betrayed” the other in the energy sharing arrangement has become one of the most divisive bilateral issues between the countries.¹²⁵ With the disintegration of Soviet-era sharing agreements, Tajikistan and Kyrgyzstan are facing drastic shortages in power supply.¹²⁶ These realities have prompted both states to look for new projects.

¹²¹ Виктория Наумова “Рахмон запустил «Юг-Север»” [Victoria Naumova, “Rakhmon launched ‘South-North’”], Asia-Plus, 30 November 2010, www.asiaplus.tj/news/31/59813.html.

¹²² “Узбекистан запускает ЛЭП, которая позволяет экспортировать электроэнергию в Афганистан в обход Таджикистана” [“Uzbekistan is launching the electricity transmission line that enables to export energy to Afghanistan bypassing Tajikistan”], Regnum.ru, 19 November 2009, www.regnum.ru/news/1226982.html.

¹²³ “Узбекистан объяснил, почему выходит из действующей Объединенной энергетической системы” [“Uzbekistan explained why it was leaving the existing United Energy System”], Bank.uz, www.bank.uz/publish/doc/text49984_uzbekistan_obyasnil_pochemu_vyehodit_iz_deystvuyushchey_obedinennoy_energeticheskoy_sistemy.html. Experts say in the end Uzbekistan again did not follow through on its threat. It is now operating in UESCA with Kazakhstan and Kyrgyzstan.

¹²⁴ Crisis Group interview, energy expert, Dushanbe, October 2010.

¹²⁵ Tajikistan accuses Uzbekistan of not honouring the agreement in the past and disrupting the supply of electricity during winter months when Tajikistan faces acute power shortages. Uzbekistan, in turn, says Tajikistan frequently increased its electricity consumption illegally and did not pay for the electricity it used. Crisis Group interviews, Dushanbe, October 2010.

¹²⁶ The winter shortage in Tajikistan is 500 MW (See “Proposed Grant Republic of Tajikistan: Regional Power Transmission Project”, Asian Development Bank (ADB), July 2010, www.adb.org/Documents/RRPs/TAJ/43150/43150-02-taj-rrp.pdf). Although there is no shortage of power in Kyrgyzstan yet, demand is growing. The government allowed two thermal plants in Osh and Bishkek to deteriorate to the extent that now produces power shortages in winter. Crisis Group interview, energy expert, Bishkek, November 2010.

2. Grandiose plans and grim realities

Both countries have untapped hydropower potential and dream of ending electricity rationing, shedding their dependence on Uzbekistan and exporting electricity to Afghanistan and Pakistan.¹²⁷ To realise these dreams, Kyrgyzstan needs to build two substations and two transmission lines to deliver electricity supply to the north and the south. For large-scale export it will need to construct two more transmission lines to Kazakhstan and Tajikistan.¹²⁸ The estimated investment required for these projects is \$930 million. The government also wants to build the Kambarata hydropower plants on the Naryn River, which will cost another \$3.8 billion.¹²⁹ In Tajikistan, the Rogun dam and hydropower station is a government priority. When it comes on line – some observers would say if it does – the plant is expected to produce 13.3 billion kilowatt hours per year, which is almost as much as the country’s entire output now (16-17 billion kw/h per year). The project comes at a hefty cost of \$3.5 to \$4 billion.¹³⁰ Tajikistan’s annual GDP was just \$5.6 billion in 2010.¹³¹

These large-scale projects are unlikely to happen if the energy sector in both countries continues to be mismanaged for personal gain. In Kyrgyzstan the sector was run into the ground by the Bakiyev government. In 2007-2008 energy was sold illegally to Kazakhstan with the

¹²⁷ The untapped reserves are estimated at: 527 billion kilowatt hours of energy in Tajikistan and 160 billion kilowatt hours of energy in Kyrgyzstan. For more see “CASA-1000: An energy bridge from Central to South Asia”, Trading Markets.com, 26 August 2010, www.tradingmarkets.com/news/stock-alert/ifk_casa-1000-an-energy-bridge-from-central-to-south-asia-1135825.html.

¹²⁸ Kyrgyzstan needs to build the Datka-Kemin line and Kemin substation for the north, Datka substation and a new transmission line for the south. The Datka-Khujand line will go to Tajikistan and the Kemin-Almaty line to Kazakhstan. Crisis Group interview, energy expert, Bishkek, October 2010.

¹²⁹ See below section “One step forward, two steps back”. For the government view of the goals, see Юлия Мазыкина, “Роза Отунбаева: Перед энергетиками в Кыргызстане стоит задача построить вдоль реки Нарын и ее притоков 20 ГЭС” [Yulia Mazykina, “Roza Otunbayeva: Energy workers in Kyrgyzstan have the task of building 20 hydropower plants along the Naryn river and its tributaries”], 24kg, 21 December 2010, <http://24kg.org/economics/89269-roza-otunbaeva-pered-yenergetikami-v-kyrgyzstane.html>.

¹³⁰ Crisis Group interview, energy expert, Dushanbe, October 2010. The government provides a much lower figure of \$2.2 billion, citing the work done on Rogun in the early 1990s before the Soviet collapse.

¹³¹ Пайрав Чоршанбиев, “Объем ВВП Таджикистана по итогам 2010 года составил свыше \$5,6 млрд” [Pairav Chorshanбиев, “The volume of Tajikistan’s GDP based on the outcomes of 2010 constituted over \$5.6 billion”], Asia-Plus, 17 January 2011, <http://asiaplus.tj/news/34/73105.html>.

ruling elite pocketing the difference between the declared and market prices.¹³² The nation's key water reservoir, Toktogul, was almost emptied in summer 2008, and the government was forced to introduce electricity rationing. An energy specialist from central Kyrgyzstan says sudden power outages, which went along with the rationing, severely damaged the equipment.¹³³

In 2009-2010 the government tried to privatise major assets in the sector. Severelektro, the state entity that supplies power to the country's north, was sold to a company with close connections to the president's family.¹³⁴ TSARII, headed by the president's son, attempted to turn hydropower plant Kambarata-2 into an open joint stock company; it is widely believed that the long-term plan was to privatise it on the cheap and later re-sell at market value.¹³⁵

The Bakiyev government delayed raising electricity prices in 2008-2009 due to rationing and the presidential election. But in fall 2009 it announced a 50 per cent increase in tariffs.¹³⁶ The privatisation of key assets, which was occurring at the same time, pointed to the real reasons behind this decision and played a major part in the unrest that overthrew the regime in April 2010. After that the tariff increases were cancelled. The provisional government launched a transparency initiative, established an escrow account to manage the revenues from power export, and involved international experts to conduct a sector-wide audit. It also established a public council, consisting of civil society activists, experts and government officials, to monitor transparency in the energy sector. The Kyrgyz government should provide the group with access to government data and officials to monitor reforms. It can also learn a lot from the energy sector reform in Georgia.¹³⁷

¹³² For more see Crisis Group Asia Briefing N°102, *Kyrgyzstan: A Hollow Regime Collapses*, 27 April 2010, p. 3.

¹³³ Crisis Group interview, energy specialist, Naryn region, October 2010.

¹³⁴ For more see Crisis Group Briefing, *Kyrgyzstan: A Hollow Regime Collapses*, op. cit., p. 8.

¹³⁵ The decision was ratified by the parliament but never implemented.

¹³⁶ The tariff would grow from 71 tyin to 1.5 Som (1.5-3.2 cents). See Данияр Каримов, "Правительство Кыргызстана планирует увеличить тарифы на электроэнергию в два, а на тепло и воду – в пять раз" [Daniyar Karimov, "The government of Kyrgyzstan plans to increase tariffs for electricity by two-fold, and tariffs for heating and hot water by five-fold"], 24kg, 12 November 2009, www.24.kg/economics/65520-pravitelstvokyrgyzstana-planiruet-uvelichit.html.

¹³⁷ An international energy expert noted that Georgia's experience in combating commercial theft of electricity would be particularly useful for Kyrgyzstan. Crisis Group interview, international energy expert, Bishkek, September 2010.

Progress is uncertain because of the volatile political environment and possible re-nationalisation of the sector. Senior energy officials continue to deny there is a systemic crisis, attributing the 2008-2009 power shortages to dry years.¹³⁸ The commitment to fight corruption is often undermined by bureaucratic turf feuds. In September 2010, for example, a commission investigating financial theft at Kambarata-2 stopped its work after the Office of Prosecutor General confiscated the relevant documents.¹³⁹

In Tajikistan the energy sector is used to support two key export industries – cotton and aluminium production. The ministry of water and irrigation is one of the largest debtors to Barki Tajik, the national electricity company.¹⁴⁰ The Tajik Aluminium Company (TALCO) consumes between 40 to 50 per cent of all electricity and pays the lowest tariff in the country.¹⁴¹ The government argues that both sectors are crucial sources of revenue – in 2009 cotton brought 38 per cent of total revenue from sales tax and TALCO paid \$46 million (204 million somoni) in local and national taxes.¹⁴² On closer examination, a different picture emerges. Local farmers are mired in debt as the government buys their cotton at artificially low prices, re-sells it at the market value and allegedly pockets the difference. It is unclear how much of the actual revenue from aluminium sales goes into state coffers. TALCO is registered both domestically and as an off-shore company (Talco Management).¹⁴³ The domestic company was recently audited; the government refuses, however, to allow

¹³⁸ Crisis Group interview, senior government official, Bishkek, September 2010.

¹³⁹ "Комиссия по рассмотрению финнарушений в ОАО «Камбар-Атинская ГЭС-2» на 1,2 млрд сомов приостановила свою работу" ["The Commission investigating financial violations worth 1.2 billion Som in the joint stock company Kambarata-2 hydropower station stopped its work"], AKI Press, 12 December 2010, <http://business.akipress.org/news:132381/>.

¹⁴⁰ "«Барки тоджик» обещает выплатить долг перед Сангтудинской ГЭС-1 до конца марта" ["Barki Tajik promises to pay off the debt to the Sangtuda-1 hydropower plant by the end of March"], CA-NEWS, 29 January 2010, <http://ca-news.org/news/303331>.

¹⁴¹ The current tariffs per 1 kw/h are 2 cents for population, 4.8 cents for industrial consumers, 1.8 cents for TALCO, and 1.9 cents for state entities. See "Энергохолдинг Таджикистана предложил повысить тарифы на 20%" ["Tajikistan's energy holding company suggested raising tariffs by 20 per cent"], CA-NEWS, 28 October 2010, <http://ca-news.org/news/522621>.

¹⁴² For revenues from cotton and aluminum see Ministry of Finance of the Republic of Tajikistan, "Budget Performance Report: January-December 2009", p. 6, <http://minfin.tj/downloads/BudgetPerformanceReport2009eng.pdf>; "Талко – 35 лет!" ["TALCO – 35 years!"], Asia-Plus, 2 April 2010, www.asiaplus.tj/articles/223/4654.html.

¹⁴³ For more on TALCO, see Crisis Group Asia Report N°162, *Tajikistan: On the Road to Failure*, 12 February 2009, pp. 14-15.

any audit of the off-shore company, where most revenues are suspected to go.¹⁴⁴

A senior donor says, “When we mention TALCO [to government officials], they say, ‘Don’t touch that!’”¹⁴⁵ However, until the Tajik leadership comes clean about the aluminium company, any energy reform is impossible. Barki Tajik, one expert notes, cannot simply turn off the switch on TALCO whether it pays or not, because it will immediately get a call from the highest levels of government to reverse the decision.¹⁴⁶ So the national electricity company remains hostage to the elite’s economic interest. The government refused a recent effort by donors to outsource administrative functions for Barki Tajik, and any reforms at mid-level management are no longer enough to produce real improvements.¹⁴⁷ The financial viability of the company is a serious concern. In October 2010 it was reported that Barki Tajik’s bank accounts were empty and all ongoing payments were temporarily suspended after it had made an advance payment for gas to Uzbekistan.¹⁴⁸

Due to mismanagement, the energy sector in both countries runs up high technical and commercial losses. Experts put the combined figure at around 45 per cent of the total output.¹⁴⁹ There has been little effort in either country to calculate realistic tariffs, or produce a viable estimate of the remaining life span of power generating plants. The suggested tariff amounts are said to be guesstimates or a political balancing act of raising the price as high as possible without prompting a backlash. In both countries the idea of introducing a foreign company to improve payment collection is a non-starter. A senior official in Naryn, Kyrgyzstan, openly admits, “If ordinary people are stopped from stealing, there would be an explosion of social unrest”.¹⁵⁰

¹⁴⁴ Crisis Group interview, senior Western official, Dushanbe, October 2010.

¹⁴⁵ Crisis Group interview, senior international donor, Dushanbe, October 2010.

¹⁴⁶ Crisis Group interview, energy expert, Dushanbe, October 2010.

¹⁴⁷ Crisis Group interview, senior international official, Dushanbe, October 2010.

¹⁴⁸ “Плюс-минус 630 млн. сомони. «Барки Точик» – крупнейший «банк долгов» в таджикской экономике” [“Give or take 630 million Somoni. Barki Tajik is the largest “bank of debts” in the Tajik economy”], Avesta, 9 October 2010, www.avesta.tj/index.php?newsid=6589.

¹⁴⁹ This is the estimate from many regional experts. Officials claim the losses to be around 25 per cent in Kyrgyzstan and 17 per cent in Tajikistan out of the total energy output. See “Министр О.Артыкбаев: В Кыргызстане реальная себестоимость электроэнергии составляет 1,40 сома” [“Minister O. Artykbaev: In Kyrgyzstan the real cost of energy is 1.4 Som”], AKI Press, 16 September 2010, <http://business.akipress.org/news:114301>.

¹⁵⁰ Crisis Group interview, senior regional official, Naryn, September 2010.

3. One step forward, two steps back

Unwilling to conduct deep reforms that would open up the energy sector and attract foreign investment, the governments rely on their own finances and bilateral loans (mostly from Russia and China), with few conditions on accountability, to complete large-scale projects.

Kyrgyzstan has not been able to secure a loan from China to build additional transmission lines.¹⁵¹ It is pinning its hopes of solving its chronic and politically sensitive winter power cuts on two major hydropower plants. Kambarata-1 and Kambarata-2 are located in southern Kyrgyzstan, next to the main source of the country’s hydroelectricity, the Toktogul reservoir. It started building the Kambarata-2 hydropower plant in 2007 by using the money collected from tariffs and distribution companies in a non-transparent process. The first unit was opened with much fanfare in August 2010. But Kambarata-2 will not help much with winter power deficits without Kambarata-1, the funding for which is up in the air after Moscow suspended a \$1.7 billion loan in early 2010.¹⁵²

Instead Kambarata-2 has become another vehicle for graft. The government estimates that 50 per cent of the funds allocated during the Bakiyev administration were stolen.¹⁵³ A foreign expert says the same might have happened to the Russian loan of \$100 million that was spent within a record timeframe of four months in 2009-2010.¹⁵⁴ At the time Moscow also complained that the Kyrgyz government was misusing an earlier financial aid package worth \$450 million. Both Russia and China need to change their approach toward bilateral aid and introduce greater accountability and monitoring mechanisms for their grants and loans in the region.

¹⁵¹ Дарья Подольская, “Аскарбек Шадиев: Китайская сторона подняла цену на возведение высоковольтной линии «Датка-Кемин» в Кыргызстане” [Darya Podolskaya, “Askarbek Shadiyev: The Chinese side raised the price for constructing the high-voltage transmission line “Datka-Kemin” in Kyrgyzstan”], 24kg, 13 January 2011, www.24.kg/parlament/90616-askarbek-shadiyev-kitajskaya-storona-podnyala-cenu.html.

¹⁵² Виктория Панфилова, “Кыргызские качели” [Viktoria Panfilova, “The Kyrgyz Swings”], Nezavisimaya Gazeta, 26 February 2010, www.ng.ru/cis/2010-02-26/5_kirgizia.html.

¹⁵³ “30 августа будет запущен первый агрегат на гидроэлектростанции Камбарата-2” [“The first unit at the Kambarata-2 hydropower station will be launched on 30 August”], Kyrtag.kg, 30 June 2010.

