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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
   c) 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.\footnote{For more information see Crisis Group Asia Briefing N°102, Kyrgyzstan: A Hollow Regime Collapses, 27 April 2010.}

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.
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 [росзнак].\(^7\) 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.\(^15\)

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\(^3\) Crisis Group interview, doctor, Naryn region, September 2010.


\(^5\) Crisis Group interview, healthcare expert, Bishkek, September 2010.


\(^9\) 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. Only half of 5,000 positions for family doctors are currently filled. In Kyrgyzstan the number of paediatricians decreased by two thirds between 1998 and 2008. There is also a 20 per cent shortage of obstetrician-gynaecologist specialists. Kyrgyzstan’s Naryn, Batken and Jalalabad regions have half the number of doctors per 100,000 patients than the national figure. Khatlon and the central districts in Tajikistan are said to be in the worst shape.

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. 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. A local doctor in Bishkek said such funding is barely enough to “hold up our pants”. 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. 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”. 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. 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.

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. In Tajikistan reforms moved in fits and starts. In 2003 a national referendum removed the right to free healthcare. Since then the gov-
The reforms proved too ambitious for the resources provided by the governments. 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. 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”.

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. 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.

In Tajikistan independent experts point to departments at national ministries 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 (sometimes as high as 30 per cent) and large kick-backs from local contractors. 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 Taalimi (2006-2010) healthcare program and has identified seven priorities in the sector. 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”. 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”. 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

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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.

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.


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

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 outbreak 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 resources and Analysis of the Education Sector in the Medium-Term Period 2010-2012”, p. 5, 2009).}

50 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.

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

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

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

resources in education. For instance, in Tajikistan 11 per cent of all teachers quit their job in 2008.\footnote{Crisis Group interview, school principal, rural Tajikistan, September 2010.} Education experts say the current shortages (more likely 25 to 30 per cent\footnote{Crisis Group interview, international donor, Bishkek, September 2010.} 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 \(\text{[ставка]}\), which allows them to cover additional classes. Education ministries, especially in Tajikistan,\footnote{Crisis Group interview, international donor, Dushanbe, September 2010.} force university graduates from pedagogical institutes to become teachers immediately after graduation. Although many of them quickly abandon the profession, 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.\footnote{Crisis Group interview, international education expert, Bishkek, September 2010.} In Kyrgyzstan 41.5 per cent of teachers are retirees.\footnote{Crisis Group interview, international education expert, Bishkek, September 2010.} “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.\footnote{Crisis Group interviews, senior government official, Bishkek, November 2010.} 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.\footnote{Crisis Group interview, school principal, rural Tajikistan, September 2009.} The profession attracts the weakest of the weak — those who failed to get into any other college and men eager to avoid conscription. Even after numerous increases, the monthly salary remains low — $26 in Kyrgyzstan and $28 in Tajikistan.\footnote{Crisis Group interviews, senior government official, Bishkek, September 2010; civic activist, Dushanbe, August 2009.} “ Barely enough for one sack of flour”, says a former teacher in Dushanbe.\footnote{Crisis Group interviews, senior government official, Bishkek, September 2010.} In Kyrgyzstan a national program\footnote{Crisis Group interview, international donor, Bishkek, September 2010.} 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.\footnote{Crisis Group interview, school teacher, Naryn region, September 2010.}

In both countries education ministries blame low salaries. This neatly shifts the blame on to the finance ministries, which determine budget allocations.\footnote{Crisis Group interview, international education expert, Bishkek, September 2010.} 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,\footnote{Crisis Group interview, international education expert, Dushanbe, August 2009.} but admitted that it could not provide a significant raise given large budget shortfalls.\footnote{Crisis Group interview, international education expert, Dushanbe, August 2009.}

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.\footnote{Crisis Group interview, international education expert, Dushanbe, August 2009.} In Tajikistan the government goes as far as to tell students who substitute classes in primary and middle schools to sue university graduates who do not show up at schools.\footnote{Crisis Group interview, former teachers, Dushanbe, August 2010.}

