Poverty and Social Policy in the Central Asian Transition Countries

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Reports and Working Papers 2/2003

Bonn, April 2003
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**Abbreviations**

- **ADB**: Asian Development Bank
- **BKA**: Bundeskriminalamt (Federal German Bureau of Investigation)
- **BMZ**: Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
- **CDF**: Comprehensive Development Framework
- **CER**: Center for Economic Research
- **CIS**: Commonwealth of Independent States
- **DAC**: Development Assistance Committee
- **DfID**: Department for International Development
- **EBRD**: European Bank for Reconstruction and Development
- **ECO**: Economic Cooperation Organization
- **ESAF**: Enhanced Structural Adjustment Facility
- **EU**: European Union
- **FAO**: Food and Agriculture Organization of the United Nations
- **FBS**: Family Budget Survey
- **FES**: Friedrich-Ebert-Stiftung (Friedrich Ebert Foundation)
- **GDP**: Gross Domestic Product
- **GNI**: Gross National Income
- **GTZ**: Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
- **HDI**: Human Development Index
- **HIPC**: Highly Indebted Poor Countries
- **HIV/AIDS**: Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
- **HPI**: Human Poverty Index
- **I-PRSP**: Interim Poverty Reduction Strategy Paper
- **IMU**: Islamic Movement of Uzbekistan
- **IDA**: International Development Association
- **ILO**: International Labour Organization
- **ILO-CEET**: International Labour Organization, Central and Eastern European Team
- **IMF**: International Monetary Fund
- **IMU**: Islamic Movement of Uzbekistan
- **KPMS**: Kyrgyz Poverty Monitoring Survey
- **LSMS**: Living Standards Measurement Survey
- **MPS**: Multipurpose Poverty Survey
- **NATO**: North Atlantic Treaty Organisation
- **NPRS**: National Poverty Reduction Strategy
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OECD/DAC</td>
<td>Development Assistance Committee of the Organisation for Economic Co-operation and Development</td>
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<td>OSCE</td>
<td>Organization for Security and Co-operation in Europe</td>
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<td>PERs</td>
<td>Public Expenditure Reviews</td>
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<td>PMS</td>
<td>Poverty Monitoring Survey</td>
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<td>PPA</td>
<td>Participatory Poverty Assessment</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<tr>
<td>PV</td>
<td>Present Value</td>
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<td>ROSCA</td>
<td>Rotating Savings and Credit Association</td>
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<td>RRS</td>
<td>Regions of Republican Subordination</td>
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<td>SCO</td>
<td>Shanghai Cooperation Organisation</td>
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<td>SRM</td>
<td>Social Risk Management</td>
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<td>TLSS</td>
<td>Tajik Living Standards Survey</td>
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<td>Turkmenistan Living Standards Survey</td>
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<td>TR</td>
<td>Tajik Rouble</td>
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<td>TRACECA</td>
<td>Transport Corridor Europe Caucasus Asia</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<td>UNTUK</td>
<td>United Nations System in Turkmenistan</td>
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<tr>
<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
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<td>US</td>
<td>United States</td>
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<td>USA</td>
<td>United States of America</td>
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<td>USAID</td>
<td>US Agency for International Development</td>
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<tr>
<td>VENRO</td>
<td><em>Verband Entwicklungspolitik deutscher Nicht-Regierungsorganisationen</em> (Association of German Development NGOs)</td>
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<tr>
<td>WHO</td>
<td>World Health Organization</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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<td>XGS</td>
<td>Exports of Goods and Services</td>
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Summary

At the beginning of the 21st century the global fight against absolute poverty is seen as a joint international task, its urgency and magnitude made particularly clear by the UN Millennium Declaration. Today the post-Communist countries of Eastern Europe and the former Soviet Union are among those increasingly affected by poverty. In the transition countries of Central Asia in particular poverty is one of the main problems. Four of the Central Asian countries – Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan – are partner countries of the Federal Ministry for Economic Cooperation and Development (BMZ). In many respects they have similar social problems to those of "classical" partner countries in Africa, Asia and Latin America. Unlike them, however, they are equipped with social policy institutions to which only ten years ago the whole population had access and which are to some extent still in operation today.

This study examines the specific poverty profile of post-Communist Central Asia and considers the potential of the existing social policy institutions for improving human development in the region. Although it is not disputed that successful poverty reduction is of the utmost importance for the stability of the whole region and for the cohesion of society, very few analyses have been made of the specific Central Asian poverty problem or of the social policy efforts made in the region. The study seeks to close a significant gap in the available literature and to lay the foundations for increased involvement of development cooperation in the social policy sphere.

Poverty and poverty reduction in the development policy context

Because of its complexity there is no generally valid definition of the concept of poverty, and its meaning has changed significantly in recent decades. While income-related definitions predominated in the past, a more comprehensive view based on a multidimensional approach to poverty is now being taken in German and international development cooperation. The poverty reduction guidelines adopted by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in April 2000 refer to five dimensions of human well-being:

- the ability to earn an income (economic capabilities);
- access to health care, education, clean water, adequate nutrition and appropriate housing (human capabilities);
- human rights and opportunities for political participation (political capabilities);
- the possibility to participate as a valued member of a community (socio-cultural capabilities);
- the ability to withstand economic and other shocks (protective capabilities).

While the worldwide fight against absolute poverty is seen as the main global objective today, far less attention was paid to this challenge in the initial years of development policy. In the 1950s and 1960s poverty reduction was not regarded as a separate goal of development policy, as the emphasis lay on economic development. The McNamara speech in Nairobi in 1973 is widely regarded as a milestone on the road to a paradigm change. It was to be 1995, following widespread criticism of the inadequacy of the measures taken to cushion the impact of the structural adjustment programmes of the 1980s, before the World Summit for Social Development in Copenhagen succeeded in focusing international attention on the subject of poverty reduction. Finally, in 2000 the UN Millennium Summit adopted a list of eight development goals and 48 specific indicators, which is topped by the eradication of extreme poverty and hunger.