¹⁵⁴ Crisis Group interview, energy expert, Bishkek, November 2010.

4. Rogun: Rakhmon's legacy to Tajikistan

In January 2010 the Tajik government launched a public campaign to collect funds for the Rogun dam and hydro-power plant, which was first conceived in the late Soviet period. At that time Uzbekistan welcomed the project, which would be used primarily to irrigate its cotton fields. The dam was never built because of the Soviet collapse and the civil war in Tajikistan in the 1990s. The Tajik government now sees Rogun as a means to supply energy for domestic consumption and export. The plan has generated fierce opposition from Uzbekistan, which believes that the dam would allow Tajikistan to control the flow of water used by Uzbek agriculture. Uzbekistan repeatedly notes that the future dam, 335m high, would be located in one of the most seismically active regions of the world and may bring catastrophic consequences to Tajikistan's neighbours in case of an earthquake. In 2008 Tajikistan (along with Kyrgyzstan) has entered a period of increased seismic activity, which is likely to peak in 2013-2015.¹⁵⁵ Under such circumstances, a rigorous scientific evaluation of the area around the future hydropower plant is critical to ensure safety.

The Tajik government's public campaign to collect funds was ill conceived, inflicted serious damage on the Tajik economy and increased discontent. Officially voluntary, it was in fact compulsory, and placed considerable economic strain on the country's impoverished population. Quotas to buy shares were imposed on businesses, state institutions and private citizens. The campaign reduced the national GDP by at least 1 per cent.¹⁵⁶ The international community was so disturbed by the campaign it made a rare joint demarche to the president, and in early 2010 stepped in to stop the campaign before it inflicted more economic damage.¹⁵⁷ The World Bank announced an environmental feasibility study on the plant, as the government agreed to halt the purchase of the shares.¹⁵⁸

Ironically once it had collected the money – a total of \$187 million – the government did not seem to know what to do with it. After several unsuccessful attempts (due to low interest rates and unfavourable terms of withdrawal), it

deposited \$35.8 million in private banks¹⁵⁹ and transferred between \$16.5-\$17.3 million for ongoing construction works at Rogun. It is not clear however what will happen with the remainder.¹⁶⁰ Lack of transparent accounting procedures also makes it impossible to figure out how another \$150 million that the government put toward Rogun through a regular budgetary allocation was used.¹⁶¹ What is worse, by turning the Rogun project into what one visiting journalist called "a new communism",¹⁶² the authorities have boxed themselves into a corner. They hope the World Bank study will endorse the next phase of construction. In reality the report is likely to produce a series of recommendations to improve its security.¹⁶³ A local expert says nobody in the president's entourage dares tell him how ineffective this campaign was and how unfeasible the project is without large-scale foreign investment.¹⁶⁴

5. Dark future

While the governments are preoccupied with grand plans, infrastructure is slowly collapsing. The thermal plant which heats the Kyrgyz capital has been described as fit only for scrap metal.¹⁶⁵ Severelektro, the largest supplier of electricity to northern Kyrgyzstan, requires new equipment that would cost \$260 million and has on average eight to ten emergency power outages daily.¹⁶⁶ Senior government

¹⁵⁵ Crisis Group interview, regional expert in seismology, Bishkek, January 2011.

¹⁵⁶ Crisis Group interview, international official, Dushanbe, October 2010.

¹⁵⁷ Crisis Group interviews, international donors, Dushanbe, October 2010. Many donors say the International Monetary Fund (IMF) was the driving force behind the decision.

¹⁵⁸ Konstantin Parshin, "Tajikistan: World Bank offer energises Rogyn hydropower project", EurasiaNet.org, 15 March 2010, www.eurasianet.org/departments/insight/articles/eav031610.shtml; Crisis Group interview, senior international official, Dushanbe, October 2010.

¹⁵⁹ The figures are taken from "В Таджикистане до конца года начнется первый этап создания вторичного рынка оборота акций Рогунской ГЭС" ["In Tajikistan the first stage of establishing the secondary market for the circulation of Rogun hydropower plant shares will be open by the end of the year"], CA-NEWS, 25 October 2010, <http://ca-news.org/news/518961>.

¹⁶⁰ Experts predict that the money will languish at the national treasury or be quietly used for other purposes. Crisis Group interviews, local energy experts and political analysts, Dushanbe, October 2010.

¹⁶¹ The publicly available estimates suggest that at least half of the allocated amount seems to have not been used, most likely due to the transportation blockade by Uzbekistan. See "Строительство Рогуна оценивается в \$2,2 млрд" ["The construction of Rogun is estimated at \$2.2 billion"], Avesta, 15 November 2010, www.avesta.tj/index.php?newsid=6637.

¹⁶² Crisis Group interview, foreign journalist, Almaty, March 2010.

¹⁶³ Crisis Group interview, senior international official, Dushanbe, October 2010.

¹⁶⁴ Crisis Group interview, energy expert, Dushanbe, October 2010.

¹⁶⁵ Crisis Group interview, energy expert, Bishkek, September 2010.

¹⁶⁶ Данияр Каримов, "Новые тарифы на электроэнергию позволят крупнейшей распределительной энергокомпания Кыргызстана проводить текущий ремонт сетей в полном объеме" [Daniyar Karimov, "New energy tariffs will enable Kyrgyzstan's largest distribution company to complete ongoing network repairs on a full scale"], 24kg, 17 November 2009, www.24kg.com.

officials acknowledge that 70 per cent of all equipment is in a state of serious decay. They hope that occasional repairs can keep it working for another ten to fifteen years.¹⁶⁷ An energy specialist in one remote region does not share this optimism. He says most Soviet-era equipment no longer works. So they are forced to buy the cheapest spare parts from China, use them for one winter and then replace them again. He adds, “We lack even the most basic stuff – gloves and robes”.¹⁶⁸

In Tajikistan, Barki Tajik’s maintenance of the energy system is at best ad hoc. Investments in equipment are directed mostly toward Rogun, which president Emomali Rakhmon believes will be his legacy to the people of Tajikistan. Energy specialists in Dushanbe, meanwhile, are haunted by the nightmare that a sudden massive surge in energy demand will simply put transmission lines and power substations out of commission.¹⁶⁹ Given the rapid increase in the public consumption of electricity,¹⁷⁰ the scenario is not that far-fetched. As early as ten years ago, the management team at the Nurek hydropower plant, the largest supplier of energy in the country, raised the issue of replacing old equipment. But the rehabilitation process has been very slow and financed mostly by donors.¹⁷¹

The government is forced to rely on old experts when things get dire. “So they drag out Davydov¹⁷² [former minister of energy] and Fisher [current deputy chair of the Agency on Reconstruction]”, says an energy specialist in Bishkek, “What are they going to do when these people leave or die?”¹⁷³ The situation is even more desperate in more re-

mote parts of the country. A local expert from central Kyrgyzstan says, “We do not have any qualified workforce to do many upgrades. Those people are long gone”.¹⁷⁴ Tajikistan is in a similar position. Experts complain that the political leadership sees most of them as servants and ignores their knowledge.¹⁷⁵ In both countries regional and clan affiliations take priority over professionalism. In Tajikistan appointees to lucrative managerial positions are said to come from Dangara district, the president’s home turf.

The countries have to decide whether they want to have a functioning energy system and a modern economy or go backwards in development, because the energy sector has no more fat left in it. There have been ominous signs of what to expect in the future. In winter 2007-2008 Tajikistan went pitch dark as the government could not provide power for weeks.¹⁷⁶ Kyrgyzstan avoided a similar experience in the winter of 2008-2009 only thanks to early and massive power rationing.¹⁷⁷ In 2009 both countries experienced large-scale failures that highlighted the system’s fragility. In April a breakdown at one substation left northern regions of Kyrgyzstan and southern areas of Kazakhstan without power for several hours.¹⁷⁸ In December the government admitted that two units at the Toktogul hydropower plant, the largest supplier of energy in the country, unexpectedly went out of service.¹⁷⁹ A month earlier, an outage at Tajikistan’s Nurek hydropower plant left the whole country and southern regions of Uzbekistan without electricity.¹⁸⁰

The streak of technological failures continued in 2011. On 5 and 8 January 2011 the breakdown of transmission lines in Kyrgyzstan disrupted electricity exchanges between Kyrgyzstan, Uzbekistan and Kazakhstan, left consumers without power for hours, and prompted the Ka-

24.kg/economics/65700-novye-tarify-na-yelektroyenergiyu-pozvolyat.html.

¹⁶⁷ “Осмонбек Артыкбаев: Главная задача энергетиков Кыргызстана – вернуть доверие граждан” [“Osmonbek Artykbaev: The main goal for energy specialists of Kyrgyzstan is to regain citizens’ trust”], AKI Press, 30 June 2010, <http://kg.akipress.org/news:233701>.

¹⁶⁸ Crisis Group interview, energy specialist, Naryn region, September 2010.

¹⁶⁹ Crisis Group interview, senior international official, Dushanbe, October 2010.

¹⁷⁰ The public consumption of electricity has grown from 1 billion kw/h during the Soviet Union to 4 billion kw/h per year. Five largest cities of Tajikistan where only 14 per cent of the country’s total population resides consume 41 per cent of all energy. Crisis Group interview, local energy experts, Dushanbe, October 2010.

¹⁷¹ Crisis Group interview, international donor, Dushanbe, October 2010.

¹⁷² Ilyas Davydov is under investigation for his role in the energy sector during the Bakiyev administration. See Diedre Tynan, “Kyrgyzstan: Corruption crackdown intensifies in Bishkek”, EurasiaNet, 2 November 2010, www.eurasianet.org/node/62287.

¹⁷³ Crisis Group interview, local energy expert, Bishkek, September 2010.

¹⁷⁴ Crisis Group interview, energy specialist, Naryn region, September 2010.

¹⁷⁵ Crisis Group interview, energy expert, Dushanbe, October 2010.

¹⁷⁶ For more see Crisis Group Report, *Tajikistan: On the Road to Failure*, op. cit., pp. 5-6,

¹⁷⁷ For more see Crisis Group Briefing, *Kyrgyzstan: A Hollow Regime Collapses*, op. cit., p. 3. An expert says the winter consumption was curtailed by 30 per cent. Crisis Group interview, energy expert, Bishkek, November 2010.

¹⁷⁸ “Юг Казахстана погрузился во мрак” [“Kazakhstan’s South plunged into the darkness”], KEGOC, 15 April 2009, www.kegoc.kz/enpress_cter/media_advisory/2009/04/385.

¹⁷⁹ “Авария на Токтогульской ГЭС встревожила всю страну” [“The accident at the Toktogul hydropower plant alarmed the whole country”], Radio Azattyk (RFE/RL), 8 December 2009, www.azattyk.org/content/Kyrgyzstan__Toktogul_incident/1897774.html.

¹⁸⁰ “Авария на Нурекской ГЭС оставила Таджикистан без электроэнергии” [“The accident at the Nurek hydropower plant left Tajikistan without power”], Lenta.ru, 9 November 2009, www.lenta.ru/news/2009/11/09/blackout/.

zakhstan Electricity Grid Operating Company (KEGOC) to announce new steps to decrease the country's dependence on UESCA.¹⁸¹ Although there are technical solutions to existing problems, a political decision should precede them. A foreign expert put it this way, "If they [the government] just quit stealing, they would have an energy sector here".¹⁸²

D. TRANSPORTATION

1. Deterioration and lack of funds

Roads in both states are rapidly deteriorating without short-term maintenance and long-term investment. In Tajikistan almost half of the roads are classified by the Asian Development Bank to be in a poor condition.¹⁸³ In Kyrgyzstan the lack of maintenance caused a loss of \$1 billion in road assets in the post-Soviet decade. One fifth of all roads have deteriorated beyond the point of rehabilitation and need full-scale reconstruction.¹⁸⁴ A government study in 2010 examined 43 per cent of the national roads and found all of them in an unsatisfactory condition.¹⁸⁵ A senior transportation official in Bishkek acknowledges that without donors the country would have lost its roads altogether, whereas "now it is mostly stagnation with ups and downs".¹⁸⁶

The absence of regular funding for reconstruction and maintenance is a primary cause of the decay. In Kyrgyzstan a Road Fund was established in 2003 with the goal to generate regular revenue for transportation needs. It has never functioned as planned. Any collected money was immediately transferred to the ministry of finance to plug more urgent budget holes. The government provides only 20 per cent of the amount needed for road repair.¹⁸⁷ The situation is similar in Tajikistan where most funding is also disbursed in an ad hoc manner. "We are now rehabilitating the same roads we built several years ago", says a senior foreign aid official in Dushanbe.¹⁸⁸ In this situation the government functions mostly as an emergency crew. A senior transportation official in Bishkek says, "Where it is already breaking apart, this is where we fix the road".¹⁸⁹

2. A great vision, limited planning

Kyrgyzstan and Tajikistan are landlocked and heavily dependent on roads for trade and commerce. Their mountainous terrain makes transportation challenging and expensive. Both countries have made ambitious plans to improve the transportation infrastructure, but lack the necessary planning to implement them.

By 2012 Tajikistan plans to construct and rehabilitate 1,650km of roads, 15km of tunnels and 100 bridges.¹⁹⁰ The country intends to build a road network that would connect its northern and central parts and eliminate the reliance on Uzbekistan. At present several areas in northern Tajikistan (in particular the Zaravshan valley) can be accessed in winter months only through Uzbekistan due to the mountainous terrain. On 1 November 2010 Uzbekistan shut down a border pass that allowed Zaravshan residents to travel through Uzbekistan's Samarkand region to Tajikistan.¹⁹¹ Kyrgyzstan has secured international funding to rehabilitate the Bishkek-Naryn-Torugart highway, which carries over half of the country's trade with China. Officials in Bishkek and Naryn believe the road would not only decrease the cost of transported goods, but also

¹⁸¹ "Аварии в ОЭС Центральной Азии вызвали разделение транзита «Север-Юг Казахстана» ["The breakdowns of the United Energy System of Central Asia caused the disruption of Kazakhstan's 'North-South' transit"], KEGOC press release, 6 January 2011, www.kegoc.kz/enpress_cter/news/2011/01/1198; "Отключение электроэнергии в Бишкеке и Чуйской области произошло по техническим причинам, - замминистра энергетики" ["Deputy Minister of Energy: The electricity outage in Bishkek and Chui region occurred due to technical reasons"], AKI Press, 10 January 2011, <http://business.akipress.org/news:148951/>.

¹⁸² Crisis Group interview, energy expert, Bishkek, September 2010.

¹⁸³ "Concept Paper: Republic of Tajikistan: CAREC Corridor 3 (Dushanbe-Uzbekistan Border) Improvement Project", Asian Development Bank, June 2010, www.adb.org/Documents/Concept-Papers/TAJ/42052-02-taj-cp.pdf.

¹⁸⁴ "Proposed Loan and Asian Development Fund Grant Kyrgyz Republic: CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 2", Asian Development Bank, June 2009, p. 19, www.adb.org/Documents/RRPs/KGZ/42399-KGZ-RRP.pdf.

¹⁸⁵ "ГУБДД Кыргызстана: Практически все дороги страны находятся в неудовлетворительном состоянии" ["Kyrgyzstan's GUBDD [the Main Directorate for Transportation Safety]: Almost all of the country's roads are in an unsatisfactory condition"], 24kg, 6 December 2010, www.24.kg/community/88239-gubdd-kyrgyzstana-prakticheski-vse-dorogi-strany.html.

¹⁸⁶ Crisis Group interview, senior transportation official, Bishkek, September 2010.

¹⁸⁷ "Proposed Loan and Asian Development Fund Grant Kyrgyz Republic: CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 2", Asian Development Bank, op. cit., June 2009, p. 22.

¹⁸⁸ Crisis Group interview, senior international donor, Dushanbe, October 2010.

¹⁸⁹ Crisis Group interview, senior transportation official, Bishkek, September 2010.

¹⁹⁰ "Foreign Aid Report 2009", State Committee on Investments and State Property Management of the Republic of Tajikistan, 2010, p. 49. The report available in Russian at: http://amcu.gki.tj/index.php?option=com_content&task=view&id=153&Itemid=214.