\footnote{The program is known as “The Young Teacher’s Deposit” \(\text{[Депозит молодого учителя]}\).\footnote{Crisis Group interview, international donor, Bishkek, September 2010.} The program is known as “The Young Teacher’s Deposit” \(\text{[Депозит молодого учителя]}\).\footnote{Crisis Group interview, international donor, Bishkek, September 2010.} 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.} A young teacher in rural Kyrgyzstan complains that they are completely at the mercy of school principals and the local administration.\footnote{Crisis Group interview, international education expert, Dushanbe, August 2009.} 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.}
teachers how to dress and, for men, to trim their beards.\textsuperscript{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.\textsuperscript{72}

2. \textbf{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.\textsuperscript{73} In Tajikistan 85 per cent of schools are reported to operate in two to three shifts.\textsuperscript{74} In practice students interact with a teacher for only 2.5 hours per day in an education process that is reminiscent of a conveyer belt.\textsuperscript{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.\textsuperscript{76} In 2007 80 per cent of schools in Tajikistan required major rehabilitation.\textsuperscript{77} Although the government has built many schools and plans to do much more,\textsuperscript{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.\textsuperscript{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”.\textsuperscript{80}

In Kyrgyzstan, fewer than 40 per cent of pupils have textbooks.\textsuperscript{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.\textsuperscript{82} As a result, Kyrgyz President Roza Otunbayeva says, “We have one textbook for ten students, and one cannot think about any education”.\textsuperscript{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.\textsuperscript{84} In 2009 to combat growing Islamisation, the Tajik government introduced a course, “The Discovery of

\begin{footnotes}
\item[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.
\item[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.
\item[74]Materials provided to Crisis Group by an international donor, Dushanbe, August 2009.
\item[75]Crisis Group interview, Western education expert, Dushanbe, August 2009.
\item[76]Crisis Group interview, senior government official, Bishkek, September 2010.
\item[77]Materials provided to Crisis Group by an international donor, Dushanbe, August 2009.
\item[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).
\item[80]Crisis Group interview, Western donor, Dushanbe, October 2010.
\item[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.
\item[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.
\item[84]Crisis Group interview, education expert, Bishkek, September 2010.
\end{footnotes}
Islam”, with no textbooks or guidance for teachers. Recently it cancelled the “Love of Homeland” class after it had become clear that such sentiments could be discussed elsewhere. 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”.

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. 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. 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. 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. Most are boys who quit studying to help their families or migrate to Russia for work. In Tajikistan more girls are dropping out. Their enrolment declines precipitously from 97 per cent at the age twelve to 48.5 per cent by age seventeen. The country still cannot catch up with the enrolment rates it had among women during the Soviet period. 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, 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. The state cannot solve the problem when it does.

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. Both developments set a worrying precedent, as the open acknowledgement of the government impotence in enforcing education standards would lead only to further deterioration.
90 "В Кыргызстане треть школьников после 9-го класса покидает учебные заведения" ["In Kyrgyzstan one-third of school students leave educational establishments after the ninth grade"], CA-NEWS, 1 September 2010, http://ca-news.org/news/472221.
92 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 “Почему-то учителям приходится задерживать начало учебного года на середину сентября или начало октября" [“R. Otunbaeva 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.
96 "В Кыргызстане третья школы после девятого класса покидает учебное заведение" [“In Kyrgyzstan one-third of school students leave educational establishments after the ninth grade"], CA-NEWS, 1 September 2010, http://ca-news.org/news/472221.
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.\(^9^7\) 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.\(^9^8\) 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 years,\(^9^9\) 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”.\(^1^0^0\)

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.\(^1^0^1\) Another said he had a team of experts ready to transplant the South Korean education model.\(^1^0^2\) 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.\(^1^0^3\)

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.\(^1^0^4\) 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.\(^1^0^5\) In many cases senior education officials are more interested in tilting at windmills like trying to ban headscarves in schools,\(^1^0^6\) rather than dealing with an education system at the edge of disintegration.

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\(^9^2\)Crisis Group interview, senior education expert, Dushanbe, September 2010.

\(^9^3\)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/VISTUPLENIYA_Ministra_posolstvami.htm.

\(^9^4\)Crisis Group interview, local education expert, Dushanbe, August 2009.


\(^1^0^0\)Crisis Group interview, local education expert, Dushanbe, October 2010.

\(^1^0^1\)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.

\(^1^0^2\)Crisis Group interview, Western education expert, Bishkek, September 2010.