As these supranational efforts were being made, the International Monetary Fund and the World Bank began to take a greater interest in poverty reduction issues. The international financial institutions thus accepted the call for non-economic development objectives to be upgraded. The road to the Post-Washington Consensus entailed the
adoption of a new set of instruments, which were all launched in 1999: the Comprehensive Development Framework (CDF), the modification of the Highly Indebted Poor Countries Initiative (HIPC II) and the Poverty Reduction Strategy Papers (PRSPs). On the one hand, the new instruments include the conceptual transition from the adding on of poverty reduction to its mainstreaming; on the other hand, they set the scene for the South to assume more responsibility for the development of economic and social strategies.

Social policy as an instrument for reducing poverty

For a long time analyses undertaken from the social and development policy angles were carried out without any mutual points of contact. This duality was based on the explicit or implicit assumption that developing countries could not "afford" social policy institutions – an assessment that is increasingly questioned. The far greater interest taken by the development community in aspects of social policy in the past decade is very largely due to the debate on poverty reduction described above.

Following on from the 20/20 initiative adopted in Copenhagen, such basic social services as primary health care, elementary education, nutrition and the supply of clean water are regarded as fundamental elements of poverty reduction. With a view to better preventing and alleviating such risks as illness and old-age poverty, however, the promotion of social policy institutions is today a fixed component of poverty reduction programmes, including the federal German government's Programme of Action 2015. The OECD/DAC guidelines on poverty reduction emphasize the dual nature of social development as a separate human right and as an instrument for reducing poverty.

Special conceptual efforts have been made by the World Bank in recent years to incorporate social policy into a comprehensive poverty reduction strategy. Within the tripartite "opportunity, empowerment and security" strategy proposed in the World Development Report 2000/2001, social protection is placed under the "security" heading. For this sphere Social Risk Management has been developed, a special concept for the prevention, mitigation and management of risks that pose particular challenges for the poor. The World Bank concept draws attention to the wide range of risk management strategies to be seen in developing countries. It also makes it clear that social policy can make an important contribution to risk management in developing countries.

In the past decade, the growing realization that social policy also matters in the development policy context was accompanied by a greater appreciation of the different forms of protection systems to be found in developing countries. Five types can be distinguished: traditional, informal, cooperative, private and publicly provided social systems. In Eastern Europe and the former Soviet Union comprehensive, publicly provided social systems were developed in the Communist era, with other forms playing little or no part. The social systems inherited from the Communist past need to be reformed if they are to meet today's greater and different requirements.

Transformation and development in Central Asia

The first development agenda for Central Asia dates back to Soviet times. The declared objective was to raise the socio-economic level of a region regarded as backward to the average for the Soviet Union and to bring about the political, economic and cultural integration of the Central Asian people into the Soviet Union as a whole. The undisputed achievements of the Soviet past include the development of a health care system, and considerable progress was also made in the educational sphere. By the late 1960s illiteracy was a thing of the past in Central Asia, and secondary school and university systems had similarly been installed.

In the economic and cultural spheres, however, criticism is levelled at the Soviet development agenda and its implementation. The Central Asian
Soviet republics were integrated into the Soviet economy solely as suppliers of raw materials. In return for the raw materials they delivered, however, the Central Asian republics received extensive financial transfers from Moscow, which were used to build economic and infrastructure capacities and social policy institutions in Central Asia. The attempt to create a common Soviet identity was equivalent de facto to the Europeanization of Central Asia. Practice of the Islamic religion was seriously restricted in Soviet times. Even gauged by its own objectives, the implementation of the Soviet development agenda for Central Asia can be regarded as no more than a limited success, since after seven decades it had ultimately proved impossible to overcome the significant regional disparities within the Soviet Union.

The year 1991 marks the collapse of the Soviet Union, which caused the Central Asian Soviet republics to declare their independence. None of these newly established countries had previously been an independent state. Because of the appointment of strong presidents with an autocratic style of leadership, the absence of democratic standards in the elections that have been held and widespread violations of human rights, the Central Asian countries are now the target of international criticism. The re-Islamization currently to be observed in Central Asia has been interpreted as a means of constructing political legitimacy and forging links to a cultural and religious heritage. Human rights groups also report that accusations of Islamism and terrorism are deliberately used against religious and secular opposition groups.

The challenges associated with the change from a planned to a market economy were greater in Central Asia than in many other transition countries:

- The existing economic structures were in no way prepared for national sovereignty.
- The trade and transport routes previously used by the land-locked Central Asian countries were interrupted.
- Independence was accompanied by an abrupt end to the budget transfers from Moscow.
- An added factor was a brain drain, as more than a million Russians – including many highly qualified specialists – left Central Asia after independence.

Economic reform was slower and far more difficult in the former Soviet periphery than in other transition countries of Eastern Europe and the former Soviet Union. It was accompanied by a steep economic decline, very high rates of inflation, extensive job losses and a sharp drop in real wages. After seven decades of a de facto guarantee of full employment available coping strategies were limited. Major poverty problems are therefore emerging throughout Central Asia today.

**Poverty in Central Asia**

Income poverty in the Central Asian region cannot be ascribed solely to transformation, since it reaches back into the Soviet era. The income of a large proportion of the Central Asian population fell below the absolute minimum subsistence level as early as 1988, this being especially true of Tajikistan (59%) and Uzbekistan (45%), but also of Kyrgyzstan and Turkmenistan (37% in each case). Measuring poverty was taboo in the Soviet Union before the glasnost period. The incomplete nature of the data on poverty in the post-independence period indicates that income poverty is still a politically sensitive subject in most Central Asian countries.

The available indicators suggest that the change of system was followed by a considerable worsening of income poverty. Hardest hit in the late 1990s was Tajikistan, followed by Kyrgyzstan. In these two countries 96% and 84% of the population, respectively, had an income of less than US $ 4.30 a day. In Kazakhstan and Turkmenistan – the region's wealthiest countries – on the other hand, only 31% and 35% of the population had so low an income. The regional disparities in all the Central Asian countries are, however, enormous. The regions that have been particularly affected by poverty include Gorno-Badakhshan (Tajikistan) and Karakalpakstan (Uzbekistan).
In view of the rapid loss of importance of dependent employment Central Asians were forced to resort to the combination of sources of income that has long been common in countries of the "classical" periphery. The available information on this process of diversification indicates that survival is ensured by income from dependent employment, self-employed activity, agricultural production, subsistence farming and publicly provided benefits (especially pensions). The patterns of diversification differ according to social stratum and region, urban and rural area. The success of such coping strategies, however, has been limited. There is a particularly close link in Central Asia between poverty and the number of children in a family. Except in Tajikistan, the risk of poverty also correlates with the labour market status of the head of household. If he or she is unemployed or retired, there is a higher than average risk of poverty. Rural households and refugees are, moreover, particularly affected by income poverty.