¹⁹¹ Konstantin Parshin, "Uzbekistan vs. Tajikistan: Competition over water resources intensifying", EurasiaNet.org, 8 December 2010, www.eurasianet.org/node/62528.

revitalise socially depressed areas in the Naryn and Issyk Kul regions.¹⁹²

When it comes to the main road corridors, both governments plan to continue relying on big international and bilateral partners for construction. In Kyrgyzstan international organisations have invested over \$400 million to rehabilitate 1,600km of roads between 1995 and 2008.¹⁹³ China's Export Import Bank is the largest investor in the transportation infrastructure of Tajikistan with most funds going to works and goods.¹⁹⁴ Any road building in the country right now seems to be done by China. Donors justify their focus on international road corridors by pointing to huge transportation needs in each country and hoping that positive effects from their projects will spill over into local infrastructure.¹⁹⁵

Given the financing mechanisms for regional and local roads, this is unlikely. In both countries the government transferred the responsibility for local transportation to regional and local authorities. Neither has a tax base sufficient for any regular repairs and maintenance. A senior official in Naryn says, "local taxes are a pittance".¹⁹⁶ In Tajikistan only four out of 62 districts (*rayons*) are financially sustainable and can afford road maintenance on their own.¹⁹⁷ Before delegating responsibility, the government in Dushanbe needs to improve the managerial capacity of local governments through proper staffing, training and compensation.

Both countries lack a comprehensive plan for the road sector development. This results in funding imbalances and inefficiencies. Kyrgyzstan's Bishkek-Osh highway, stretching 650km from the north to the south of the country, accounts for 10 per cent of the transportation network. It consumes, however, over 40 per cent of all budget allocations on transportation.¹⁹⁸ There is, moreover, a continued loss of experienced technical and managerial personnel

and no strategy to ensure a supply of professionals to meet current and future demands.

3. For whom the road tolls

Even when the two governments pay lip-service to market mechanisms, their grasp of the concept seems shaky. The Dushanbe-Chanak road in Tajikistan is a case in point. Built with a \$280 million loan from China, the "Road of Unity" connects northern and southern parts of the country. On 1 April 2010 the government opened toll booths, operated by a private company, Innovative Road Solution (IRS), a company registered as an off-shore entity in the British Virgin Islands.¹⁹⁹ The road toll is between 30 diram and 1 somoni 88 diram (7 to 42 cents) per kilometer.²⁰⁰ While the minister of communication and transport insists the company won a tender, an IRS representative denies any competitive bidding was ever held.²⁰¹ IRS explains its off-shore status as an arrangement "to minimise the level of taxes, which in the end leads ... to confidentiality".²⁰² Although such conditions might be beneficial for a business, it is unclear how they would benefit a government constantly starved of revenues and with an international image for opaque business dealings.²⁰³

The authorities said the toll was necessary to pay back the Chinese loan and maintain the road. IRS is claimed to be responsible for road maintenance. In fact the government, not IRS, is repaying the loan.²⁰⁴ Many experts argue the toll was too high and the arrangement did not provide an alternative route.²⁰⁵ Calculations by a local economist suggested that IRS would gain \$49 million annually from the road, an amount that is second only to VAT in its contri-

¹⁹² Crisis Group interviews, senior transportation official, Bishkek, senior regional official, Naryn region, September 2010.

¹⁹³ "Proposed Loan and Asian Development Fund Grant Kyrgyz Republic: CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 2", Asian Development Bank, op. cit., p. 2.

¹⁹⁴ "Foreign Aid Report 2009", State Committee on Investments and State Property Management of the Republic of Tajikistan, op. cit., p. 51.

¹⁹⁵ Crisis Group interviews, senior international donors, Bishkek and Dushanbe, September-October 2010.

¹⁹⁶ Crisis Group interview, senior regional official, Naryn region, September 2010.

¹⁹⁷ Crisis Group interview, senior international donor, Dushanbe, October 2010.

¹⁹⁸ "Proposed Loan and Asian Development Fund Grant Kyrgyz Republic: CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 2", Asian Development Bank, op. cit., p. 22.

¹⁹⁹ TALCO's offshore company is also registered on the British Virgin Islands.

²⁰⁰ IRS, "Тариф начальной стадии платного обслуживания автомобильной дороги Душанбе-Чанак на 2010 год" ["The initial tariff for the toll service of the Dushanbe-Chanak road in 2010"], www.irs.tj/tarif/.

²⁰¹ "Tajik Official Says Toll Road Operating Illegally", Radio Free Europe/Radio Liberty, 5 May 2010, www.rferl.org/content/Tajik_Official_Says_Toll_Road_Operating_Illegally/2032878.html.

²⁰² Камилла Саидова, "IRS уверена в своем профессионализме" [Kamilla Saidova, "IRS is certain about its professionalism"], Asia Plus, 9 July 2010, <http://asiaplus.tj/articles/33/5053.html>.

²⁰³ In the recent Transparency International Corruption Perceptions Index, Tajikistan ranks 158th along with Cambodia and Central African Republic. See "Corruption Perceptions Index 2009", Transparency International, www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table.

²⁰⁴ "Платные дороги в Таджикистане сделали государственной тайной" ["Paid roads in Tajikistan turned into a state secret"], Deutsche Welle, 6 July 2010, www.dw-world.de/dw/article/0,,5762913,00.html.

²⁰⁵ Crisis Group interviews, senior international donors, Dushanbe, October 2010.

bution to state taxes.²⁰⁶ In a rare show of public discontent 10,000 people signed an open letter to President Rakhmon on 22 April 2010 asking him to review the situation and lower the toll.²⁰⁷ In May the toll for small passenger cars was reduced.²⁰⁸ The government may now have to reimburse IRS for the profit lost on the more socially friendly rate.²⁰⁹

To respond to the public backlash and charges from the state antimonopoly service, a hastily assembled government commission declared on 22 June 2010 that the company operated legally.²¹⁰ But in July 2010 a respected media outlet alleged that Jamollidin Nuraliyev, the president's son-in-law and a deputy minister of finance, owned the company.²¹¹ Although IRS vehemently denied the allegation,²¹² it has never made public the owners of the company. The minister of trade asserted the name of the IRS owner was a secret, without giving any reasons why.²¹³

²⁰⁶ Виктор Лядский, "Компания с большой дороги" [Viktor Lyadskiy, "The company from a big road"], Asia Plus, 25 June 2010, www.asiaplus.tj/articles/240/5012.html.

²⁰⁷ Расул Шодон, "10 тысяч человек просят президента пересмотреть тарифы за использование дороги Душанбе-Чанак" [Rasul Shodon, "10,000 people ask the president to review the tariffs for using the Dushanbe-Chanak road"], Asia Plus, 22 April 2010, www.toptj.com/ShowNews.aspx?news_id=5A94995B-DAED-4212-A3AB-4859F1D6062D.

²⁰⁸ "Таджикистан: вдвое снижает тариф за проезд на одном участке «Дороги Единства», власти засыпают объездные дороги песком и щебнем" ["Tajikistan: IRS lowers the tariff in half on one section of the 'Road of Unity', the authorities pour sand and rubble on by-passing roads"], Ferghana.ru, 21 July 2010, www.ferghana.ru/news.php?id=15238&mode=snews.

²⁰⁹ Хайрулло Мирсаидов, "Донжуаны из IRS" [Khairullo Mirsaidov, "Don Juans from IRS"], Asia-Plus, 6 November 2010, <http://asiaplus.tj/articles/96/5551.html>.

²¹⁰ On 27 May 2010 the antimonopoly service ruled that IRS was operating in Tajikistan illegally. See Тилав Расул-заде, "Таджикистан: «Дорога Единства» обходится слишком дорого" [Tilav Rasul-zade, "Tajikistan: 'The Road of Unity' costs too much"], Ferghana.ru, 30 May 2010, www.ferghananews.com/article.php?id=6597.

²¹¹ "Радио Азаттык: Зять президента Таджикистана оказался под прицелом из-за платной дороги" ["Radio Azattyk: The son-in-law of Tajikistan's president came under scrutiny because of the toll road"], CA-NEWS, 20 July 2010, <http://ca-news.org/news/438221>.

²¹² Камилла Саидова, "IRS уверена в своем профессионализме" [Kamilla Saidova, "IRS is certain about its professionalism"], Asia Plus, 9 July 2010, <http://asiaplus.tj/articles/33/5053.html>.

²¹³ Konrad Mathesius, "Tajik toll road raises public ire, stokes corruption concerns", EurasiaNet, 17 September 2010, www.eurasianet.org/node/61959. On 31 July 2010, Fattoh Saidov, head of the Agency on State Financial Control and Fight Against Corruption, clarified that IRS's activities were "trade

As the debate unfolded, some donors and Western diplomats wondered if the road debacle would do to the Rakhmon government what the energy tariffs did to President Bakiyev in Kyrgyzstan.²¹⁴ This did not happen. But donors say it is unclear which lesson the government has drawn from this experience – that you cannot use public infrastructure for private gain or that next time you need to better calculate the pain threshold for tolls. They say their conversations with high-level state officials indicate the latter is more likely.²¹⁵

E. DONORS: PATCHES OF GREEN

Extensive donor involvement in Kyrgyzstan and Tajikistan since independence has, as a senior aid official remarked, brought "very, very limited improvement".²¹⁶ Part of the blame lies with the governments, which "cannot tackle the fundamental challenge of managing their own countries".²¹⁷ Blame also lies with donors, whose operations are often disorganised and frequently uncoordinated with other international organisations on the ground. Numerous reform projects are implemented locally without any consideration of how they would be scaled up nationwide. At best, one donor says, you get "patches of green" where such efforts succeeded.²¹⁸ At worst, those patches quickly dry up once donor support stops. The piloting mode of reforms overwhelms weak government structures, which in many cases do not know what projects are underway and how they benefit larger goals of development. To stop the present cacophony of assistance, international organisations should agree on broad principles and specific targets for their programs while keeping in mind the strong likelihood of further general deterioration in both countries.

A local observer notes that donors often pick up the local thinking, summarised by the Russian saying – "just let there be no war" ("лишь бы не было войны").²¹⁹ Any accomplishment is therefore praised as a milestone compared to the 1990s civil war in Tajikistan, or the possibility of the country's disintegration in Kyrgyzstan. Low benchmarks produce a culture of low expectations. Donors in Tajikistan keep congratulating themselves on containing

secrets", but not the owner's name. No further details have since been provided.

²¹⁴ Crisis Group interviews, international officials, Dushanbe, October 2010.

²¹⁵ Crisis Group interviews, international donors, Dushanbe, October 2010.

²¹⁶ Crisis Group interview, senior international donor, Dushanbe, August 2009.

²¹⁷ Ibid.

²¹⁸ Crisis Group interview, Western donor, Almaty, August 2009.

²¹⁹ Crisis Group interview, local observer, Dushanbe, October 2010.

the polio outbreak.²²⁰ It might not have happened at all, however, had they pressed the government to address the issue in a timely manner.

This thinking also discourages a systemic approach; instead donors and the governments move from one crisis to the next. Many development institutions, like the World Bank and the Asian Development Bank, have often become mere vehicles for disbursing large loans with insufficient concern about accountability or long-term impact. An international education expert says her colleagues at the World Bank seem to have only one goal – to ensure a smooth passage of funds through a programmatic cycle.²²¹ A long-term vision is hard, a specialist in healthcare adds, when bank managers visit the region only on short-term missions.²²² Conditionality remains an unachievable dream even for the least controversial forms of assistance. Donors, for example, spend substantial funds to train local officials, only to see those officials re-assigned to a new post within six months. However, nobody wants to raise this point with the most senior leadership of their host states. Until donors are willing to challenge the mechanisms of aid delivery, establish higher standards of performance for themselves and the authorities, and impose stricter conditions for support, their efforts will continue to lag behind what is needed for real change.

III. UZBEKISTAN AND TURKMENISTAN: UNKNOWN KNOWNS

In Uzbekistan and Turkmenistan the façade of reform and prosperity conceals a deep corrosion of human and physical infrastructure. Education is paralysed by ideological dogmas and is focused more on indoctrinating than teaching. Healthcare is divorced from reality and unable to grapple with the true extent of existing problems due to secrecy and data falsifications. The energy and transportation sectors have nothing to show but a declining level of service for the large infusions of cash that they regularly receive from the government. Systemic and systematic change is impossible because of overwhelming state control, ideological constraints and a fear of genuine innovation.

A. HEALTHCARE: THE STATE OF DENIAL

1. Data manipulation

Authorities in Turkmenistan and Uzbekistan routinely misreport key healthcare indicators, such as child and maternal mortality, and the incidence of infectious diseases.²²³ “The governments do not want to be seen as failing in their responsibility to the people”,²²⁴ says one regional observer, so they ignore any negatives. In Turkmenistan, maternal mortality in 2006 was lower than in the Netherlands, according to government figures.²²⁵ While the country is experiencing a substantial and unaddressed epidemic of HIV/AIDS,²²⁶ the government has so far acknowledged only two cases.

Many experts fear much higher numbers given a growing population of intravenous drug users and a booming sex trade in the Turkmen capital. An international healthcare expert says when the problem of HIV is raised with her Turkmen colleagues, “they just smile awkwardly and lower their eyes”.²²⁷ Uzbek authorities are no better. They deny any cases of polio and are reported to have changed the samples of suspected polio carriers sent for further testing

²²³ Crisis Group interview, international health experts, April-September 2010.

²²⁴ Crisis Group interview, regional expert, Almaty, May 2010.

²²⁵ Bernd Rechel, Inga Sikorskaya, and Marin McKee, “Health in Turkmenistan after Niyazov”, European Centre on Health of Societies in Transition and London School of Hygiene & Tropical Medicine, 2009, p. 16, www.lshtm.ac.uk/centres/ecohost/public_health/niyazov/health_in_turkmenistan_after_niyazov.pdf.

²²⁶ “Turkmenistan – HIV/AIDS Country Profile”, WHO, 19 June 2008, www.euro.who.int/aids/ctryinfo/overview/20060118_47. The informal estimate was about 500 infected in 2007 (See “Health in Turkmenistan after Niyazov”, op. cit., p. 18).

²²⁷ Crisis Group interview, international health expert, Almaty, March, 2010.

²²⁰ See section “Healthcare: On its Last Legs”.

²²¹ Crisis Group interview, education expert, November 2010.

²²² Crisis Group interview, healthcare specialist, October 2010.

to Moscow.²²⁸ Foreign experts think the danger of a large-scale polio outbreak remains high in Uzbekistan, especially with the epidemic raging in neighbouring Tajikistan.²²⁹

These official denials have a number of implications. First, no one knows the real situation with health in these countries.²³⁰ National governments receive an already skewed picture as data is falsified at the local and regional level.²³¹ Donors cannot provide proper assistance. One foreign expert who developed a project in Uzbekistan said the government counterparts presented five different sets of statistics on key health indicators to fit a particular narrative.²³²

Second, official lies undermine the domestic stability they are supposed to foster. During the winter of 2009-2010 the Turkmen government denied any cases of swine flu and banned the wearing of protective masks. There was a growing wave of public tension and discontent, one international observer says, when rumours spread in Ashgabat, the country's capital, that thousands had died from the flu.²³³

Third, given the atmosphere of secrecy and taboo, prevention efforts cannot proceed in earnest. Less than half of young people in Turkmenistan know how to avoid HIV infection.²³⁴ In Uzbekistan the government fined a popular medical site, saying it was pornography, and imprisoned a civic activist who worked on HIV issues.²³⁵ Finally, the national governments and the international community will be caught off guard in the future when an epidemic erupts

in those states and quickly spreads abroad. TB is said to travel aggressively across the Turkmen-Uzbek border, which people cross often for trade and family visits.²³⁶ The first cases of polio from Uzbek migrant labourers were registered in summer 2010 in Russia.²³⁷ The situation presents a perfect opportunity for donors to work with the highest levels of Russian government to exert pressure on Uzbekistan on this issue of mutual concern.