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". 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. 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.

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. 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. The country needs an independent body to provide testing and quality control in secondary education.

Experts believe Kyrgyzstan and Tajikistan need to be realistic and go back to the basics: competent teachers, decent textbooks and good attendance. They should abandon the pretence that education is free and engage the public on how to improve its quality with limited resources. 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. 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.”

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. Once the Soviet Union collapsed, these countries quickly discovered that their new, disconnected grids had significant gaps. 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.

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. In September 2009 Kazakhstan launched a second transmission line, connecting its northern and southern regions and diminishing its dependence on Kyrgyzstan.

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.

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.

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

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

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

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

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

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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 оборо́та 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).

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

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.

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

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

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 own 122 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 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.

122 «Узбекистан запускает ЛЭП, которая позволяет эксплуатировать электроэнергию в Афghanistan 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 Unified Energy System”), Bank.uz, www.bank.uz/publish/doc/text49984_uzbekistan_obyasnil_pochemu_vygodit_iz_deystvuyushchej_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 Kambartata 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 Bakijev government. In 2007-2008 energy was sold illegally to Kazakhstan with the

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.
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.
ruling elite pocketing the difference between the declared and market prices.\textsuperscript{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.\textsuperscript{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.\textsuperscript{134} TSARII, headed by the president’s son, attempted to turn hydro-power 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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{137}

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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{140} The Tajik Aluminium Company (TALCO) consumes between 40 to 50 per cent of all electricity and pays the lowest tariff in the country.\textsuperscript{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.\textsuperscript{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).\textsuperscript{143} The domestic company was recently audited; the government refuses, however, to allow

\begin{itemize}
\item \textsuperscript{132} For more see Crisis Group Asia Briefing N°102, Kyrgyzstan: A Hollow Regime Collapses, 27 April 2010, p. 3.
\item \textsuperscript{133} Crisis Group interview, energy specialist, Naryn region, October 2010.
\item \textsuperscript{134} For more see Crisis Group Briefing, Kyrgyzstan: A Hollow Regime Collapses, op. cit., p. 8.
\item \textsuperscript{135} The decision was ratified by the parliament but never implemented.
\item \textsuperscript{136} The tariff would grow from 71 tyin to 1.5 Som (1.5-3.2 cents).
\item See Данийр 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-pravitelstvo-kyrgyzstana-planiruet-velichit.html.
\item 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.
\item For more on TALCO, see Crisis Group Asia Report N°162, Tajikistan: On the Road to Failure, 12 February 2009, pp. 14-15.
\end{itemize}
any audit of the off-shore company, where most revenues are suspected to go.\textsuperscript{144}

A senior donor says, “When we mention TALCO [to government officials], they say, ‘Don’t touch that!’\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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 guessestimates 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”.\textsuperscript{150}

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.\textsuperscript{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 hydropower, 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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.

\textsuperscript{144} Crisis Group interview, senior Western official, Dushanbe, October 2010.
\textsuperscript{145} Crisis Group interview, senior international donor, Dushanbe, October 2010.
\textsuperscript{146} Crisis Group interview, energy expert, Dushanbe, October 2010.
\textsuperscript{147} Crisis Group interview, senior international official, Dushanbe, October 2010.
\textsuperscript{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.
\textsuperscript{150} Crisis Group interview, senior regional official, Naryn, September 2010.

\textsuperscript{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”], Kyrgyz. kg, 30 June 2010.
\textsuperscript{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 hydropower 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.

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. 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. The World Bank announced an environmental feasibility study on the plant, as the government agreed to halt the purchase of the shares.

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 banks 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. 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. What is worse, by turning the Rogun project into what one visiting journalist called “a new communism”, 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. 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.

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. 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. Senior government

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 Рогун прогнозируется в $2,2 млрд” (“The construction of Rogun is estimated at $2.2 billion”), Avesta, 15 November 2010, www.avensta.ru/index.php?newsid=6637.
163 Crisis Group interview, senior international official, Dushanbe, October 2010.
164 Crisis Group interview, senior international official, Dushanbe, October 2010.
165 Crisis Group interview, energy expert, Dushanbe, October 2010.
166 Crisis Group interview, energy expert, Bishkek, September 2010.
167 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.
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. 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”.