If a multidimensional approach to poverty is adopted, an analysis of the specific poverty profile of Central Asia cannot be confined to income-related dimensions: it must also extend to the human development and social situation of the Central Asian people, which can be examined with the help of a few common indicators. If the Human Development Index is taken as the basis, the Central Asian countries have lagged well behind the average for the transition countries. Although Central Asia is in a far better position than the average for the developing countries, with almost completely literate populations, a comparatively high life expectancy and a high level of education, its per capita income is still very low. In 2000 Tajikistan achieved only 30% of the average per capita income for the developing countries. The only Central Asian country not to reach the average life expectancy for the developing countries, on the other hand, was Kazakhstan, economically the farthest advanced. Life expectancy in Kyrgyzstan and Tajikistan also fell in the first decade of independence.

The coincidence of a rapidly growing population and a shrinking economy due to transformation has increased the pressure on the existing social policy institutions in the Central Asian countries. The first decade of transformation was accompanied, for example, by a deterioration in most health indicators. The food situation also worsened. In Tajikistan in particular it became so acute, primarily because of the civil war, that almost half its population was suffering from undernourishment in the late 1990s. The available education indicators reveal a sharp decline in nursery, primary and secondary school and university attendance in almost all the Central Asian countries. The significant drop in primary school attendance is likely to lead to a revival of illiteracy in the region in the near future.

**Fiscal scope for social policy**

The transition from planned to market economy, which was accompanied by a serious economic crisis and high rates of inflation, resulted in serious fiscal imbalances in all transition countries. These imbalances are primarily due to the difficulty of mobilizing government revenue under transformation conditions, under which the planned-economy premises of generating revenue have become obsolete. Although Kazakhstan, Kyrgyzstan and Turkmenistan have recently succeeded in slowly raising the public revenue ratio, in Central Asia as a whole it is still well below the average figures for Central and South-east Europe and the Baltic States. Extractive capacity – the ability to generate public revenue – has slumped in the past decade throughout the Commonwealth of Independent States (CIS), where the capacity for government action is severely limited.

On their way to becoming independent nation states, however, the Central Asian countries faced not only the implications of the change of economic system but also the cessation of the extensive intra-Soviet financial transfers. As late as 1989 the grants from Moscow, which even then were regarded as completely inadequate, amounted to 12% of Kazakhstan's GDP, 20% of Uzbekistan's national budget and almost 50% of Tajikistan's public revenue. The erosion of the revenue side was bound to have an impact on
expenditure, and social spending was no exception.

The available data reveal sharp reductions in expenditure in the areas of health, education and old-age security in the first half of the 1990s. Most of the cuts amounted to more than two thirds of 1991 expenditure. The comparatively smallest reductions were made in Kyrgyzstan, the most extensive in Tajikistan. In all areas of social policy, per capita expenditure in the latter half of the 1990s was highest in Kazakhstan, followed by Uzbekistan and Kyrgyzstan. In contrast, social spending per inhabitant in Tajikistan was, at US $2 (health) to US $4 (education), extremely low in 1999. At a time of rapid population growth in Central Asia, these reductions entail particularly far-reaching cuts in social services, which are unparalleled on this scale in other transition countries. The extremely low levels of social spending in the Central Asian countries have even been criticized by the international financial institutions as being inadequate.

Areas of social policy action

In the past decade, the Central Asian population has been exposed to a wide variety of risks from the macro, meso and micro levels, for which it was totally unprepared. The potential that social policy has to offer should not therefore be ignored. It can contribute to the prevention, mitigation and management of many risks to which those affected or threatened by poverty are exposed. Many of the social policy structures of the Soviet era still exist and can be used as the basis for reform efforts. The study considers the core areas – social assistance, retirement pensions, health and education.

Social assistance: Owing to the poverty problem described, income transfers in the form of social assistance seem appropriate in all the Central Asian countries. It should be pointed out that in Soviet times the subsidized or free supply of the most important everyday goods and services (primarily foodstuffs, rents and electricity) largely replaced such transfers to specific target groups. In the last decade, on the other hand, the cost of living rose sharply. In view of the shortage of financial resources social assistance payments are currently restricted to a relatively small group of beneficiaries. Targeting is a basic challenge in this context. Income testing in Central Asia is difficult because of the variety and lack of transparency of the types and sources of income. The following options are available:

- In the case of proxy means testing, needs are assessed on the basis of household features which are relatively easy to observe, such as rights of disposal over land, water and electricity supply, ownership of consumer durables, occupation and family structure.
- Categorical targeting is based on certain features of the household or individual. Transfer payments can be concentrated on households in which risk groups (e.g. children, the elderly) are particularly strongly represented.
- Self-targeting can be operationalized, for example, by means of job creation programmes in which the participants receive less than the market wage or are even rewarded in kind (food-for-work).
- Community-based targeting decentralizes the allocation of social benefits, with advantage taken of locally available social capital. Its success depends, however, on the ability of a local community to ensure effective monitoring and to prevent corruption. A prominent, though controversial, example of community-based targeting is to be found in the Uzbek mahallas.

Retirement pensions: The old-age security schemes that exist in Central Asia are a further source of monetary transfers within the usually multigenerational households of Central Asia. The available data show that retirement pensions currently make a far larger contribution to household incomes than social assistance payments. In the course of the 1990s, however, the purchasing power of pensions fell sharply. As the high employment ratios in Soviet times mean that almost all the elderly are now entitled to a pension, the existing retirement pension schemes can be re-
garded as an implicit variant of categorical target-
ing.