2. Cosmetic changes

Turkmenistan's first president Saparmurat Niyazov, known as Turkmenbashi, dismantled the Soviet healthcare system without building anything new. The changes started with a noble goal – to reduce the number of inefficient hospitals²³⁸ and improve the quality of primary care.²³⁹ The government took the first step without, however, making any significant investment in outpatient clinics. The sector was also significantly underfunded. One regional expert fears that many state funds during Turkmenbashi's last years may have been diverted to building palaces and statues in his honour.²⁴⁰

His successor, Gurbanguly Berdymukhammedov, has opted on the other hand for luxurious, white marble hospitals in the capital with state-of-the-art equipment and a very narrow medical specialisation.²⁴¹ Nobody has given any thought to how to make these facilities sustainable. At the same time, rural clinics, known as houses of health, are in

²²⁸ Crisis Group interview, senior international official, Bishkek, September 2010.

²²⁹ Crisis Group interviews, senior international officials, September 2010. The Tajik government announced that the epidemic was over since no new cases of polio had been registered in July-December 2010. See "Polio Epidemic in Tajikistan 'Almost Over'", RFE/FL, 29 December 2010, www.rferl.org/content/tajikistan_polio_epidemic/2262660.html.

²³⁰ Crisis Group interview, senior international officials, September 2010.

²³¹ Crisis Group interview, senior international donor, April 2010.

²³² Crisis Group interview, international healthcare expert, Almaty, March 2010.

²³³ Crisis Group interview, senior international official, April 2010. In reality, the source says, no more than twelve to fifteen people died from the disease.

²³⁴ "Background", UNICEF-Turkmenistan, www.unicef.org/infobycountry/Turkmenistan_466.html.

²³⁵ "В Узбекистане за публикацию медицинских терминов сайт обвинили в порнографии" ["In Uzbekistan a website is accused of pornography for publishing medical terms"], CA-News, 26 March 2010, <http://ca-news.org/news/341301>; "В Узбекистане психолог осужден на семь лет за деятельность по профилактике ВИЧ/СПИДа" ["In Uzbekistan a psychologist is sentenced to seven years in jail for HIV/AIDS prevention"], Ferghana.ru, 24 February 2010, www.ferghana.ru/news.php?id=14089&mode=snews.

²³⁶ Crisis Group interview, senior international donor, April 2010.

²³⁷ Crisis Group interview, senior international official, Bishkek, September 2010.

²³⁸ The Soviet healthcare relied on a network of highly specialised hospital services and encouraged hospitalisation over outpatient treatment.

²³⁹ Crisis Group interview, senior Western official, April 2010.

²⁴⁰ Crisis Group interview, regional healthcare expert, Almaty, February 2010. One dissident publication asserts that by the end of Turkmenbashi's tenure in 2006 the healthcare system was made completely self-financing with little budgetary help from the state. See "Реформа здравоохранения" ["The Healthcare Reform"], Khronika Turkmenistana, 8 August 2006, www.chrono-tm.org/?id=126.

²⁴¹ For instance, the government lists among its most recent accomplishments opening the International Treatment Centre on Head and Neck Illnesses, Oncology Centre, Archman, Jyly and Bayramali sanatoria. In the future, the authorities plan to open more specialised clinics, such as the Central Skin and Venereological Hospital, TB Treatment and Prevention Centre, AIDS Prevention Centre, Centre for Treatment and Prevention of Infectious Diseases, Central Lab and Blood Centre (See "Сообщение МИД Туркменистана для средств массовой информации" ["The Information Note of the Ministry of Foreign Affairs of Turkmenistan for the Mass Media"], The Embassy of Turkmenistan in the Russian Federation, <http://turkmenembassy.ru/?q=node/188>).

total disrepair. Many lack the basics, such as phones, radio transmitters and toilets. Experts say the funding from a new rural development program barely trickles down to the level of regional clinics, not to mention rural outposts.²⁴²

In Uzbekistan, President Karimov said the state invested \$1.2 billion in healthcare in 2010 alone,²⁴³ but his initiatives to reform the health sector are rarely implemented.²⁴⁴ Hospitals and clinics suffer from chronic underinvestment, as the present spending on its rehabilitation is significantly below the amortisation rate.²⁴⁵ Two-thirds of all facilities are estimated to require reconstruction of heating and water systems; almost 20 per cent need capital repairs.²⁴⁶ Authorities tend to buy high-end equipment for tertiary-level hospitals to impress the political leadership. Many rural clinics (known in Russian as СВП – сельские врачебные пункты) are said to be in a dire shape with leaking roofs and have not been repainted since the Soviet collapse. Their water supply is often polluted, which severely compromises hygiene and sanitary standards.²⁴⁷ As an international expert notes, “The reforms are not genuine, because the government is afraid the change will not end there”.²⁴⁸

Patients are the losers. In Uzbekistan the quality of primary healthcare is so low that doctors almost automatically refer people to state secondary and tertiary clinics where most services are too expensive for the majority of rural residents.²⁴⁹ Drugs are overpriced by at least 20 per cent,

because the government shuts out competitive bids.²⁵⁰ In reality only acute emergency care is free. In Turkmenistan ordinary people cannot afford to visit a regular doctor, let alone to go to newly built specialised clinics in the capital. While the health insurance premium is automatically deducted from salaries of those who are employed, the unemployed must pay the full price. Since the unofficial unemployment rate is extremely high, this means a great number of people are left behind by the current system. For those who are insured the government seeks to minimise the number of publicly funded referrals.²⁵¹ Obtaining theoretically free medications requires navigating such a complex web of approvals that most people choose to buy them from unlicensed street vendors.²⁵²

3. Human capacity: frightening gaps

Both Turkmenistan and Uzbekistan are short of healthcare professionals, especially in rural and socially depressed areas. In 2006 there were 249 doctors and 449 nurses per 100,000 people in Turkmenistan – a significant reduction compared to 360 doctors and 812 nurses per 100,000 people at the time of the last Soviet census in 1989.²⁵³ In Uzbekistan 10 per cent of rural clinics had no physicians in 2006.²⁵⁴ While the country has an oversupply of nurses,²⁵⁵ most of them do not want to work in economically depressed regions like Karakalpakstan, Jizak, or Surkhandarya.²⁵⁶

More worrying than the low number of medical personnel are their inadequate skills. A local observer in Turkmenistan says that for doctors educated within the last ten to twelve years, standards took second place to political loyalty.²⁵⁷ Few can operate the sophisticated equipment that the government has been buying for new hospitals. A foreign expert spoke of “frightening gaps” in new knowledge

²⁴² Crisis Group interview, international donor, April 2010.

²⁴³ “На развитие здравоохранения в прошлом году Узбекистан направил \$1,2 млрд.” [“Uzbekistan allocated \$1.2 billion for the development of healthcare last year”], CA-News, 24 January 2011, <http://ca-news.org/news/587581>.

²⁴⁴ The government spends \$15 per person on healthcare, which is on par with Malawi. “The 2010 Europe and Eurasia Health Vulnerability Analysis”, United States Agency for International Development (USAID), March 2010, p. 46, http://haiti.usaid.gov/locations/europe_eurasia/health/docs/2010_ee_health_vulnerability_analysis_report.pdf.

²⁴⁵ “Republic of Uzbekistan Assessment of the Primary Health Care Reform: Transparency, Accountability and Efficiency”, World Bank, 20 May 2009, p. xi, www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/07/10/000333037_20090710000658/Rendered/PDF/445300ESW0UZ0P1LIC0Disclosed0718191.pdf.

²⁴⁶ “Promoting Energy Efficiency in Public Buildings in Uzbekistan”, UNDP, Project Document, p. 5, www.undp.uz/en/projects/project.php?id=155.

²⁴⁷ Crisis Group interview, senior international donor, April 2010.

²⁴⁸ Crisis Group interview, senior international aid official, Almaty, April 2010.

²⁴⁹ Crisis Group interview, senior international official, September 2010.

²⁵⁰ “Republic of Uzbekistan Assessment of the Primary Health Care Reform: Transparency, Accountability and Efficiency”, World Bank, op. cit., pp. 39-40.

²⁵¹ “Health Care Systems in Transition”, WHO, 2000, pp. 31-33, www.euro.who.int/__data/assets/pdf_file/0009/96417/E70316.pdf.

²⁵² “Health in Turkmenistan after Niyazov”, op. cit., p. 35. Street vendors who sell medications are locally known as *jaiza-apteka* (an old woman’s pharmacy). See “Туркменская медицина не вызывает доверия у населения” [“Turkmen medicine does not inspire the population’s trust”], Deutsche Welle, 23 March 2010, www.dw-world.de/dw/article/0,,5382669,00.html.

²⁵³ “Health in Turkmenistan after Niyazov”, op. cit., pp. 36-37.

²⁵⁴ “Republic of Uzbekistan Assessment of the Primary Health Care Reform: Transparency, Accountability and Efficiency”, World Bank, op. cit., p. 47.

²⁵⁵ The qualification is believed to improve marriage prospects for girls.

²⁵⁶ Crisis Group interview, civic activist, September 2010.

²⁵⁷ Crisis Group interview, local observer, April 2010.

among his Uzbek colleagues.²⁵⁸ Another added that the teaching standards for doctors dropped significantly with the disintegration of the Soviet Union.²⁵⁹ As a result, in both countries there is rampant misdiagnosis of common conditions, an overuse of antibiotics and a reliance on intravenously administered medications, which, given the problems with the blood supply and hygiene standards, fuels the spread of HIV.²⁶⁰ Ignorance is sometimes compounded by politically inspired callousness. In Turkmenistan patients are discharged when their cases are hopeless, so they can die at home without ruining a hospital's mortality data.²⁶¹ Doctors in Uzbekistan are ordered to recruit women for sterilisation and, during the economically vital cotton-picking season, deny sick notes.²⁶²

Both governments are unwilling to acknowledge gaps in medical expertise. Learning from foreigners is still seen as a dangerous business. In Turkmenistan participants for any foreign trainings are thoroughly vetted by authorities, making it all but impossible for anyone not approved by the government to join an event.²⁶³ The official backlash against a critical *Medicins Sans Frontiers* report in spring 2010 sent shockwaves through the Turkmen medical community.²⁶⁴ To prevent any similar incidents, Uzbek authorities ordered all doctors to obtain permission before visiting international professional conferences.²⁶⁵

²⁵⁸ Crisis Group interview, senior international aid official, September 2010.

²⁵⁹ Crisis Group interview, senior international official, October 2010.

²⁶⁰ Crisis Group interview, senior international aid official, September 2010.

²⁶¹ "Turkmenistan's Opaque Health System", *Medecins Sans Frontieres*, April 2010, p. 7, www.doctorswithoutborders.org/publications/reports/2010/MSF-Turkmenistan-Opaque-Health-System.pdf.

²⁶² Maria Yanovskaya, "Узбекистан: женщин стерилизуют, инструменты – нет" ["Uzbekistan: Women are sterilised, instruments are not"], *Ferghana.ru*, 28 September 2010, www.ferghana.ru/article.php?id=6740; "Uzbekistan Starts Coercive Cotton-Picking Campaign", *IWPR*, 25 September 2010, iwpr.net/report-news/uzbekistan-starts-coercive-cotton-picking-campaign.

²⁶³ Crisis Group interview, local observer, April 2010.

²⁶⁴ "Turkmen civil society attacked following international criticism of Turkmenistan Health System", *CIVICUS*, 16 April 2010, www.civicus.org/press-release/1334.

²⁶⁵ "Узбекистан: Власти берут под строгий контроль заграничные поездки врачей" ["Uzbekistan: authorities get a tight control on overseas trips of doctors"], *Ferghana.ru*, 24 March 2010, www.ferghana.ru/article.php?id=6509.

B. EDUCATION: KEEPING UP APPEARANCES

1. Dumbing it down

Between 1991 and 2007 Turkmenbashi dismantled the modern education system. Secondary schooling was cut to nine years, university education to two. Many social science classes were dropped from the curriculum in favour of highly ideological courses, such as "The History of Neutral Turkmenistan" and "The Independence Policy of the Great Saparmurat Turkmenbashi".²⁶⁶ Schools imposed a severe dress code based on Turkmen national dress for teachers and students regardless of their ethnicity. The country did not have any proper English language textbooks, relying instead on a translation of "Rukhnama", the president's book of spiritual writings, to teach the language.²⁶⁷

Although the education system in Uzbekistan has not been as terribly mismanaged, it remains highly ideological at the expense of the standard curriculum. Social science classes include numerous works by President Karimov, on which students are tested. Some 70 per cent of one university history course is devoted to events since independence and includes such topics as "The Idea of National Independence" and "The Essence of Spirituality".²⁶⁸ A local activist writes, "The school system [in particular] and the education system in general often serve as an inseparable element of implementing various government programs aimed at brainwashing".²⁶⁹ A foreign expert believes the tilt toward "Uzbekisation" (to keep schooling in line with "national values") significantly slows any curriculum reform that would improve the content and quality of courses.²⁷⁰ An ethnic Uzbek who recently visited the country says the indoctrination is similar to the 1940s during Stalin's rule.²⁷¹

2. Half-baked reforms

When the second president of Turkmenistan came to power in 2007, many hoped for genuine liberalisation in the education sector. Their expectations were boosted by the first wave of changes as Berdymukhammedov reinstated the teaching of social sciences, and re-introduced ten years of education for secondary schools and five years for univer-

²⁶⁶ "Образование в Туркменистане" ["Education in Turkmenistan"], *Turkmen Initiative for Human Rights*, November 2006, pp. 13-18.

²⁶⁷ *Ibid.*, p. 13.

²⁶⁸ "Killing the Future", *Transitions Online*, 27 August 2010, www.tol.org/client/article/21750-killing-the-future.html.

²⁶⁹ Crisis Group interview, local activist, September 2010.

²⁷⁰ Crisis Group interview, senior international official, September 2010.

²⁷¹ Crisis Group interview, local observer, September 2010.

sities. However, the reforms have had little substance. What is billed as a major breakthrough in education by Turkmen authorities is, in fact, a mere return to the old Soviet system of schooling, which “works to ensure that youngsters will be aligned with whatever happens politically”.²⁷²

Although the government promised to clear the obstacles for studying abroad, for the past two years students had to go through a torturous process of obtaining exit visas.²⁷³ A local observer says the first year after the tenth grade was re-introduced, teachers simply had no curriculum to teach, so they repeated the material from the ninth grade.²⁷⁴

“Rukhnama”, Turkmenbashi’s ideological treatise, is still included as part of a civics class and tested as a separate university entrance exam. There are worrying signs of an emerging personality cult around president Berdymukhammedov, with students required to study his works.

In Uzbekistan reforms are introduced by administrative diktat. Because new initiatives lack public consultation, negative consequences are not foreseen and people feel little enthusiasm for imposed innovations.²⁷⁵ For instance, the government implemented per capita financing in schools to reward those with better performance.²⁷⁶ It found out belatedly that small rural schools would lose a lot of funding with allocations made on a per student basis.²⁷⁷ Without much advice and consent the government also introduced colleges and lyceums after the ninth grade to encourage specialisation.²⁷⁸ However, colleges are said to be inadequately equipped for their new mission,²⁷⁹ and the domestic market cannot provide jobs for an influx of

poorly trained specialists.²⁸⁰ The reform has inadvertently exacerbated the very problem of early dropout that it had aimed to solve. Seeing colleges as useless, many parents take their children out of school for informal apprenticeships as barbers, carpenters and shoemakers.²⁸¹

3. Decay of human and physical infrastructure

In Turkmenistan, most infrastructure improvements are in Ashgabat and regional capitals. A key dissident organisation abroad claims that the government builds new model schools out of white marble with multimedia classes at a cost of \$6 to \$7 million per school.²⁸² If correct, this kind of spending leaves little to refurbish old schools in rural areas. A foreign visitor to Lebap and Mary regions, in the north east and south east of the country, remarked that the schools were decrepit and worn-out, and any visible repairs were done with cheap Chinese materials.²⁸³ Classrooms had mere basics – desks, chairs and a blackboard. Summing up the situation, one international expert remarked, “If you think healthcare is a problem, look at education”.²⁸⁴ In Uzbekistan, government statistics are not supported by realities on the ground.²⁸⁵ According to UNDP, 40 per cent of schools are located in non-educational facilities, one third has more students than their official capacity can accommodate, and 8 per cent need emergency repairs.²⁸⁶ Local sources say power outages are common, so are problems with the access to clean water.²⁸⁷

Although both Turkmenistan and Uzbekistan have no substantial teacher shortages, the quality of the teaching corps is extremely low. Many teachers in Turkmenistan were fired during the Turkmenbashi era for not speaking Turkmen.²⁸⁸ New teachers, some fear, know more about ideo-

²⁷² Crisis Group interview, international donor, April 2010.