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. Given the rapid increase in the public consumption of electricity, 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.

The government is forced to rely on old experts when things get dire. “So they drag out Davydov [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?” The situation is even more desperate in more remote 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”. Tajikistan is in a similar position. Experts complain that the political leadership sees most of them as servants and ignores their knowledge. 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. Kyrgyzstan avoided a similar experience in the winter of 2008-2009 only thanks to early and massive power rationing. 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. 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. A month earlier, an outage at Tajikistan’s Nurek hydropower plant left the whole country and southern regions of Uzbekistan without electricity.

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-

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


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.


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.


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.

zakhstan Electricity Grid Operating Company (KEGOC) to announce new steps to decrease the country’s dependence on UESCA. 

While 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”. 

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. 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. A government study in 2010 examined 43 per cent of the national roads and found all of them in an unsatisfactory condition. 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”.

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. The situation is similar in Tajikistan where most funding is also disbursed in an ad hoc manner. “We are now rehabilitat-

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. 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. 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

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


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-kyrgyzstanapra-tricheski-vse-dorogi-strany.html.

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


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

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


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

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.  

China’s Export Import Bank is the largest investor in the transportation infrastructure of Tajikistan with most funds going to works and goods. 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.

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”. In Tajikistan only four out of 62 districts (rayons) are financially sustainable and can afford road maintenance on their own. 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. 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. The road toll is between 30 diram and 1 somoni 88 diram (7 to 42 cents) per kilometer.

While the minister of communication and transport insists the company won a tender, an IRS representative denies any competitive bidding was ever held. IRS explains its off-shore status as an arrangement “to minimise the level of taxes, which in the end leads … to confidentiality”. 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.

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. Many experts argue the toll was too high and the arrangement did not provide an alternative route. 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-

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192 Crisis Group interviews, senior transportation official, Bishkek, senior regional official, Naryn region, September 2010.
195 Crisis Group interviews, senior international donors, Bishkek and Dushanbe, September-October 2010.
196 Crisis Group interview, senior international donor, Naryn region, September 2010.
197 Crisis Group interview, senior international donor, Dushanbe, October 2010.
bution to state taxes. 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. In May the toll for small passenger cars was reduced. The government may now have to reimburse IRS for the profit lost on the more socially friendly rate.

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. 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. Although IRS vehemently denied the allegation, 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.

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. 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.

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”. Part of the blame lies with the governments, which “cannot tackle the fundamental challenge of managing their own countries”. 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. 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”). 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.

Crisis Group interviews, international officials, Dushanbe, October 2010.
Crisis Group interviews, international donors, Dushanbe, October 2010.
Crisis Group interview, senior international donor, Dushanbe, August 2009.
Ibid.
Crisis Group interview, Western donor, Almaty, August 2009.
Crisis Group interview, local observer, Dushanbe, October 2010.
the polio outbreak. 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. A long-term vision is hard, a specialist in healthcare adds, when bank managers visit the region only on short-term missions. 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. “The governments do not want to be seen as failing in their responsibility to the people”, 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. While the country is experiencing a substantial and unaddressed epidemic of HIV/AIDS, 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 Turkmens 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”. 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.

220 See section “Healthcare: On its Last Legs”.
221 Crisis Group interview, education expert, November 2010.
222 Crisis Group interview, healthcare specialist, October 2010.
223 Crisis Group interview, international health experts, April-September 2010.
to Moscow. Foreign experts think the danger of a large-scale polio outbreak remains high in Uzbekistan, especially with the epidemic raging in neighbouring Tajikistan.

These official denials have a number of implications. First, no one knows the real situation with health in these countries. National governments receive an already skewed picture as data is falsified at the local and regional level. 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.

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.

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. In Uzbekistan the government fined a popular medical site, saying it was pornography, and imprisoned a civic activist who worked on HIV issues. 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. The first cases of polio from Uzbek migrant labourers were registered in summer 2010 in Russia. 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 hospitals and improve the quality of primary care. 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.