The optimum design of retirement pension
schemes is the subject of an international debate,
which largely focuses on the question whether a
cut-as-you-go or a fully funded system is more
appropriate for financing. Kazakhstan changed
completely to a Chilean-style funded system in
1998. In view of limited state regulatory capaci-
ties and the rudimentary nature of the capital mar-
ket, the Kazakh reform has largely attracted criti-
cism. Following the Kazakh precedent, other
countries in the Central Asian region have also
shown an interest in following the Chilean prece-
dent, but it is generally agreed that their capital
markets are even less well equipped for a reform
of this nature. Their reform efforts have therefore
focused on the parameters of the public pay-as-
you-go system. The greatest challenge for the
contribution-funded systems in the Central Asian
context is the steady fall in employment in the
formal sector, which will result in a sharp rise in
system dependency rates and the erosion of what
has hitherto been an almost universal entitlement.

Health policy: In the health sector too an interna-
tional comparison reveals a wide variety of organ-
izational forms differing not least in the roles al-
lotted to the state, the market and the individual.
The health system inherited from Soviet times is a
tax-funded form of universal health care, the
medical factors of production being state-owned.
However, per capita government spending on
health in all the Central Asian countries except
Kazakhstan is so low that not even basic medical
care can be guaranteed. At present, patients and
their families therefore have to make informal
payments to be sure of medical treatment. The
attempt to convert these payments into formal fees
as an additional source of finance for the health
sector has largely failed. Formal fees now have to
be paid in addition to informal payments, making
it far more difficult in the current situation of
growing income poverty to obtain medical care.

Provided that they are capable of paying, it may
be perfectly appropriate for parental fees to be
used to improve the education provided. But if
they result in the children of the often large fami-
lies in the lower income brackets being excluded
from education, as is increasingly the case in Cen-
tral Asia, adjustments to current education policy
are needed. It is generally agreed that, when re-
sources are scarce, primary and secondary educa-
tion should have absolute priority, whereas opin-
ions on the relevance of pre-school care differ. At
a time of high youth unemployment vocational
education is also very important, although there is very little demand for it in its present form. The aim should therefore be to tailor vocational school curricula to the requirements of the market economy and to the newly emerging occupational areas and to open them up to young women too. The educational reforms pending in Central Asia also extend to redesigning schoolbooks and curricula and teaching interactive, less fact-centred teaching methods and new syllabi, for which comprehensive teacher training will be necessary. The Central Asian policy-makers must also face up to the reality of a multiethic population that is to be found in all the countries of the region.

Conclusions and recommendations for development policy

The worsening of income poverty and the savage cuts in social services currently to be seen in Central Asia are in danger of causing a downward spiral affecting all five of the dimensions of human well-being distinguished by the OECD/DAC. The deficiencies in the case of economic and human capabilities exacerbate one another: people with a low income in the Central Asian countries do not at present have sufficient access to education and health care. Poor education and health, however, reduce their chances of earning an adequate income. There is also considerable interaction between health status and level of education. The two dimensions referred to above are closely linked to two others, since people affected by poverty, illness and poor education have fewer opportunities to participate in social life as respected members of society (socio-cultural capabilities) or to withstand economic and external shocks (protective capabilities). Furthermore, the people of all the Central Asian countries currently suffer from major human rights violations and a lack of opportunities for political participation (political capabilities).

As the various dimensions of poverty in Central Asia are exacerbating each other at present, there is an urgent need for action. A key role in this will be played by the fight against income poverty and a reform of the existing social policy institutions. This will primarily necessitate the mobilization of additional financial resources. At present, however, the available budget resources plus the contributions and informal payments that can be mobilized are far from enough, especially in the resource-poor countries of the region, to protect the population against income poverty and to maintain universal access to the social system. This is particularly true of Tajikistan.

If the serious underfunding of the core areas of social assistance, retirement pensions, health and education is not to be perpetuated, the only solution in the short term is external transfers. The resources required should be mobilized as part of an internationally coordinated donor initiative. A possible forum for this is the recently launched CIS-7 Initiative of bi- and multilateral donors, in which the Central Asian countries with low per capita incomes (Kyrgyzstan, Tajikistan and Uzbekistan) are involved. The external transfers should, however, be subject to a time-limit, since the real challenge is to create a sustainable financial base for the Central Asian social policy institutions. However, this objective can be achieved only in the medium term, since the basic requirement is a distinct improvement in government extractive capacity in Central Asia. Steps should also be taken to prevent the increasing crowding out of social spending by the growing burden of debt servicing or by military spending, of which there are clear signs in the region at present.

Greater efficiency in the use of available resources could be achieved if the currently modest administrative capacities were strengthened. In keeping with social institution-building, the aim in this context should be to develop, train and equip a functioning service-providing administration. If the effectiveness of Central Asia's social systems is to be increased, the flow of information will need to be improved, both quantitatively and qualitatively. In the political dialogue it should be made clear that the social situation cannot be improved if the poverty problem is treated as a taboo. Where living standards surveys based on international rules do not satisfy the technical and professional requirements, they should be improved within the framework of technical cooperation.
Donor-coordinated technical cooperation also has an important role to play in the area of advice on social policy. At present, the World Bank, the ADB and WHO are particularly active in this sphere. There is, however, still a major need for the existing social systems to be reformed. In the four core areas of social policy – social assistance, retirement pensions, health and education – there is a wealth of international experience from which the Central Asian countries can benefit, but there are very few patent remedies. The goal should rather be to begin with a careful analysis of the specific economic and socio-cultural environment and then to increase the effectiveness of the social systems in the Central Asian countries. Special attention should be paid in this context to a reduction of the interregional disparities and to groups particularly affected by poverty, such as children, the elderly, refugees and the rural population. As a reversion to nomadism is evident in Kazakhstan and Kyrgyzstan in particular, social instruments tailored to the specific needs of the people concerned should be developed.