²⁷³ Crisis Group interview, education expert, April 2010. Also see Natalya Anurova-Shabunts, “Туркменская «оттепель» закончилась на пике туркменской жары” [“The Turkmen thaw ended at the peak of the Turkmen heat”], Ferghana.ru, 14 October 2009, www.ferghana.ru/article.php?id=6334.

²⁷⁴ Crisis Group interview, local observer, April 2010.

²⁷⁵ “Дашь 12-летку!” [“Give [us] 12-year education!”], Uznews, 6 June 2007, www.uznews.net/article_single.php?lng=ru&cid=22&aid=126.

²⁷⁶ In theory, money would travel with a student. Schools that perform better will have more students and hence receive more per capita funding. In the past the funding was allocated based on pre-set categories that did not account for a number of students or encourage better performance.

²⁷⁷ Crisis Group interview, senior international official, September 2010.

²⁷⁸ Those who attend lyceums were to go on to continue their education in universities, those who attend colleges were to receive a professional qualification along with the completion of secondary education.

²⁷⁹ “Global Study on Child Poverty and Disparities in Uzbekistan”, UNICEF, 2009, pp. 34-35, www.cer.uz/upload/iblock/019/child_poverty_uzb_end_engl.pdf.

²⁸⁰ “Лишние специалисты” [“Spare specialists”], Uznews.net, 13 March 2009, www.uznews.net/news_single.php?lng=ru&cid=30&nid=9309.

²⁸¹ “Образование в Узбекистане: Отучился девять классов – иди в подмастерья” [“Education in Uzbekistan: Finish nine years [of school] – go to be an apprentice”], Ferghana.ru, 28 January 2010, www.ferghana.ru/news.php?id=13906&mode=snews.

²⁸² “Turkmenistan. The Education system reform”, Turkmen Initiative for Human Rights, January 2009, p. 15, www.chrono-tm.org/uploaded/2350757236808532.pdf.

²⁸³ Crisis Group interview, international donor, April 2010.

²⁸⁴ Crisis Group interview, senior international donor, April 2010.

²⁸⁵ Authorities say the National Program on School Development provided repairs to 8,000 out of 9,745 schools.

²⁸⁶ “Promoting Energy Efficiency in Public Buildings in Uzbekistan”, UNDP, Project Document, p. 5, www.undp.uz/en/projects/project.php?id=155.

²⁸⁷ Crisis Group interviews, local activists, September 2010.

²⁸⁸ “Education in Turkmenistan”, Turkmen Initiative for Human Rights, op. cit., p. 18.

logical classes like Rukhnama than their own subjects. In Uzbekistan 12 per cent of teachers are at the retirement age, and few have gone through any serious retraining since Soviet times.²⁸⁹ Local observers speak of a growing exodus of teachers from rural areas and hardship regions, like Surkhandarya and Karakalpakstan, as living conditions there deteriorate.

Gaps in teaching and institutional capacity are impossible to gauge with any precision. In Turkmenistan several foreign observers said the ministry of education was as challenging to engage as the ministry of defence.²⁹⁰ In Uzbekistan ministry officials are said to have a “schizophrenic attitude” on learning: “they are willing to learn, but unwilling to say that they are willing to learn”.²⁹¹

4. Education quality: a Pandora’s box

The real quality of education in Turkmenistan and Uzbekistan remains a mystery, because neither country allows any international testing of its students. In one of the rare international assessments Uzbekistan reluctantly admits that “some pupils who studied up to grade nine have never learned the required minimum body of knowledge”.²⁹² The available information also points to the problems with textbooks and attendance in secondary schools, and an overextended system of higher education.

According to recent data, Turkmen schools are almost certainly overcrowded. While in 1975-76 the country had 1,800 schools for 700,000 students; in 2004 there were 1,705 schools for one million students.²⁹³ There is an acute shortage of textbooks in both countries, which forces teachers either to dictate the material or to rely on old Soviet and current Russian textbooks.²⁹⁴ The highly centralised system of textbook reprinting cannot adjust to annual changes in demand. Attendance is a common problem. Both countries force children to pick cotton between Sep-

tember and November instead of going to classes.²⁹⁵ The practice of using students and teachers as props for official events is also widespread.²⁹⁶ As a result, schools have to cram whatever has been missed during semester breaks. Cheerful reports about near universal enrolment do not account for dropout during the school year. In Uzbekistan, for instance, the actual attendance rate in the seven to eleven-year-old group was 73 to 74 per cent.²⁹⁷

Higher education seems to be in the worst shape. There are simply not enough universities to meet growing demand. In Turkmenistan there are 4,000 university slots for 20,000 contenders.²⁹⁸ Uzbekistan, too, has very few higher education institutions and an enrolment rate much lower than its less populous neighbours.²⁹⁹ The shortage of university places produces, in the words of a foreign observer, “corruption of epic proportions” and defeats the process of future studying. He adds that in Turkmenistan local professors are despondent because their students are uninterested in learning anything after paying their bribe.³⁰⁰ In Uzbekistan the state issues quotas not only for government fellowships, but also for the number of students who can attend by paying tuition fees themselves.³⁰¹

Until both governments remove the tight chains of state control over education, genuine change is impossible. The problem is that neither sees any urgency to do that. In Turkmenistan talks of launching a scheme for students to study abroad, modelled on Kazakhstan’s Bolashak program, have yet to take off.³⁰² The government wanted

²⁸⁹ Crisis Group interview, senior international donor, September 2010.

²⁹⁰ Crisis Group interviews, senior Western official and Western education expert, April 2010. As another illustration of the situation, a foreign donor describes how Turkmen education officials literally run away upon finding out her institutional affiliation.

²⁹¹ Crisis Group interview, senior international official, September 2010.

²⁹² “Central Asia Sub-region EFA Mid-Decade Assessment”, UNESCO, 2008, p. 139, available at www.un.org.kz.

²⁹³ “Education in Turkmenistan”, Turkmen Initiative for Human Rights, op. cit., p. 10.

²⁹⁴ “В школах Узбекистана наблюдается острая нехватка учебников” [“An acute shortage of textbooks observed in schools of Uzbekistan”], Ferghana.ru, 1 September 2009, www.ferghana.ru/article.php?id=6285; “Education in Turkmenistan”, Turkmen Initiative for Human Rights, op. cit., pp. 5-6.

²⁹⁵ Crisis Group interviews, local observers, September 2010.

²⁹⁶ Diaries of Narjan Khudajberdyeva, “А когда же учиться?” [“And when to study?”], Khronika Turkmenistana, 23 September 2010, www.chrono-tm.org/?id=2761.

²⁹⁷ “MDGs in Uzbekistan. National goal 2. Improve the quality of primary and general secondary education while maintaining universal access” UNDP, www.undp.uz/en/mdgs/?goal=2.

²⁹⁸ “Turkmenistan. The Education System Reform”, Turkmen Initiative for Human Rights, op. cit., p. 18.

²⁹⁹ Uzbekistan has 71 higher education institutions with 108 students per 10,000 people, which is much lower than in Kyrgyzstan and Kazakhstan that have a smaller college-aged population. “Higher Education in Uzbekistan: Structure, Developments and Reform Trends”, UNDP Policy Brief, 2009, p. 2, www.undp.uz/en/publications/publication.php?id=242.

³⁰⁰ Crisis Group interview, Western education expert, April 2010.

³⁰¹ “Higher Education in Uzbekistan: Structure, Developments and Reform Trends”, UNDP, op. cit., pp. 8-9.

³⁰² The Bolashak Program, established and funded by the government of Kazakhstan since 1993, provides a full scholarship to Kazakh students to receive their Bachelor, Master and Ph.D. degrees abroad in the fields classified as a priority by the government (eg, economics, public policy, science, engineering and medicine). Participants are selected on a competitive basis and have to return to Kazakhstan upon completing their degree. For more information, see “About Bolashak scholarship”, JSC

to send students only to prestigious schools in the West and had no clue how the state would absorb the returnees exposed to liberal values.³⁰³ In Uzbekistan authorities eschew any dramatic changes for the slow evolutionary approach. Given the large percentage of young people in both states,³⁰⁴ neither can afford the glacial pace of reform without running the risk of having a large uneducated and discontented underclass that can do only menial jobs at home and abroad.

C. ENERGY: IN THE STATE'S GRIP

The governments of Uzbekistan and Turkmenistan want to achieve energy self-sufficiency and export energy to the growing markets of South Asia. However, without comprehensive reforms, which would introduce free market mechanisms, the states may soon not be able to provide electricity even to their own populations, as the Soviet-built infrastructure deteriorates and state subsidies and oversight run the sector into the ground.

1. Stuck in the Soviet past

Neither state's energy sector has been reformed since the Soviet collapse. In Turkmenistan the state monopoly is not separated into generators, suppliers and distributors of energy.³⁰⁵ In fact, no cash is transferred between any of the entities, so it is not clear which part of the system is profitable and how the money is used once collected from customers.³⁰⁶ A law adopted during the Turkmenbashi period stipulated that no energy assets can be privatised till 2020, which makes the prospects for introducing free market mechanisms dim.³⁰⁷ The situation is no better in neighbouring Uzbekistan. The government controls 100 per cent of shares in Uzbekenergo, the national energy provider. It is also the majority shareholder in energy dis-

tributing companies and thermal power plants.³⁰⁸ Experts say privatisation efforts in the past failed miserably because the investment climate is hostile and deters private investors.³⁰⁹ Because both states have a highly centralised system for collecting funds and a top-down approach to distributing investment, energy suppliers are not concerned about the quality of their services.³¹⁰

The countries have a deeply entrenched system of subsidies. In Turkmenistan citizens receive for free 35 kilowatt hours of electricity per month.³¹¹ A foreign observer says the subsidy is a sacred cow in domestic politics, because "people see access to cheap fuel as their birthright".³¹² Current energy prices do not cover operational costs, let alone any capital investment. In Uzbekistan electricity tariffs have been increasing slowly but steadily since 2004. The government is mindful of the social impact, given the connection between high energy tariffs and the overthrow of the Bakiyev government in neighbouring Kyrgyzstan. After six years the tariffs cover only current operation and maintenance costs, leaving nothing for capital depreciation.³¹³ Many public and government entities, however, do more damage to the energy system than low tariffs, as they run high payment arrears and use electricity without pre-payment or a prior arrangement.³¹⁴ This sense of impunity may make it harder for the public to accept any future tariff hikes.

2. Slow decay

Uzbekistan and Turkmenistan have been living off the energy generating capacity built in the 1960s and 1970s, but this infrastructure is reaching its limits. While the population in both states does not have formal power rationing so familiar to people in Kyrgyzstan and Tajiki-

"Centre for International Programs", www.edu-cip.kz/eng/index.php?option=com_content&task=view&id=298&Itemid=351.

³⁰³ Crisis Group interviews, senior Western official and Western education expert, April 2010.

³⁰⁴ In both countries almost one third of the population is fourteen and younger, and the national median age is 25. See Central Intelligence Agency, *The World Factbook*, "Turkmenistan" (www.cia.gov/library/publications/the-world-factbook/geos/tx.html) and "Uzbekistan" (www.cia.gov/library/publications/the-world-factbook/geos/uz.html).

³⁰⁵ "Strategy for Turkmenistan", The European Bank for Reconstruction and Development (EBRD), 23 March 2010, p. 37, www.ebrd.com/downloads/country/strategy/turkmenistan.pdf.

³⁰⁶ Crisis Group interview, senior international donor, April 2010; "Strategy for Turkmenistan", EBRD, op. cit.

³⁰⁷ "Strategy for Turkmenistan", EBRD, op. cit., p. 37.

³⁰⁸ "Options for Continuing Energy Reforms in Uzbekistan", UNDP, 2007, p. 12, www.undp.uz/en/publications/publication.php?id=68.

³⁰⁹ Crisis Group interview, international energy expert, September 2010.

³¹⁰ Crisis Group interview, senior international donor, April 2010. The situation in Uzbekistan provides a perfect illustration of the existing inefficiency – while the actual consumption has fallen since independence, the demand for power continues to increase due to waste. (See "Options for Continuing Energy Reforms in Uzbekistan", UNDP, op. cit., pp. 9-10.)

³¹¹ Every citizen is entitled to 35kWh per month. Anything over this amount is still heavily subsidised with prices well below cost recovery level. See "Strategy for Turkmenistan", EBRD, op. cit., p. 49.

³¹² Crisis Group interview, senior international donor, April 2010.

³¹³ Crisis Group interview, international energy expert, September 2010.

³¹⁴ "Options for Continuing Energy Reforms in Uzbekistan", UNDP, op. cit., p. 16.

stan, power outages are becoming ominously routine. In the Turkmen capital, Ashgabat, substations are said to go down on a regular basis with power cuts lasting from 30 minutes to one hour several times a day.³¹⁵ In rural areas people have long turned to using fuel and diesel to power their houses, so they do not have to rely on the state.

Uzbekistan has difficulty meeting its summer and winter peaks of energy consumption.³¹⁶ The built-in deficit of 6.5 per cent in capacity presents dangers for the energy system's stability.³¹⁷ In cities, power cuts are already constraining business development. Rural communities are hit much harder. Local sources say most villages get electricity for two to three hours in the morning, afternoon and the evening. A civic activist notes that everyone "has learned to plan their lives – weddings, meals, watching TV – around when the power appears".³¹⁸

Neither country has managed to come up with a solution to its energy problems. Uzbekistan has been ambivalent; Turkmenistan's government may not even be aware it has a problem. In 2000, the Uzbek government planned to invest \$500 million in the power industry over the next ten years, but had allocated only \$80-85 million by 2004.³¹⁹ A foreign donor says in 2009 the government showed some signs of recognising the magnitude of the challenge, but nothing specific has materialised after numerous interactions with donors.³²⁰ The addition of new generating capacities, transmission lines and substations is likely to be delayed till 2015 as the authorities cannot secure credit due to macroeconomic problems.³²¹ In Turkmenistan, decision-making is said to be primitive. Plans, says one donor, "are written on the back of the envelope" with more attention to architectural design than usability.³²² Upgrades are often hit-or-miss. The government is con-

structing three thermal stations in Ashgabat, Avaza and Balkanabad provinces. Transmission lines and substations are being modernised in the capital. There is, however, no systematic approach to improving energy infrastructure.

Donors hope that both governments can be enticed to introduce reforms as a way to boost their energy exports. But unless leaders are willing to address the state monopoly, ineffective use of resources, perfunctory planning and under-investment, any efforts to change will be superficial and short-lived.

D. TRANSPORTATION

1. Conditions

The governments of Turkmenistan and Uzbekistan put a clear priority on the roads in their capitals, major tourist areas and international corridors. The rest of their transportation systems get short-changed. In Turkmenistan, experts and foreign visitors say the best roads are in Ashgabat and within a fifteen mile radius around the capital.³²³ The condition of roads elsewhere is distinctly worse. The deterioration has been precipitous within the last three years. During the Turkmenbashi era, says one international expert, there were about thirteen checkpoints from the capital to Mary, a city in the south-eastern part of the country. So people stayed at home, and Soviet-built roads stayed intact. Once internal travel restrictions were lifted, people began travelling to other parts of the country. The pressure on the road network increased dramatically and so did the pace of deterioration.³²⁴

Uzbekistan inherited a road network with a good coverage.³²⁵ However, the government seems to be focused almost exclusively on international transport corridors. The National Road Development Program for 2009-2014 allocates \$1.6 billion out of \$2.6 billion on a major highway that connects three cities (Guzar, Bukhara and Nukus) with the Uzbek-Kazakh border.³²⁶ Secondary roads in districts or rural areas are in a lamentable shape and require substantial reconstruction. 60 per cent of public roads have

³¹⁵ Crisis Group interviews, senior Western official, local observer, April 2010.