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. 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

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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 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, senior international official, Bishkek, September 2010.
234 Crisis Group interview, senior international official, April 2010. In reality, the source says, no more than twelve to fifteen people died from the disease.
236 Crisis Group interview, senior international official, Bishkek, September 2010.
237 Crisis Group interview, senior international official, Bishkek, September 2010.
238 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 “Reформа здравоохранения” (“The Healthcare Reform”), Khronika Turkmenistana, 8 August 2006, www.chrono-tmn.org/?id=126.
239 For instance, the government lists among its most recent accomplishments opening the International Treatment Centre on Head and Neck Illnesses, Oncology Centre, Archkan, Jily and Bayramali sanatoria. In the future, the authorities plan to open more specialised clinics, such as the Central Skin and Venerological 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.  

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 вра-чебные 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 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
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, 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

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-

258 Crisis Group interview, senior international aid official, September 2010.
259 Crisis Group interview, senior international aid official, October 2010.
260 Crisis Group interview, senior international aid official, September 2010.
263 Crisis Group interview, local observer, April 2010.
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

“In Turkmenistan, there are worrying signs of an emerging personality cult around president Berdymukhamedov, with students required to study his works. 275

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. 276

For instance, the government implemented per capita financing in schools to reward those with better performance. 277 It found out belatedly that small rural schools would lose a lot of funding with allocations made on a per student basis. 278

Without much advice and consent the government also introduced colleges and lyceums after the ninth grade to encourage specialisation. 279 However, colleges are said to be inadequately equipped for their new mission, 280 and their domestic market cannot provide jobs for an influx of poorly trained specialists. 281 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. 282

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. 283 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. 284 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”. 285

In Uzbekistan, government statistics are not supported by realities on the ground. 286 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. 287

Local sources say power outages are common, so are problems with the access to clean water. 288

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. 289 New teachers, some fear, know more about ideological

272 Crisis Group interview, international donor, April 2010.
274 Crisis Group interview, local observer, April 2010.
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.
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.
287 Crisis Group interviews, local activists, September 2010.
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. 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. 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”.

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”. 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. 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. 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 September and November instead of going to classes. The practice of using students and teachers as props for official events is also widespread. 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.

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. Uzbekistan, too, has very few higher education institutions and an enrolment rate much lower than its less populous neighbours. 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.

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.

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.

295 Crisis Group interviews, local observers, September 2010.
300 Crisis Group interview, Western education expert, April 2010.
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. In Uzbekistan authorities eschew any dramatic changes for the slow evolutionary approach. Given the large percentage of young people in both states, 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. 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. 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. 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 distributing companies and thermal power plants. Experts say privatisation efforts in the past failed miserably because the investment climate is hostile and deters private investors. 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.

The countries have a deeply entrenched system of subsidies. In Turkmenistan citizens receive for free 35 kilowatt hours of electricity per month. A foreign observer says the subsidy is a sacred cow in domestic politics, because “people see access to cheap fuel as their birthright”. 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. 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. 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-

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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.
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 constructing 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.
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.
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.
cracks over more than 10 per cent and 10 or more potholes per km. 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. 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. 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. In the words of one international expert, "sometimes they hit the mark and sometimes they don’t." 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.

The building of the north–south railway corridor, which would provide connections between Iran, Turkmenistan and Kazakhstan, is way behind schedule. 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.

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.” 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. His colleague in Ashgabat adds that every week an official from Europe or the U.S. comes to the country “to pay court.” 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 Médecins Sans Frontières shut down its office in Turkmenistan, saying the restrictive environment not only dramatically decreased its effectiveness, but was also making the organisation “complicit in
masking problems in the healthcare system rather than addressing them.” 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”.

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”. 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.

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.

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. 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. In 2009 the cost of a mandatory state healthcare package varied from $62 to $130 per patient per year among different regions, producing large discrepancies in quality. Social and south-western regions, like Kyzylorda, Southern Kazakhstan, Atyrau and Mangistau fare consistently worse in maternal and child mortality and TB inci-

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

dence. Out-of-pocket payments constitute 35 per cent of all healthcare spending. 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. The reason is the failure to shift focus from secondary to primary care. 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. The government’s spending spree has also fuelled inefficiency and corruption. In the meantime, the number of hospital beds increased in 2004-2008, and so did the urge to fill them. 30 per cent of patients are believed not to need hospitalisation. 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. Proponents counsel patience and point to the flexibility of hospital funding and lower drug prices. The implementation record so far is not promising. Without piloting reforms first, the government will have to make things up as it goes along. Because previous reforms strengthened regional health departments, the national ministry may not have the capacity to manage such a complex transformation.