Social policy can make a major contribution in the Central Asian context to the prevention, mitigation and management of risks relevant to poverty. Yet in this region too the multidimensionality of poverty requires complex problem-solving approaches that go beyond conventional areas of social policy action. Some Central Asian governments have therefore recently developed broader concepts for poverty reduction, sometimes at the suggestion or with the support of international donors. The need for a broad agenda of economic, structural and institutional reforms to be pursued in the Central Asian countries is emphasized both in the national poverty programmes and PRSPs that have been submitted and in the CIS-7 Initiative. The ten goals of the federal German government’s Programme of Action 2015 rely, however, on an even more comprehensive poverty reduction strategy, which would be completely justified in Central Asia.
1 Introduction

Poverty reduction has been one of the main components of German development cooperation for many years and continues to be one of its greatest challenges. The Millennium Goal set by the international community of halving extreme poverty by 2015 has again demonstrated the urgency and magnitude of this joint international task. While the concept of poverty tended to be dominated by income in the past, a more comprehensive analysis of the problem has now gained acceptance. It is also reflected in a more complex package of strategies, as the Programme of Action 2015 presented by the Federal Ministry for Economic Cooperation and Development (BMZ) shows.

Poverty today is, however, a serious problem not only in the "classical" developing countries but also in the former Communist countries which have been assisted by the federal German government since the early 1990s. While the emphasis in these countries was placed on economic and political change in the first few years of transformation, the major social implications of the systemic change soon became apparent. Today there is no mistaking the fact that poverty and social disparities in the post-Communist region are more than just a temporary phenomenon. The reform of the social policy institutions inherited from the Communist era has therefore attracted greater attention in recent years. At the same time, it is obvious fourteen years after the annus mirabilis, 1989, that the political and economic upheaval in eastern Europe and the former Soviet Union has had extremely heterogeneous implications for the region. The European Union's eastward enlargement, which is by no means open to all the transition countries, is a clear example of the processes of intraregional differentiation and the varying degrees of success with which transformation has been undertaken.

It is becoming increasingly clear in this context that the social and economic situation in the five newly established countries of Central Asia is particularly serious: not only geographically do they form the periphery of the post-Communist region. It was, however, only a few months ago that the spotlight of world politics was shone on the previously rather marginalized Central Asian region as a result of its geographical proximity to Afghanistan. Four of the Central Asian countries – Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan – are now BMZ partner countries. In many respects their social problems are similar to those of the "classical" partner countries in Africa, Asia and Latin America. Unlike them, however, the Central Asian countries are equipped with social policy institutions to which only ten years ago the whole population had access and which are to some extent still in working order today.

This study looks into the specific poverty profile of post-Communist Central Asia at the beginning of the 21st century and examines the potential the existing social policy institutions have today for improving the alarming social situation in Central Asia. The pivotal importance of successful poverty reduction for the stability of the whole region and for societal cohesion in the various Central Asian countries is undisputed: "The deepest

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2 See BMZ (2001a).
3 See, for example, World Bank (2000a) and (2000c).
4 Some of the countries of the Caucasus and Southern Europe are in a similar situation. See Müller (2002c).
5 See Brill Olcott (2001). The Central Asian countries were promised increased foreign aid in return for their logistical support of the military intervention in Afghanistan.
source of internal instability throughout the region is neither religious extremism nor ethnic conflict but poverty. Nonetheless, few analyses of the specific issue of Central Asian poverty have so far been undertaken, and little is known of the state of the social policy institutions in the region. An attempt is therefore made in this study both to close a gap in the available literature on the region and to lay the foundations for an increase in the involvement of development cooperation in the social policy sphere.

The study is broken down into six chapters. Chapter 1 – the introduction – is followed by two brief chapters on the background, which lead on in thematic (Chapter 2) and regional terms (Chapter 3) to the subject of the investigation. To this end, the position of poverty and social policy in German and international development cooperation is defined in Chapter 2, which begins with a brief overview of the change that has occurred in the understanding of poverty in the past two decades. The status of and strategies for poverty reduction in the development policy context are then presented. This is followed by a discussion of social policy’s potential contribution to poverty reduction, the different social policy institutions in developing and transition countries also being considered. Chapter 3 seeks to provide the necessary basic understanding of the specific regional contextual factors, the region, after all, forming part of both the post-Communist and the Islamic world. The specific development problems facing the Central Asian region are outlined in the light of the Soviet legacy and the subsequent decade of transformation. Political, socio-cultural and economic aspects essential for an understanding of the causes of poverty and of the options for and limits to coping strategies in the Central Asian countries are discussed in this context.

Chapter 4 seeks to paint as accurate a picture as possible of human development, the social situation and income poverty in post-Communist Central Asia, using the available data. Following on from Chapter 2, this is based on a multidimen-

sional image of poverty, one that also includes dimensions unrelated to income. As far as the available statistics allow, both a comparative and a country-related perspective is adopted. Chapter 5 considers social policy and poverty reduction in Central Asia, focusing first on the sharp reduction in the fiscal scope for social policy and then presenting the existing social policy institutions and the reforms undertaken in recent years in the areas of social assistance, provision for old age, health and education to the extent that they are described in the literature. The chapter concludes with a discussion of some of the more broadly based approaches to poverty reduction in Central Asia, which, though including social policy components, are not confined to them.

The recommendations for development policy deduced from this study are set out in Chapter 6. As the information and data available are inadequate in some important respects, the recommendations cannot be highly detailed. They primarily concern ways of helping to reduce poverty in Central Asia by supporting and reforming the existing social policy institutions in the region. It is also emphasized, however, that such action needs to be complemented by more comprehensive approaches to poverty reduction. The priority areas specified by the BMZ in the Programme of Action 2015 are also taken up in this context.

The study is largely based on the available literature in English and German. In addition, numerous background discussions were held with social policy experts based in Astana, Almaty, Bishkek and Tashkent in October 2002. Active support was provided particularly by Yanyl Koyomuratova, Zharkin Kakimzhanova, Elvira Pak and Michael Gerlich. I received detailed feedback on the first version of this study from Elke Herrfahrdt, Irina Kausch, Markus Loewe and Imme Scholz. Kathrin Berensmann, Jörn Grävingholt, Susanne Neubert, Gesa Walcher, Jürgen Wiemann and Hans-Helmut Taake also made a number of important suggestions. My thanks to them all.