³¹⁶ "Options for Continuing Energy Reforms in Uzbekistan", UNDP, op. cit., p. 10.

³¹⁷ Ibid, p. 10. During the Soviet time that deficit was not regarded as an issue because the Uzbek energy system was expected to operate within the United Energy System of Central Asia where any shortage would be compensated by other Central Asian republics.

³¹⁸ Crisis Group interview, local activist, September 2010.

³¹⁹ "Options for Continuing Energy Reforms in Uzbekistan", UNDP, op. cit., p. 16. UNDP in Tashkent did not provide any further information and the government does not release such data.

³²⁰ Crisis Group interview, international energy expert, September 2010.

³²¹ "Options for Continuing Energy Reforms in Uzbekistan", UNDP, op. cit., p. 11; Crisis Group interview, international donor, September 2010.

³²² Crisis Group interview, senior international donor, April 2010.

³²³ Crisis Group interviews, senior Western official and international education expert, April 2010.

³²⁴ Crisis Group interview, international donor, April 2010.

³²⁵ The system has the capacity to accommodate a moderate growth in traffic. See "Republic of Uzbekistan: Preparing the Regional Infrastructure (Roads) Project", Asian Development Bank, December 2006, p. 1, www.adb.org/Documents/TARs/UZB/39669-UZB-TAR.pdf.

³²⁶ "Proposed Multitranchise Financing Facility. Republic of Uzbekistan: Central Asia Regional Economic Cooperation Corridor 2 Road Investment Program", Asian Development Bank, March 2010, p. 1, www.adb.org/documents/trps/uzb/42107-01-UZB-RRP.pdf.

cracks over more than 10 per cent and 10 or more potholes per km.³²⁷ According to the Asian Development Bank, in 2007 the annual routine maintenance budget was less than \$1,000 per km or half the standard cost of road maintenance.³²⁸ Most maintenance takes place in urban areas that have a sufficient tax base to afford some repairs.

2. Modernisation by government diktat

In Turkmenistan the Soviet system of management has remained in place. Five separate ministries are in charge of specific segments of the transportation sector.³²⁹ The government has not developed any master plan on road improvements, so upgrades do not take into account traffic volume, future building and maintenance costs.³³⁰ In the words of one international expert, “sometimes they hit the mark and sometimes they don’t”.³³¹ In the past Uzbekistan established a Road Fund to take care of repairs and regular maintenance. However, the institution does have the money, the capacity or the authority to do so, because its sources of revenue are not connected to actual road use. As a result, the country does not have a database on the condition of roads, and the transportation sector suffers from a constant maintenance backlog and budget shortfalls.³³²

The building of the north–south railway corridor, which would provide connections between Iran, Turkmenistan and Kazakhstan, is way behind schedule.³³³ In June 2009 the Turkmen government finally obtained financing from the Islamic Development Bank. Further railroad investment is hampered by passenger tariffs, which are well below cost recovery levels. An extensive program to build roads between the capital and six regional centres should be completed by 2014. However, quality is becoming an acute concern. Because the government has no technical knowledge of how to maintain roads in a desert climate,

the top layer on many of them has already deteriorated due to high temperatures.³³⁴

E. DONORS: BETWEEN A ROCK AND A HARD PLACE

Donors working in Turkmenistan and Uzbekistan face a difficult dilemma – cooperate with the existing regimes to accomplish modest goals or voice their criticisms publicly and be expelled. Most of those who survived numerous purges of international organisations in these countries have so far chosen the first approach. Some say the silence about real internal conditions allows them access to vulnerable populations. Those who seek institutional change think incremental steps are the only way to engage these recalcitrant governments.

Donors who take this approach feel they have no other choice. First, they note, there is no unity in the foreign aid community. A high-level official says, “If I say something critical and get kicked out and nobody joins me ... in the end it’s my organisation that will lose access to the country”.³³⁵ Second, donors feel there is no bilateral pressure on these regimes to change. An aid official in Tashkent says, “The issue of human rights has gone down the drain” because of geopolitical reasons.³³⁶ His colleague in Ashgabat adds that every week an official from Europe or the U.S. comes to the country “to pay court”.³³⁷ Under these circumstances donor organisations will toe an official foreign policy line of their member states.

The host governments have perfected their handling of donors, giving small concessions to justify their presence, but never embracing real change. At this point most donors have settled for this lowest common denominator approach. The problem is that access does not always provide knowledge, and complacency turns eventually into complicity. Several donors admit that despite having lived in these countries, they still have little understanding of the situation in their sectors, because visits and interaction with the local population are carefully orchestrated by the government.

Few dare object publicly. In 2010 Medecins Sans Frontieres shut down its office in Turkmenistan, saying the restrictive environment not only dramatically decreased its effectiveness, but was also making the organisation “complicit in

³²⁷“Road Sector Road Map”, Asian Development Bank, 2009, p. 2, www.adb.org/Documents/RRPs/UZB/42107/42107-01-uzb-ssa.pdf.

³²⁸“Proposed Loan. Republic of Uzbekistan: CAREC Regional Project”, Asian Development Bank, November 2007, p. 4, www.adb.org/Documents/RRPs/UZB/39669-UZB-RRP.pdf.

³²⁹“Strategy for Turkmenistan”, EBRD, op. cit., p. 47.

³³⁰ Crisis Group interview, senior international donor, May 2010.

³³¹ Crisis Group interview, senior international donor, April 2010.

³³²“Road Sector Road Map”, Asian Development Bank, op. cit., p. 3.

³³³“Процесс перехода и показатели стран СНГ и Монголии в 2009 году. Процесс перехода в кризисе?” [“The transition process and indicators of CIS states and Mongolia in 2009. The transition in the crisis?”], EBRD, 2009, p. 88, www.ebrd.com/downloads/research/transition/tr09r.pdf.

³³⁴ Crisis Group interview, senior international donor, April 2010.

³³⁵ Crisis Group interview, senior international official, Almaty, April 2010.

³³⁶ Crisis Group interview, senior international donor, September 2010.

³³⁷ Crisis Group interview, senior international donor, April 2010.

masking problems in the healthcare system rather than addressing them".³³⁸ It accused international organisations such as UNICEF and WHO of a tendency "to overlook gaps, fail to follow up on government commitments, and provide legitimacy to government data by diffusing it internationally without comment or caveat".³³⁹

The response from the donor community has so far been to ignore and forget. In an official statement UNICEF said nothing of data falsifications and instead asserted that it "works over time to address sensitive issues within the spectrum of child rights".³⁴⁰ WHO refused comment altogether. When widely respected international organisations abet governments in hiding and distorting reality, they not only fail to justify working in these states, but they also bear equal responsibility for the present situation and future failures. Instead donors need to come up with new ways of influencing these governments by assuming that the authoritarian nature of the Turkmen and Uzbek governments will not change anytime soon. In the end, donor impact is measured by how it improves lives of ordinary people. As one local observer in Turkmenistan says, the government, donors and people live in three parallel worlds that rarely intersect.³⁴¹

IV. KAZAKHSTAN: IN A LEAGUE OF ITS OWN

Although Kazakhstan has pursued reforms and invested in infrastructure, the outcome has been disappointing. The country will continue experiencing social stratification in access to quality education and good healthcare. As elite schools and modern clinics in cities co-exist with their dilapidated counterparts in neighbouring villages, social tensions are likely to rise within a growing rural, southern underclass. The country may not be able to achieve greater international competitiveness due to the low quality of the national transportation system, a shortage of technical expertise and negative impact of poor health on productivity. This would spell the end to any hopes of modernisation decreasing the reliance on extractive industries. Donors have yet to find new ways to influence a government that does not rely much on foreign aid.³⁴²

A. HEALTHCARE: A BITTER PILL

1. Low funding

By 1994, the state contribution to healthcare had already plummeted to one third of the pre-independence level. By 1996 life expectancy fell by four years and by 2004 TB rates tripled. Life expectancy has not yet rebounded to the Soviet level, standing at 67.1 years in 2008.³⁴³ Though funding has grown threefold from 2004 to 2009, it still hovers at 3 per cent of GDP, half the minimum recommended level for mid-income countries like Kazakhstan.³⁴⁴ In 2009 the cost of a mandatory state healthcare package varied from \$62 to \$130 per patient per year among different regions,³⁴⁵ producing large discrepancies in quality. Southern and south-western regions, like Kyzylorda, Southern Kazakhstan, Atyrau and Mangistau fare consistently worse in maternal and child mortality and TB inci-

³³⁸ "Turkmenistan's Opaque Health System", *Medecins Sans Frontieres*, April 2010, p. 4, www.doctorswithoutborders.org/publications/reports/2010/MSF-Turkmenistan-Opaque-Health-System.pdf.

³³⁹ *Ibid.*, p. 4.

³⁴⁰ Statement obtained by Crisis Group from John Budd, Chief of Communication, UNICEF CEE CIS Region, 17 May 2010.

³⁴¹ Crisis Group interview, local observer, April 2010.

³⁴² In 2008 official development assistance (ODA) was 0.3 per cent of Kazakhstan's gross national income (GNI). See OECD, *Aid Statistics, Recipient Aid Charts*, "Kazakhstan", www.oecd.org/dataoecd/62/53/1877983.gif.

³⁴³ Maksut Kulzhanov and Bernd Rechel, "Kazakhstan: Health System Review", in *Health Systems in Transition* vol. 9, no. 7, World Health Organisation, 2007, pp. 11, 35, 18, www.euro.who.int/__data/assets/pdf_file/0007/85498/E90977.pdf; "Концепция создания Единой национальной системы здравоохранения Республики Казахстан" ["The concept paper on establishing the unified national system of healthcare of the Republic of Kazakhstan"], Ministry of Health, 2009.

³⁴⁴ Crisis Group interview, foreign expert, Almaty, February 2010.

³⁴⁵ Ministry of Health, "The concept paper on establishing the Unified national system of healthcare".

dence.³⁴⁶ Out-of-pocket payments constitute 35 per cent of all healthcare spending.³⁴⁷ Anecdotal evidence tells of the Kazakh upper-middle class going for treatment to Turkey, Germany and Dubai.

2. Perils of over-centralisation

A recent strategy paper by the ministry of health admits that state investment in the sector has not led to better care.³⁴⁸ The reason is the failure to shift focus from secondary to primary care.³⁴⁹ During the oil boom years in 2004-2008 the government built new facilities and equipped many hospitals with advanced equipment. Though some technology was badly needed, much became little more than office furniture, as medical staff were untrained in the use of new devices, and funds for maintenance were lacking.³⁵⁰ The government's spending spree has also fuelled inefficiency and corruption.³⁵¹ In the meantime, the

number of hospital beds increased in 2004-2008,³⁵² and so did the urge to fill them. 30 per cent of patients are believed not to need hospitalisation.³⁵³ Specialised hospitals, serving a limited segment of the population, consume the bulk of money, as rural and town clinics, which are the first point of contact for most people, get short-changed.

The ministry of health has recently introduced a unified healthcare system, under which the national government will reimburse all healthcare providers and conduct centralised drug procurement. Most donors and civic activists see the initiative as a step backward that would increase centralisation and regional disparities, as well as fuel corruption in drug procurement.³⁵⁴ Proponents counsel patience and point to the flexibility of hospital funding and lower drug prices.³⁵⁵ The implementation record so far is not promising. Without piloting reforms first, the government will have to make things up as it goes along.³⁵⁶ Because previous reforms strengthened regional health departments, the national ministry may not have the capacity to manage such a complex transformation.³⁵⁷ There seems to be little support among ordinary doctors. "My colleagues", one says, "are apoplectic, because now they have to send the same form five times when the [computer] server in Astana is unable to receive it. When will you have any time to treat [patients]?"³⁵⁸

3. Doctors – underpaid and unmotivated

The current reform in healthcare financing merely adds to the existing dissatisfaction among medical personnel. Experienced doctors complain that medical education is outdated. Students do not develop a strong grasp of treatment methods and protocols.³⁵⁹ Faced with low salaries, many young doctors leave for lucrative jobs at pharmaceutical companies or choose highly specialised fields that would help them join private clinics in big cities.³⁶⁰ As a result, the country is experiencing a shortage and aging of general practitioners, especially in the countryside.

³⁴⁶ Maternal mortality (2009) in deaths per 100,000 live births: nationwide – 36.9, Atyrau – 56.9, Mangistau – 48.9, Kyzylorda – 42.6; child mortality (2009) in deaths per 1,000 live births: nationwide – 18.3, Kyzylorda – 25.3, Southern Kazakhstan – 21.5, Mangistau – 20.9; TB incidence (2009) in cases per 100,000 population: nationwide – 110.7, Mangistau – 143.9, Atyrau – 133.2. See "О состоянии здравоохранения республики за 9 месяцев 2009 года" ["On the state of the Republic's healthcare for the nine months of 2009"], Ministry of Health, 2009, www.mz.gov.kz/index.php?wakka=/%D0%F3%F1/%C3%EE%F1%F3%E4%E0%F0%F1%F2%E2%E5%ED%ED%FB%E5%CF%F0%EE%E3%F0%E0%EC%EC%FB; "Показатели младенческой и материнской смертности в 2008-2009 гг" ["The Indicators of child and maternal mortality in 2008-2009"], Ministry of Health, www.mz.gov.kz/index.php?wakka=Rus/MedicinskajaStatistika/Medstatarch&v=a83.

³⁴⁷ Crisis Group interview, international health expert, Almaty, February-April 2010.

³⁴⁸ "The concept paper on establishing the unified national system of healthcare", op. cit.

³⁴⁹ The share of funding for primary care is around 30 per cent in 2009. Crisis Group interview, international health expert, April 2010.

³⁵⁰ Crisis Group interviews, civic activists, foreign donors, Almaty, Astana, February-April 2010.

³⁵¹ Kazakhstan's Accounting Committee [Счетный комитет], a state body charged with monitoring proper use of budgetary funds and investigating fraud, determined that the construction costs for many projects in the healthcare sector in 2009-2010 exceeded initial estimates due to inefficiencies and delays, and the financial procedures were frequently ignored. See "Инвестиционные проекты в сфере здравоохранения и образования реализуются неэффективно – Счетный комитет Казахстана" ["Kazakhstan's Accounting Committee: investment projects in the spheres of healthcare and education are implemented inefficiently"], Centralasia.ru, 22 November 2010, www.centralasia.ru/news.php?st=1290447900.

³⁵² Growth in beds: 77.4 beds per 100,000 (2004), 79.7 beds per 100,000 (2008). See "The concept paper on establishing the unified national system of healthcare", op. cit.

³⁵³ Ibid.

³⁵⁴ Crisis Group interviews, foreign donors, civic activist, Astana, Almaty, February-April 2010.

³⁵⁵ Crisis Group interviews, former health official, Almaty, February 2010; international donors, Astana, February 2010.

³⁵⁶ Crisis Group phone interview, international donor, Almaty, April 2010.

³⁵⁷ Crisis Group interviews, foreign donors, Almaty, February-April 2010.

³⁵⁸ Crisis Group interview, doctor and activist, Almaty, March 2010.

³⁵⁹ Crisis Group interview, doctor, Almaty, February 2010.

³⁶⁰ Crisis Group interview, doctor and activist, Almaty, March 2010.

Only 15 per cent of doctors work in rural areas where over 40 per cent of the population resides.³⁶¹

In the words of a former state official, the government has realised that “you cannot demand great work from a poor doctor”.³⁶² So it increased salaries and provided monetary incentives for rural doctors. But financial measures alone are insufficient. The state needs to offer career development opportunities to rural doctors, facilitate cooperation with urban colleagues and improve rural infrastructure for their families.³⁶³ One civic activist says doctors now get visitors from the prosecutor’s office to monitor if they follow state-prescribed treatment protocols to the letter.³⁶⁴ The state should focus on outcomes, not process or punishment.