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]?”

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. 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. As a result, the country is experiencing a shortage and aging of general practitioners, especially in the countryside.

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

365 “On the state of the Republic’s health care for the nine months of 2009” and “Concept paper on establishing a unified national system of healthcare”, both op. cit.
370 Crisis Group interview, international official, Almaty, April 2010.
second shift, which negatively impacts their performance on the national standardised test (ENT).

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. With university fees on the rise, the number of students paying for higher education has decreased by almost one third in 2007-2010. This decline was not compensated by proportionately higher enrolment rates in vocational education. A government think-tank warns that the imbalances in access to vocational and higher education could cause social tension in the future.

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. Many facilities lack basic amenities, such as central heating and indoor toilets. 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. The situation is no better elsewhere as

77 per cent of university dormitories and 82 per cent of small-size schools require major repair.

To address the issue the government launched a construction initiative ("100 schools, 100 hospitals") and allocated twenty billion tenge ($133.3 million) through the anticrisis "road map" program. 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". A senior education ministry official admits that many local authorities use the programs to improve their personal finances. 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. 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 repetitive and ineffective. As a result, the profession attracts unenthusiastic followers. The ministry of education estimates that young teachers constitute only 2.6 per cent in annual inflow of personnel. The national average salary was 72,897 Tenge ($583). The national average salary was 72,897 Tenge ($583). To address the issue the government launched a construction initiative ("100 schools, 100 hospitals") and allocated twenty billion tenge ($133.3 million) through the anticrisis "road map" program. 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". A senior education ministry official admits that many local authorities use the programs to improve their personal finances. 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.
teaching corps is dominated by women and greying fast. Every fifth teacher is 50 years and older.

As one educator admits, “[i]t is not that we are not trying hard, but somehow our students come out of school absolutely unprepared for reality.” 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. 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. 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. Unrealistic expectations have inflated grades and led to an oversupply of specialists in humanities and social sciences. 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. 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.

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”. But unless state funding is increased from the current 4 per cent to 6 or 7 per cent of GDP, 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). Small-size schools, which are predominantly rural and make up over half of all secondary education establishments, spend up to 85 per cent of their budgets on salaries. Unsurprisingly, students from schools with low per student expenditures perform worse on the national standardised test. Education ministry officials believe regional governors (akims) should determine how to allocate funding and deal with nonperforming small-size schools. 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.

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. An international expert says Kazakhstan should consider the experience of the Baltic States in transferring to a twelve-year educatio-

394 Ibid. In 2010 81.3 per cent of teachers were women.
395 Ibid.
398 Vlasenko, “The quantity that does not translate into quality”, op. cit.
402 Crisis Group interview, senior education official, Astana, February 2010.
403 Crisis Group interview, international education expert, January 2011.
tion. Because policies and spending are not always aligned between various levels of government, 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. 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. 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. 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. 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. 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. Although donors praise KEGOC’s managerial competence, they note that without further reform the sector will struggle to attract investment for its modernisation efforts.

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 (AРЕМ) to prevent social discontent over utility prices and control inflation. 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.

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.
As President Nursultan Nazarbayev ruefully remarked, “in Kazakhstan nobody saves anything …. Electricity, heat, gas … flow cheaply”. 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. 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. 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. 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.

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. Only 5 per cent of roads are currently used for transit to Europe and Asia. 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. 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. 60 per cent of national roads need proper management and rehabilitation; 44 per cent of local roads are in bad condition in 2010. The sector suffers from chronic underinvestment. In the 1990s the funding for roads was one third of the needed amount. 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. Transportation expenditures are high as a share of total product cost, making Kazakhstan a less competitive transit route.

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. 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...
preoccupied with transit initiatives. 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. There are concerns that as the national funding decreased by almost one half in 2010, 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. Donors explain the complacency stems from an extensive investment plan and a profitable cargo industry from which to draw financing. The other reason is the low volume of traffic using the system at present. 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.

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”. 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. 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”. 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”. 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.” 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.

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.
442 Only three sections (Astana-Ekibaztus, 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.
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.
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