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2 Poverty and Social Policy in the Development Context

2.1 Changing Definitions and Concepts of Poverty

It is impossible to give a generally valid definition of the concept of poverty because of its complexity, especially as its meaning has changed significantly in recent decades. While the principal definition tended to be dominated by income in the past, a more comprehensive analysis of the problem has now gained acceptance in German and international development cooperation. In the BMZ paper "Main Elements of Poverty Reduction" drawn up ten years ago poverty was still being defined as follows: "People are poor if they do not have the minimum of monetary or non-monetary income needed to cover their need for food and other basic needs." The federal German government's recently presented Programme of Action 2015, on the other hand, states: "Poverty does not just mean that people have low incomes but also that they are faced with limited opportunities and have inadequate means of taking part in political and economic life, that they are particularly exposed to risks, their human dignity is not respected, their human rights are abused and that they lack access to resources." This change of meaning will be described in the following with the aid of a number of common definitions and concepts of poverty.

- Poverty as a problem of physically ensuring subsistence: According to the concept of absolute, extreme or primary poverty, anyone without sufficient resources to ensure his or her physical subsistence is poor. This approach dates back to Benjamin Seebohm Rowntree's historic study of poverty in the English city of York and is widely used today, particularly in the cost-of-basic-needs method. Differences of dietary habits and ways of life make it difficult, however, to define, measure and compare subsistence levels. To measure extreme poverty in an international comparison, the World Bank therefore uses, in a "dollar a day", a purely income-related headcount method (see Box 1).

<table>
<thead>
<tr>
<th>Box 1: Some Standard Methods of Quantitative Poverty Measurement</th>
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<tbody>
<tr>
<td><strong>Headcount index:</strong> In this case the number of poor people is related to the total population. This frequently used method does not, however, show how far people are living below the poverty line. A deterioration in the situation of the poor, for example, would not be covered by this indicator unless the situation of the rest of the population worsened. Nor does it provide any information on income distribution among the poor as a group. When using this indicator, political decision-makers may be tempted to focus on the people living just below the poverty line.</td>
</tr>
<tr>
<td><strong>Poverty gap and severity of poverty:</strong> The poverty gap is an aggregate indicator of the extent to which the income of or consumption by a population group defined as poor falls below the set poverty line. Its significance is due to the fact that the poverty situation in two countries may differ widely even though they have the same percentage of poor people. A poverty gap of 10 means that on average the poor consume 10% less or have an income 10% lower than the poverty line. This indicator does not, however, show how many people are poor or how income is distributed among the poor as a group. The World Bank attempts to cover the latter aspect by calculating the severity of poverty, a method which has yet to be generally recognized.</td>
</tr>
</tbody>
</table>

Source: Ravallion (1994); GTZ (1998); World Bank (2000c)

However, poverty can be measured not only indirectly through income but also directly by reference to levels of consumption. The aim

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7 See Bundesregierung (2001).
11 See Rowntree (1901).
then is to measure the actual degree of basic needs satisfaction rather than the possibility of available resources being used to ensure subsistence. The two most common methods here are the food-energy method, which is based on the minimum calorie requirement defined by the World Health Organization (WHO), and the food-share method, which is based on Engel's Law. Depending on the purpose of the research and the opportunities for conducting surveys, it may be appropriate to refer to the individual or the household in the measurement of poverty. In the latter case, a distinction is often made between the size of the household and its composition. Some special risk groups, such as the homeless and street children, are not, as a rule, covered by poverty statistics ("the missing poor").

- **Poverty as a problem of relative standards of living:** In the concept of relative poverty, the emphasis is on the shortage of physical resources that exists by comparison with the prevailing standard of living in the society concerned and is also known as "relative deprivation". In the EU context, relative poverty is said to exist at an equivalized income of less than 60% of the national median level. In the calculation of poverty lines for developing countries, many different concepts are encountered, multidimensional methods being increasingly used. Relative poverty indicators are best suited to complementing an absolute poverty indicator. Taken on its own, the concept primarily provides information on existing social inequality and so measures distribution rather than the poverty situation, although the two are closely linked.

- **Poverty as the absence of a share of societal resources:** Unlike a food- or income-centred approach, this more broadly based concept of poverty, largely established by Amartya Sen, proceeds from entitlement relations. The rights of disposal of resources legitimized in the society concerned consequently determine the ownership and use of goods. These result from the use of one's own labour, from trade, and from production, but they are also determined by transfers between the individual and other people or the state. In a later work, Sen interprets poverty as the "deprivation of basic capabilities", as reflected in, say, low life expectancy, poor health, undernourishment, and illiteracy. In this context, Sen defines the central term "capabilities" as "the substantive freedoms [a person] enjoys to lead the kind of life he or she has reason to value." Sen emphasizes that, although a low income is instrumentally significant within the framework of poverty reduction strategies, it does not have any intrinsic relevance. While there is a close link between the level of income and the chances of avoiding poverty, it is influenced by the age, gender and circumstances of the individual, which he or she is only partly able to control and which have a major influence on his or her ability to attain an adequate income.

14 See Ravallion (1994). According to Engel's Law, spending on food as a proportion of total expenditure rises as income falls.
15 It can be assumed that economies of scale occur in consumption by larger households. It is also assumed that children consume less than adults. Atkinson / Micklewright (1992) refer to methodological differences in the calculation of equivalence scales, which make comparisons of poverty difficult.
16 Ackland / Falkingham (1997), p. 82.
19 For the political economy of official poverty lines see Atkinson (1998).
20 For a comparative discussion of various methods see Boltvinik (1999).
22 See Sen (1981), pp. 45 ff. For a critique see, for example, Devereux (2001).
It is now widely recognized that poverty is multi-dimensional. This insight cannot, however, be easily converted into quantitative indicators, like those traditionally used for defining the problem with the aid of a poverty profile, for conceiving measures to be taken and for conducting the subsequent reviews of progress. The problem is illustrated, for example, by the efforts to establish a Human Poverty Index (see Box 2). However, mention should be made in this context not only of the inadequacy of the data in many developing and transition countries but also of the difficulty of finding suitable measurable variables for some of the non-monetary dimensions of poverty. Recently, there has therefore been a greater tendency to include qualitative, multidisciplinary methods in the analysis of poverty, an example being the World Bank's Participatory Poverty Assessment (PPA).