4. Quality – a matter of luck

In 2009 over one third of appeals from patients to the ministry of health were about the quality of services.³⁶⁵ “While getting medical help is not a problem in Kazakhstan”, says one doctor, “receiving quality healthcare is often a matter of luck”.³⁶⁶ And some simply run out of it. In January 2010 over 100 children with leukaemia were infected with Hepatitis C during blood transfusions at a national hospital.³⁶⁷ The tragedy brought bitter memories of the earlier outbreaks of the tick-borne Crimean-Congo hemorrhagic fever (CCHF) and HIV infections in southern Kazakhstan.³⁶⁸ Specialists say these are not isolated incidents, but signs of systemic problems that require a comprehensive approach.³⁶⁹

The government should not only introduce the most current standard protocols, but also set up a system of quality control that goes far beyond the sanitary and epidemiological service [санэпидстанция] inherited from the Soviet

time.³⁷⁰ Accountability needs to be promoted through pay for performance for doctors and independent licensing for hospitals. USAID reports Kazakhstan as the second most vulnerable state in terms of health in Eurasia, after Turkmenistan.³⁷¹ The rankings in the World Economic Forum 2010-2011 global competitiveness report (106th in life expectancy, 103rd in the incidence of TB and 93rd in infant mortality³⁷²) indicate that the weak healthcare system is an impediment to economic development. Without consistent investment in primary care and human capital, good healthcare will be increasingly available only to the rich and reforms will be merely short-term.

B. EDUCATION: GROWING PAINS

1. Access – challenges remain

The issue of access to education in Kazakhstan is less acute than elsewhere in the region, but no less urgent. In 2010 only 40 per cent of eligible children attended kindergartens.³⁷³ Rural areas only had an enrolment rate of about 5 per cent. Since the government introduced mandatory pre-schools for six-year olds, the attendance rate has almost doubled from 2004 to 2008.³⁷⁴ While access to primary education and secondary education are almost universal,³⁷⁵ these accomplishments come at the expense of quality. With a shortage of 81,000 student places, over one third of secondary school students have to study in a

³⁶¹ Kulzhanov and Rechel, “Kazakhstan: Health System Review”, op. cit., p. 69.

³⁶² Crisis Group interview, former health official, Almaty, February 2010.

³⁶³ Crisis Group interview, international donor, Almaty, April 2010.

³⁶⁴ Crisis Group interview, doctor and activist, Almaty, March 2010.

³⁶⁵ “On the state of the Republic’s healthcare for the nine months of 2009” and “Concept paper on establishing a unified national system of healthcare”, both op. cit.

³⁶⁶ Crisis Group interview, doctor, Almaty, February 2010.

³⁶⁷ Виктор Бурдин “Минздрав: первая кровь” [Viktor Burdin, “Ministry of health: The first blood”], *Vremya*, 22 December 2009, www.time.kz/index.php?newsid=13977.

³⁶⁸ Юлия Латышева, “Медицина в Южном Казахстане – зона смертельного риска” [Yulia Latysheva, “Medicine in Southern Kazakhstan: The zone of deadly risk”], *Gazeta.kz*, 3 February 2010, www.centrasia.ru/news.php?st=1265185140.

³⁶⁹ Crisis Group interviews, foreign donors, Almaty, February 2010.

³⁷⁰ Crisis Group interview, international official, Almaty, April 2010.

³⁷¹ “The 2010 Europe & Eurasia Health Vulnerability Analysis”. United States Agency for International Development (USAID), March 2010, p. 20, http://haiti.usaid.gov/locations/europe_eurasia/health/docs/2010_ee_health_vulnerability_analysis_report.pdf.

³⁷² “The Global Competitiveness Report 2010-2011”, World Economic Forum, 2010, p. 201, www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf.

³⁷³ “Государственная программа развития образования на 2011-2020 годы” [“The state program on the development of education in 2011-2020”], Ministry of Education and Science of the Republic of Kazakhstan, 2010, p. 10, www.edu.gov.kz/ru/proekty/gpro_na_2010_2020-gody/.

³⁷⁴ The attendance rates are 39 per cent (2004), 79 per cent (2008). See “The National Report on the State and Development of Education”, Ministry of Education and Science, p. 21.

³⁷⁵ Maja Gavrilovic, Caroline Harper, Nicola Jones, Rachel March and Paola Perezniето, “Impact of the Economic Crisis and Food and Fuel Price Volatility on Children and Women in Kazakhstan”, Overseas Development Institute report for UNICEF Kazakhstan Office, October 2009, p. 31, www.odi.org.uk/resources/details.asp?id=4744&title=economic-food-fuel-crisis-children-women-kazakhstan.

second shift,³⁷⁶ which negatively impacts their performance on the national standardised test (ENT).³⁷⁷

Access to vocational and higher education is constrained by location and financial resources. In 2008, 24 districts (*rayons*) had no technical lyceums, depriving their rural youth of an opportunity to study closer to home.³⁷⁸ With university fees on the rise, the number of students paying for higher education has decreased by almost one third in 2007-2010.³⁷⁹ This decline was not compensated by proportionately higher enrolment rates in vocational education.³⁸⁰ A government think-tank warns that the imbalances in access to vocational and higher education could cause social tension in the future.³⁸¹

2. Infrastructure – stuck in the past

The aging infrastructure imperils the delivery of quality education. In 2010 one third of schools functioned in makeshift buildings and one quarter required capital repair.³⁸² Many facilities lack basic amenities, such as central heating and indoor toilets.³⁸³ The pace of renovation does not catch up with deterioration in the most densely populated regions, like Almaty city and Southern Kazakhstan where more than 50 per cent of schools operate in makeshift buildings.³⁸⁴ The situation is no better elsewhere as

77 per cent of university dormitories and 82 per cent of small-size schools [малокомплектные школы] require major repair.³⁸⁵

To address the issue the government launched a construction initiative (“100 schools, 100 hospitals”) and allocated twenty billion tenge (\$133.3 million) through the anti-crisis “road map” program.³⁸⁶ However, an arduous state procurement system and corruption hinder implementation. A civic activist says, “In one school by the time the ministry released the tender requirements and the school found a contractor, it was already time to report on the money spent or lose it altogether”.³⁸⁷ A senior education ministry official admits that many local authorities use the programs to improve their personal finances.³⁸⁸ To change the situation, the government needs not only to streamline the existing procurement procedures, but also to empower state agencies charged with investigating fraud and corruption through an impartial system of appointments and a clear legal mandate.

3. Teaching hard, but hardly learning

Regardless of numerous increases, the monthly salary for teachers, at 37,597 tenge (\$300) in 2008-2009, remains almost half the national average.³⁸⁹ Teachers say they are often used as free labourers for state administrative tasks, such as voter registration or social services. They have little incentive to improve their skills since in-service training is repetitive³⁹⁰ and ineffective.³⁹¹ As a result, the profession attracts unenthusiastic followers.³⁹² The ministry of education estimates that young teachers constitute only 2.6 per cent in annual inflow of personnel.³⁹³ The national

³⁷⁶“Образование и наука в цифрах” [“Education and Science in Figures”], Ministry of Education and Science, 2009, www.edu.gov.kz/ru/na/bilim_beru_monitoringi/.

³⁷⁷“The National Report on the State and Development of Education”, op. cit., p. 57.

³⁷⁸“The State Program on Education Development in the Republic of Kazakhstan in 2011-2020”, op. cit.

³⁷⁹The number of those receiving higher education on a fee basis declined from 638,559 in 2007 to 460,407 in 2010 (see “Education and Science in Figures”, op. cit.). On the tuition increase, see Ольга Власенко, “Количество, не переходящее в качество” [Olga Vlasenko, “The quantity that does not translate into quality”], *Expert Kazakhstan*, 13 July 2009, www.centrasia.ru/newsA.php?st=1247556000.

³⁸⁰The number of vocational education students grew by eight per cent from 558,700 (2007) to 610,458 (2010). See “Education and Science in Figures”, op. cit.

³⁸¹Нурридин Аманкул, “Высшее образования как фактор повышения конкурентоспособности экономики РК” [Nurridin Amankul, “Higher education as a factor in increasing competitiveness of the Republic of Kazakhstan’s economy”], *Analytic* no. 3, The Kazakhstani Institute for Strategic Studies (KISI), 2009, p. 99.

³⁸²“The State Program on the Development of Education in 2011-2020”, op. cit., p. 10.

³⁸³67.3 per cent of schools with outside bathrooms, 23.6 per cent with heating provided by wood-burning stoves [печное отопление]. *Ibid.*

³⁸⁴Schools in makeshift buildings: 51.3 per cent (Almaty city), 56.8 per cent (Southern Kazakhstan region). “The National

Report on the State and Development of Education”, op. cit., p. 42.

³⁸⁵Amankul, “Higher education as a factor in increasing competitiveness of the Republic of Kazakhstan’s economy”, p. 102; “Сельская школа: финансирование роста” [“Rural school: Funding the growth”], “Sange” Research Centre, 2008, p. 9, www.sange.kz/newspic/rural%20schools%20rus.pdf.

³⁸⁶“Education and Science in Figures”, op. cit.

³⁸⁷Crisis Group interview, civic activist, Astana, March 2010.

³⁸⁸Crisis Group interview, senior education official, Astana, February 2010.

³⁸⁹“The national report on the state and development of education”, op. cit., p. 7. The national average salary was 72,897 Tenge (\$583).

³⁹⁰Crisis Group interview, education expert, Almaty, February 2010.

³⁹¹A ministry report notes that category assignment is not objective and does not influence the quality of teaching based on the national test outcomes. “The National Report on the State and Development of Education”, op. cit., p. 75.

³⁹²In one test of university students, would-be teachers scored lowest. *Ibid.*, p. 83.

³⁹³“The State Program on the Development of Education in 2011-2020”, op. cit., p. 11.

teaching corps is dominated by women and greying fast.³⁹⁴ Every fifth teacher is 50 years and older.³⁹⁵

As one educator admits, “[it] is not that we are not trying hard, but somehow our students come out of school absolutely unprepared for reality”.³⁹⁶ Part of the problem is the curriculum. The Republican Council on textbooks does not recommend 65 per cent of them for use in secondary schools.³⁹⁷ 80 per cent of university texts are outdated.³⁹⁸ While students performed very well on an international mathematics and science test (TIMSS), their practical skills are not adequately developed as the curriculum centres on raw memorisation.³⁹⁹ In 2009 another international test (PISA), which measures how well students can apply their knowledge, showed that 59 per cent of school children scored below the basic competence level in math, 58 per cent in reading and 55 per cent in sciences.⁴⁰⁰ Unrealistic expectations have inflated grades and led to an oversupply of specialists in humanities and social sciences.⁴⁰¹ The government proposes school boards as a local mechanism of quality control and a national council on human capital development to link education with the labour market.⁴⁰² Both will require education authorities to become more accountable to the public and share decision-making with others, like parents or employers. The experience of introducing innovative teaching methods shows that officials at the regional and local levels may not be willing to cede their powers so easily.⁴⁰³

³⁹⁴ Ibid. In 2010 81.3 per cent of teachers were women.

³⁹⁵ Ibid.

³⁹⁶ Crisis Group interview, education expert, Almaty, February 2010.

³⁹⁷ “The National Report on the State and Development of Education”, op. cit., pp. 49-50.

³⁹⁸ Vlasenko, “The quantity that does not translate into quality”, op. cit.

³⁹⁹ In TIMSS Kazakhstan placed fifth in math and eleventh in science among 38 countries that participated in the test at grade four and 48 countries at grade eight. See “The National Report on the State and Development of Education”, op. cit., p. 11; “Central Asia Sub-Region Education For All Mid-Decade Assessment Mid-Decade”, UNESCO, 2008, p. 84, www.unesco.kz/publications/ed/CA_MDA_Report_en.pdf.

⁴⁰⁰ “PISA 2009 Results: What Students Know and Can Do – Student Performance in Reading, Mathematics and Science” (Volume 1), OECD, 2010, pp. 50, 131, 149, <http://dx.doi.org/10.1787/9789264091450-en>.

⁴⁰¹ “The National Report on the State and Development of Education”, op. cit., pp. 62-64; Сергей Смирнов и Сергей Домнин, “Попытка номер два” [Sergey Smirnov and Sergey Domnin, “The second try”], Expert Kazakhstan, 19 October 2009, www.expert.ru/printissues/kazakhstan/2009/40/industrializaciya/.

⁴⁰² Crisis Group interview, senior education official, Astana, February 2010.

⁴⁰³ Crisis Group interview, international education expert, January 2011.

4. The shortcomings of best intentions

Kazakhstan has an ambitious plan to reform its education system by 2020. A senior education official says, “The government is aware of all problems and treats education as an investment in the economy”.⁴⁰⁴ But unless state funding is increased from the current 4 per cent to 6 or 7 per cent of GDP,⁴⁰⁵ reforms will remain on paper. Regional education budgets reveal stark disparities. In 2008 expenses per student ranged from 80,400 to 158,500 tenge (\$536-\$1,056).⁴⁰⁶ Small-size schools, which are predominantly rural and make up over one half of all secondary education establishments, spend up to 85 per cent of their budgets on salaries.⁴⁰⁷ Unsurprisingly, students from schools with low per student expenditures perform worse on the national standardised test.⁴⁰⁸ Education ministry officials believe regional governors (*akims*) should determine how to allocate funding and deal with nonperforming small-size schools.⁴⁰⁹ But many governors are said to view education in the Soviet manner – as a social, “non-productive” sector with a peripheral status in budgeting priorities.⁴¹⁰

Implementation of well-intentioned reforms is often crippled by haste and lack of coordination. Forced to postpone the introduction of a twelve-year school system several times, the ministry is planning a partial launch in 2015 and the complete transition by 2020. Educators and donors doubt the state can overhaul secondary education so fast without compromising on quality.⁴¹¹ An international expert says Kazakhstan should consider the experience of the Baltic States in transferring to a twelve-year educa-

⁴⁰⁴ Crisis Group interview, senior education official, Astana, February 2010.

⁴⁰⁵ “The National Report on the State and Development of Education”, op. cit., p. 7. A government think-tank says the funding ought to triple for the country to catch up with the West (See Гульмира Курганбаева, *Экономика Казахстана в XXI веке* [Gulmira Kurganbayeva, *The Economy of Kazakhstan in the 21st Century*], The Kazakhstani Institute for Strategic Studies (KISI), 2009, p. 28 www.kisi.kz/site.html?id=301&av=2009).

⁴⁰⁶ “The National Report on the State and Development of Education”, op. cit., p. 37.

⁴⁰⁷ “Rural school”, “Sange” Research Centre, op. cit., p. 36. Teacher salaries and utilities are mandatory expenditures that are set by the national government. Local schools have to pay them while saving on everything else.

⁴⁰⁸ “The National Report on the State and Development of Education”, op. cit., pp. 72-73; “Central Asia Sub-Region Education For All Mid-Decade Assessment Mid-Decade”, op. cit., p. 73.

⁴⁰⁹ Crisis Group interview, senior education official, Astana, February 2010.

⁴¹⁰ Crisis Group interviews, education activists and Western donor, Astana, February-March 2010.

⁴¹¹ Crisis Group interviews, education experts and Western donors, Almaty, Astana, February-March 2010.

tion.⁴¹² Because policies and spending are not always aligned between various levels of government,⁴¹³ regional authorities are stuck with unfunded mandates for which they feel little ownership. The national government should make sure that its lofty goals are financed at the local level before they are put in place. High turnover at the national ministry undermines reforms. “One minister is a former university rector, the other – a secondary school teacher, and they change focus to their favourite sub-sectors”, says a local education expert.⁴¹⁴ To sum up, although the Kazakhstani education system is performing better compared to its neighbours, it does not have the capacity to educate a generation capable of making the country one of the world’s most competitive economies, as the government intends.

C. ENERGY: ROOM FOR IMPROVEMENT

1. A record of reforms

Of all Central Asian states, Kazakhstan has progressed farthest in energy reform. According to the 2009 EBRD Transition Report, the domestic energy sector scores high in meeting market economy standards.⁴¹⁵ Many experts speak of such positive developments as the unbundling of energy generators (power and hydroelectric plants), distributors (regional energy companies, or РЭК) and suppliers (bill collection agencies) into separate entities and extensive privatisation within the first two groups.⁴¹⁶ Wide-ranging sector reforms and positive spillovers from the financial and oil boom helped retain the qualified workforce trained during the Soviet period.

After gaining independence in 1991 Kazakhstan moved to address strategic vulnerabilities of the energy system. At the time the northern part of the country was linked with the Russian grid, while southern regions draw their supply from the unified regional system. By building two north-south transmission lines (one in 1997 and the other in 2009) the country connected its southern territories to major sources of energy in the north and decreased dependence on its neighbours.⁴¹⁷ While pursuing its energy

independence, Kazakhstan remains interested in maintaining the unified regional system that would provide it with backup power reserves.

The Kazakhstan Electricity Grid Operating Company (KEGOC) has moved aggressively with modernisation projects. Most focus on either upgrading major transmission networks or increasing the transmission capacity in the south.⁴¹⁸ The need to develop additional domestic capacities is now especially pressing since neighbouring Kyrgyzstan is experiencing frequent power interruptions due to the dilapidated state of its infrastructure.⁴¹⁹ Although donors praise KEGOC’s managerial competence, they note that without further reform the sector will struggle to attract investment for its modernisation efforts.⁴²⁰

2. Tariffs – an Achilles’ heel

Low energy tariffs are said to be the main reason for underinvestment, high commercial and technical losses, and lack of energy conservation. The tariff policy is used by the national agency for regulating monopolies (APEM) to prevent social discontent over utility prices and control inflation.⁴²¹ After increasing tariffs, distributors of energy face time limits within which they can no longer raise user fees regardless of operational costs. Most are not interested in upgrading their networks to lower technical losses and installing meters to decrease theft, because they will not be able to recoup their expenses immediately. As a result, 15 per cent of electricity is lost due to infrastructure deterioration, commercial losses are at 10 per cent in the north and one third in the south of the country.⁴²²

⁴¹² Crisis Group interview, international education expert, Almaty, February 2010.

⁴¹³ Gavrilovic, Harper, Jones, March and Perezniato, “Impact of the Economic Crisis and Food and Fuel Price Volatility on Children and Women in Kazakhstan”, pp. 36-37.

⁴¹⁴ Crisis Group interview, education expert, Almaty, February 2010.

⁴¹⁵ “The Transition and Indicators of CIS States and Mongolia in 2009: Transition in Crisis?”, op. cit., pp. 65-66.

⁴¹⁶ Crisis Group interviews, international energy experts, Almaty, Astana, February 2010.

⁴¹⁷ Crisis Group interview, international energy expert, Astana, February 2010.

⁴¹⁸ “Проект «Модернизации Национальной Электрической Сети Казахстана»” [“The Modernisation of the National Electricity Grid of Kazakhstan Project”], KEGOC; “Проект «Строительство второй линии электропередачи 500кв транзита север-юг Казахстана»” [“The Construction of the Second North-South 500kw Electricity Transit Line of Kazakhstan Project”].

⁴¹⁹ See “The breakdowns of the United Energy System of Central Asia caused the disruption of Kazakhstan’s ‘North-South’ transit”, KEGOC press release, op. cit. Experts say Kazakhstan is unlikely to leave the UESCA since coordinating electricity supplies with Kyrgyzstan helps the country better manage power surges in the southern regions. Crisis Group interviews, international experts, February-March 2010.

⁴²⁰ Crisis Group interview, Western expert, Almaty, February 2010.

⁴²¹ Crisis Group interview, international expert, Astana, February 2010.

⁴²² “Kazakhstan Energy Data, Statistics and Analysis”, U.S. Energy Information Administration, February 2008; Crisis Group interview, international expert, Astana, February 2010.

As President Nursultan Nazarbayev ruefully remarked, “in Kazakhstan nobody saves anything ... Electricity, heat, gas ... flow cheaply”.⁴²³ Although the price per kilowatt hour almost doubled between 2003 and 2008, the share of household expenditures spent on electricity and water in Kazakhstan remains the second lowest in the region after Turkmenistan.⁴²⁴ Energy suppliers believe conservation would cut their profits, the state thinks savings would slash its tax receipts, and the public believes it is already over-charged.⁴²⁵ The debate is stuck in the chicken-or-the-egg dilemma of what should come first: an increase in tariffs or assistance with energy conservation. The time for gradual measures may soon run out. If not for the financial crisis, the energy demand for industrial needs would have outpaced the supply in 2008.⁴²⁶ Kazakhstan has another four to five years before industrial production picks up and electricity rationing moves again to the forefront of daily concerns in southern regions.⁴²⁷

D. TRANSPORTATION: COUNTRY ROADS

1. Shifting gears

The transportation system in Kazakhstan has been historically oriented toward Russia and former Soviet republics in Central Asia. The railroad network has eleven connecting points with Russia, two with Uzbekistan and one with Kyrgyzstan and China.⁴²⁸ Only 5 per cent of roads are currently used for transit to Europe and Asia.⁴²⁹ A sharp

downturn in traffic in the 1990s highlighted the need for diversification. The government seeks to reposition the country as a key transit route between China and Europe.⁴³⁰ The goal however is not attainable without large-scale improvements in infrastructure.

The national transportation system is aging fast. The depreciation of all railroad assets is 53 per cent.⁴³¹ 60 per cent of national roads need proper management and rehabilitation; 44 per cent of local roads are in bad condition in 2010.⁴³² The sector suffers from chronic underinvestment. In the 1990s the funding for roads was one third of the needed amount.⁴³³ Although investment went up by 20 per cent between 2003 and 2008, it is still inadequate. For instance, routine maintenance accounted for 7 per cent of the road development budget in 2008, which does not ensure long-term sustainability.⁴³⁴ Transportation expenditures are high as a share of total product cost, making Kazakhstan a less competitive transit route.⁴³⁵

2. Planned improvements

The government has prioritised fourteen national roads, including six international corridors for investment. The West China-West Europe transit road attracted high visibility and 85 per cent of foreign funding.⁴³⁶ Many donors hope international involvement with the Khorgos-Almaty section of the project will set the example for effective private-public partnerships in the future. Local roads have received much less attention because the government is

⁴²³ “Казakhstan: Президент поучил предпринимателей жить и заставил премьера дать «железное слово»” [“Kazakhstan: The president lectured entrepreneurs how to live and made the prime minister give ‘his firm word’”], Ferghana.ru, 26 February 2010, www.ferghana.ru/news.php?id=14103&mode=snews.

⁴²⁴ “The Transition and Indicators of CIS States and Mongolia in 2009: Transition in Crisis?”, op. cit., pp. 65, 89.

⁴²⁵ Crisis Group interview, energy conservation expert, Astana, February 2010; UNDP/GEF Project, “Removing the barriers to energy efficiency in municipal heat and hot water supply”, “Identification of the interest, possibilities and willingness of heat power producers and customers to strengthen the energy efficiency in order to reduce municipal payments, upgrade enterprises and impact global climate change”, 2008, p. 31, www.eep.kz/UserFiles/File/pdf/report.pdf.

⁴²⁶ “Kazakhstan Energy Data, Statistics and Analysis”, op. cit.

⁴²⁷ Crisis Group interviews, international energy expert, Almaty, March 2010.

⁴²⁸ Булат Султанов, редактор, *Казахстан Сегодня* [Bulat Sultanov, (ed.), *Kazakhstan Today*], The Kazakhstani Institute of Strategic Studies (KISI), 2009, p. 315 www.kisi.kz/img/docs/4581.pdf.

⁴²⁹ “Proposed Multitranchise Financing Facility and Administration of Loan CAREC Transport Corridor I (Zhambul Oblast Section) [Western Europe-Western People’s Republic of China International Transit Corridor] Investment Program (Kazakhstan)”, Asian Development Bank, 23 October 2008, p. 39.

⁴³⁰ Crisis Group interview, international donor, Astana, February 2010.

⁴³¹ Тулкин Ташимов и Айжан Шалабаева, “Сперва подкуй коня, а потом прикидывай дорогу” [Tulkin Tashimov and Aizhan Shalabayeva, “First shoe your horse and then plan a road trip”], *Expert Kazakhstan*, 26 October 2009, www.expert.ru/printissues/kazakhstan/2009/41/doroga/.

⁴³² “Proposed Multitranchise Financing Facility”, op. cit., p. 1; materials provided to Crisis Group by the Ministry of Transportation and Communication of the Republic of Kazakhstan, February-March 2010.

⁴³³ “Implementation Completion and Results Report on a Loan in the Amount of US\$100 Million to the Republic of Kazakhstan for a Road Transport Sector Restructuring Project”, World Bank, 31 July 2008, www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/08/06/000333037_20080806004834/Rendered/PDF/ICR8480ICR0P001closed0August0402008.pdf; Crisis Group interview, Almaty, February 2010.

⁴³⁴ “Proposed Multitranchise Financing Facility”, op. cit., pp. 5, 38.

⁴³⁵ The share of road costs is 10 per cent (4 per cent in Europe) and railways – 8 per cent. The national road infrastructure is ranked 124th in the Global Competitiveness Index. Crisis Group interview, international donor, Astana, February 2010.

⁴³⁶ Crisis Group interview, international donor, Astana, February 2010.

preoccupied with transit initiatives.⁴³⁷ In 2009 the anti-crisis “road map” program provided 51.8 billion tenge (\$346.6 million) for local infrastructure, the largest infusion of cash in years.⁴³⁸ There are concerns that as the national funding decreased by almost one half in 2010,⁴³⁹ so will the local commitment to rebuilding.

The deterioration of the railroad network has not yet become an acute concern. The national railroad company, Kazakh Temir Zholy, is said to be calm about existing problems.⁴⁴⁰ Donors explain the complacency stems from an extensive investment plan and a profitable cargo industry from which to draw financing.⁴⁴¹ The other reason is the low volume of traffic using the system at present.⁴⁴² Current passivity may nonetheless backfire. The shortage of freight cars and the aging of ancillary equipment are likely to worsen. Traffic may rapidly pick up once the second transit railroad connection with China becomes operational.⁴⁴³

3. Challenges

Foreign experts say even with significant improvements at the ministry of transport and communication “the institutional effectiveness is low, the planning capability is limited, the organisational structure complex and the project management skills deficient”.⁴⁴⁴ While physical upgrades are usually well implemented, getting project accounts and audit reports is an uphill battle. The national law on concessionary agreements makes it difficult to offer financial incentives to attract external investment. But if the pace of investment does not catch up with the speed of deterioration, transportation bottlenecks are inevitable.

For instance, the railroad transit point with China (Dostyk-Alashankou) will soon be at maximum capacity.⁴⁴⁵

The situation is said to be much worse at the local level where low capacity and corruption hamper road reconstruction. Lack of foreign investment in national roads means that “the [government] costs will remain high – leaving limited funds available for oblast [regional] and rural roads”.⁴⁴⁶ Their substandard quality already impacts daily life. One newspaper reports that during the last snowy winter in Eastern Kazakhstan “there is no way to reach many villages and likely to be none before spring, food deliveries are done by cargo tractors”.⁴⁴⁷ A local health expert says TB monitoring is impossible from late October till April, “My colleague in one region ... can hardly drive on the roads of his *oblast* (regional) capital, let alone go to some faraway village”.⁴⁴⁸ To change the situation, the ministry of transport needs to divest responsibilities, improve procurement and contracting mechanisms at all levels and incorporate best practices from foreign-funded projects.

⁴³⁷ Crisis Group interviews, domestic expert, foreign donor, Almaty, February 2010.

⁴³⁸ “Проекты 2009 введенные в эксплуатацию” [“Projects Launched in 2009”], Ministry of Transport and Communication, internally provided documents, Astana, February 2010.

⁴³⁹ The funding in 2010 is expected to be 29.1 billion tenge (\$193.3 million). “План работ на 2010 год” [“The 2010 Work Plan”], Ministry of Transport and Communications, internal documents, February 2010.

⁴⁴⁰ Tashimov and Shalabayeva, “First shoe your horse and then plan a road trip”, op. cit.

⁴⁴¹ Crisis Group interview, international donor, Almaty, March 2010.

⁴⁴² Only three sections (Astana-Ekibastus, Astana-Almaty, and Tengiz-Atyrau) currently experience heavy traffic. See Tashimov and Shalabayeva, “First shoe your horse and then plan a road trip”, op. cit.

⁴⁴³ The second railroad transit point (Khorgos-Zhetigen) is expected to open in 2012. See Тулкин Ташимов, “Затянувшаяся мобилизация” [Tulkin Tashimov, “Protracted mobilisation”], Expert Kazakhstan, 13 July 2009, www.expert.ru/kazakhstan/2009/27/infrastruktura/.

⁴⁴⁴ “Proposed Multitranches Financing Facility”, op. cit., p. 9.

⁴⁴⁵ In 2008 the transit point passed three million tons. Its maximum capacity is 7.5 million tons per year. The volume is expected to grow ten times by 2020. See Tashimov, “Protracted mobilisation”, op. cit.

⁴⁴⁶ “Proposed Multitranches Financing Facility”, op. cit., p. 37.

⁴⁴⁷ “Морозы в Восточном Казахстане достигли минус 60 градусов” [“Temperatures drop to minus 60 in Eastern Kazakhstan”], CA-News, 15 February 2010, <http://ca-news.org/news/314241>.

⁴⁴⁸ Crisis Group interview, health expert, Almaty, February 2010.

V. CONCLUSION

Almost two decades after independence Central Asian countries have nearly depleted the infrastructure built in Soviet times for education, healthcare, transportation and energy. At the time of the Soviet collapse in 1991 they faced three similar challenges – to introduce free market mechanisms, redefine services provided by the state, and conduct reforms without any help from Moscow.

Based on their performance, the countries can be placed into three groups. Kyrgyzstan and Tajikistan are in the worst shape. Infrastructure is at the edge of collapse and has been deprived of investment. Turkmenistan and Uzbekistan are experiencing slow, but consistent decline. Their situation in the near future may be no less disastrous than in Kyrgyzstan and Tajikistan, as the scope of decline becomes harder to hide. There is little hope that the downward spiral in these four countries can be stopped. Kazakhstan has made patchy progress in some sectors and conserved Soviet endowments in others. Much of the success however can be attributed not to state policies, but to the country's oil money.

The impact of donors in the region has been limited. Given its wealth, Kazakhstan has justifiably restricted most foreign assistance to technical advice, which is listened to but not always followed. In Turkmenistan and Uzbekistan, donors are so immobilised by the fear of losing access to authorities that they have frequently turned into a government accomplice in hiding and distorting reality. In Tajikistan and Kyrgyzstan, foreign assistance lacks a common approach and purpose.

Although the Central Asian countries are at different stages of development, the solutions to their infrastructure woes are similar. Their governments need to address pervasive corruption, abandon the approach to public resources as a means of personal enrichment, undertake systematic reforms, and use donor assistance to complement (not substitute for) state goals. Technical reforms in each sector should include a comprehensive assessment of its current state, an honest public discussion about possible solutions and a realistic plan to reverse the decay. Such an enormous process is unlikely as long as corruption is the main activity of the state in all these countries and there are no incentives to reform.

In response, donors need to evaluate and re-think their approach to aid delivery in the region since 1991, improve coordination, implement tougher conditions for aid disbursement, and bring information about internal problems to the rest of the world. This requires support from the international community, especially the U.S., European Union, Russia and China. These countries, in turn, should realise that tolerating the status quo will bring about the

very problems they fear most – further impoverishment and instability, radicalisation and latent state collapse.

The time for reform is running out. In five to ten years there will be no teachers to lead classes and no doctors to treat the sick. The absence of electricity will become a norm. Modernising infrastructure in Central Asia is a big challenge that demands a concerted effort from national governments, donors and the international community.

Bishkek/Brussels, 3 February 2011

APPENDIX A

MAP OF CENTRAL ASIA



Map No. 3763 Rev.6 UNITED NATIONS
June 2005

Department of Peacekeeping Operations
Cartographic Section