Box 2: The Human Poverty Index

This index, which has been calculated by the United Nations Development Programme (UNDP) only since 1997, is a response to the criticism levelled at the Human Development Index (HDI), which is afflicted with serious aggregation problems and fails to take account of important aspects of human development. Like the HDI, the Human Poverty Index (HPI) attempts to measure three basic dimensions of human development – long life, comprehensive education and adequate standard of living – but with particular regard for poverty-specific indicators. In this a conceptual distinction is made between developing countries on the one hand and OECD and transition countries on the other (HPI-1 and HPI-2).

HPI-1 covers the likelihood at birth of not reaching the age of 40, adult illiteracy, the percentage of the population having no access to clean drinking water and the percentage of underweight children under five years of age. HPI-2 takes account of the likelihood at birth of not reaching the age of 60, adult functional illiteracy, the percentage of the population living below the poverty line and the long-term unemployment rate.

However, this attempt to operationalize the more broadly based concept of poverty reveals its own practical limits. The actual availability and quality of the empirical data often make it impossible to calculate the HPI. This is especially true of all the post-Communist transition countries, for which only HDI figures are available.

Within the development community it is now recognized that poverty may assume many different forms and requires complex problem-solving strategies. Thus the World Bank's World Development Report 2000/2001 defines poverty as "pronounced deprivation in well-being" and operationalizes this as income poverty, lack of access to health care and education, exposure to risk and absence of opportunities for participation. The proposed poverty reduction strategies are geared in particular to improving the physical opportunities of the poor (opportunity), strengthening their political participation (empowerment) and eliminating risk (security). The poverty reduction guidelines adopted by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) in April 2000 refer to five dimensions of human well-being, with gender and environmental aspects also taken into account in each case: the ability to earn an income (economic capabilities), access to health care, education, clean water, adequate nutrition and appropriate housing (human capabilities), human rights and opportunities for political participation (political capabilities), the possibility of participating in social life as a respected member of society (socio-cultural capabilities) and the ability to withstand economic and external shocks (protective capabilities). The programme statement recently formulated by the federal German government on poverty reduction, the Programme of Action 2015 presented in


April 2001, also refers to the many causes of poverty and therefore relies on a comprehensive strategy, placing the emphasis on ten priorities: increasing the economic dynamism and active participation of the poor, ensuring the right to food and undertaking agricultural reforms, creating fair trade opportunities for developing countries, reducing indebtedness and financing development, guaranteeing basic social services and strengthening social security, ensuring access to vital resources and promoting an intact environment, ensuring respect for human rights and core labour standards, promoting gender equality, ensuring the participation of the poor and strengthening responsible governance, resolving conflicts peacefully and promoting human security and disarmament. The Programme of Action 2015 thus emphasizes that poverty reduction measures should not only be taken in the partner countries but also necessitate a change of policy in Germany and at international and multilateral level.

2.2 The Status of Poverty Reduction in Development Cooperation

While the worldwide fight against absolute poverty is seen as the main global objective today – at the beginning of the 21st century – far less attention was paid to this challenge in the initial years of world development policy efforts. In the 1950s and 1960s poverty reduction was not regarded as a separate goal of development policy. Instead, the emphasis in the modernization efforts of the “golden age of economic growth” was placed on increasing gross national product and capital accumulation. The de facto equation of economic growth with development attracted mounting criticism, however, especially as the hope that a trickle-down effect would result in large sections of the population benefiting proved deceptive in many places. The speech given by World Bank President Robert McNamara in Nairobi in 1973, in which he declared poverty alleviation to be one of the main tasks, is seen as a milestone on the road to a change of development policy paradigm. The Cocoyoc Declaration in 1974 and “Employment, Growth and Basic Needs”, the programme of action published by the International Labour Organization (ILO) in 1976, laid the foundations for the poverty- and target-group-oriented basic needs strategy which bi- and multilateral donors subsequently nailed to their masts. The 1980s, however, were completely overshadowed by debt crises and structural adjustment programmes, and "poverty alleviation somehow slipped out of view in mainstream agendas for economic reform.” The sometimes serious social effects of the macro-economic stabilization programmes triggered widespread criticism and protests, which eventually resulted in measures being taken to cushion the social impact.

The World Summit for Social Development held in Copenhagen in 1995 enabled international attention again to be focused on the subject of poverty. Poverty alleviation was seen in Copenhagen as an ethical, social, political and economic imperative for humankind. This led to the adoption of a coordinated and concentrated approach, which was reaffirmed at a special UN General Assembly held five years later ("Copenhagen + 5") with the setting of a specific target: between 1990 and 2015 the proportion of people having to manage on US $ 1 a day or less is to be halved.

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34 See ILO (1976) and Streeten et al. (1981).
Committee in 1996.\textsuperscript{38} Finally, in September 2000
the UN Millennium Summit adopted a list of eight
development goals and 48 specific indicators for
the measurement of progress achieved. The list is
topped by the eradication of extreme poverty and
hunger.\textsuperscript{39}

As these supranational efforts were being made,
the International Monetary Fund (IMF) and the
World Bank began to take a greater interest in
poverty reduction issues.\textsuperscript{40} The 1990 World De-
velopment Report had already been devoted to
the subject of poverty. In the 1990s it had also be-
come clear that in many of the countries which
were achieving impressive growth rates under
economic policies guided by the “Washington
Consensus” the social indicators had not improved
significantly.\textsuperscript{41} The Copenhagen World Social
Summit had therefore endorsed the wide-ranging
criticism of the structural adjustment pro-
grammes.\textsuperscript{42} Furthermore, it had become clear dur-
ing the debate on the Asian crisis that the neglect
of social policy mechanisms leads to forms of risk
management that delay economic recovery and
undermine human development.\textsuperscript{43} The interna-
tional financial institutions also accepted the call
for non-economic development objectives to be
upgraded. Recently, the World Bank has even
adopted the overriding slogan "Our Dream is a
World Free of Poverty" for its activities.\textsuperscript{44}

Beyond the level of debate, the road to the Post-
Washington Consensus also entailed the adoption
of a new set of instruments, which were all
launched in 1999. They include a conceptual trans-
ition from adding on to mainstreaming poverty
reduction.\textsuperscript{45} It was also envisaged that the South
would assume more of the responsibility for the
development of economic and social policy
strategies.\textsuperscript{46} The Comprehensive Development
Framework (CDF) marked the beginning. The
concept developed at nation state level is to be
committed to a long-term, results-oriented and
holistic approach that covers structural, social,
institutional and macroeconomic aspects of the
development agenda.\textsuperscript{47} Despite the need for coor-
dination with the IMF and World Bank, they em-
phasize the room for manoeuvre created by the
new instrument.\textsuperscript{48} In addition, the Highly Indebted
Poor Countries (HIPC) initiative launched in 1996
was so modified that debt cancellations are to be
used specifically to reduce poverty, with the re-
sources released by the debt relief operations spent
on poverty-reducing measures in the future.\textsuperscript{49}

Finally, in the Poverty Reduction Strategy Papers
(PRSPs) an instrument has been created that pro-
vides for developing countries to establish on their
own responsibility, but in partnership with donors,
a multidimensional poverty reduction strategy
geared to the long term and with the participa-
tion of civil society ("participatory, partnership-
oriented, country-driven").\textsuperscript{50} In the meantime,

\begin{itemize}
\item \textsuperscript{38} See OECD (1996), p. 9.
\item \textsuperscript{39} See the World Bank's detailed website: http://www.de-
vvelopmentgoals.org/About_the_goals.htm, 21 August
2002.
\item \textsuperscript{40} See Jakobeit (1999).
\item \textsuperscript{41} For a differentiated discussion of the effects of eco-
nomic growth of poor population groups see Ravallion
(2002).
\item \textsuperscript{42} See Eberlei (1999).
\item \textsuperscript{43} See Norton / Conway / Foster (2002).
\item \textsuperscript{44} See the World Bank group's homepage: http://www.
\item \textsuperscript{45} This had been demanded in UNICEF's adjust-
ment-with-a-human-face approach as early as 1987; see Cor-
nia / Jolly / Stewart (1987). See also Elson (2001) and
\item \textsuperscript{46} See Eberlei (1999).
\item \textsuperscript{47} See the World Bank's background information:
\item \textsuperscript{48} See Wolfensohn / Fischer (2000): "The CDF, however,
is not a blueprint. It is voluntary, and each country
must decide on, and own, its priorities and programs." See,
however, Schmidt-Kunz (2002).
\item \textsuperscript{49} See IMF / IDA (1999) and the World Bank's back-
ground information: http://www.worldbank.org/hipc/, 21
August 2002.
\item \textsuperscript{50} See the World Bank's background information:
http://www.worldbank.org/poverty/strategies/, 21 Au-
 gust 2002. See also Development Committee (1999),
\end{itemize}

For a critical analysis of the PRSP approach see Herr /
considerable pressure has been brought to bear on the partner countries to agree to a PRSP process.\footnote{See Heidbrink / Paulus (2000). PRSPs are currently being established in 46 countries and prepared in many others.} The establishment of a PRSP recognized by the IMF and World Bank is now a requirement both for debt cancellation under HIPC II and for concessionary loans from the Poverty Reduction and Growth Facility (PRGF), which has replaced the former Enhanced Structural Adjustment Facility (ESAF).\footnote{For the relationship between CDFs and PRSPs see World Bank (2001a), p. 23: "For low-income countries, the Poverty Reduction Strategy Paper (PRSP) is the principal vehicle for operationalizing CDF principles."} The new instruments are now being used in some countries of eastern Europe and the Commonwealth of Independent States (CIS). Kyrgyzstan and Romania were CDF pilot countries, and by mid-2001 Albania, Armenia, Azerbaijan, Georgia, Moldavia and Tajikistan had also established CDFs. All these countries except Romania have meanwhile initiated a PRSP process. None of the transition countries has so far benefited from an HIPC debt cancellation; in principle, Kyrgyzstan and Moldavia would, however, qualify.\footnote{See the IMF's background information: http://www.imf.org/external/np/prsp/prsp.asp, 21 August 2002, and http:// www.imf.org/external/np/hipc/index.asp, 21 August 2002. See also World Bank (2001a), World Bank (2002a), IMF / World Bank (2002c).}

### 2.3 Social Policy as an Instrument for Reducing Poverty

For a long time analyses undertaken from the social and development policy angles were carried out without any mutual points of contact. This duality was based on the explicit or implicit assumption that developing countries could not "afford" social policy institutions – an assessment that is increasingly questioned.\footnote{See, for example, Ahmad / Drèze / Hills / Sen (1991) and Devereux (2002).} The far greater interest taken by the development cooperation community in aspects of social policy in the past decade is very largely due to the debate on poverty reduction described above.\footnote{The initiative urges interested industrialized and developing countries to agree bilaterally that the former should spend 20 % of public development cooperation funds and the latter 20 % of their national budgets on basic social services. See UNDP et al. (1998) and Kerkow (2000).} Following on from the 20/20 initiative adopted in Copenhagen, the strengthening of such basic social services as primary health care, elementary education and nutrition and the supply of clean water are regarded as fundamental elements of poverty reduction.\footnote{See BMZ (2001a), pp. 26-28. See also BMZ (2002a), p. 8. "However, the conceptual ranking of social security in poverty reduction needs to be more clearly reflected in practical development cooperation."} With a view to better preventing and alleviating such risks as illness and old-age poverty, however, the promotion of social policy institutions is today a fixed component of poverty reduction programmes, including the federal German government's Programme of Action 2015.\footnote{See, for example, Gsänger (1993), FES (1996) and Conway / Norton (2002).} The OECD's DAC guidelines on poverty reduction place social policy strategies primarily in the spheres of "human capabilities" and "protective capabilities" (see Chapter 2.1). They emphasize the dual nature of social development as a separate human right and as an instrument for reducing poverty.\footnote{See OECD (2001), p. 10.}

Special conceptual efforts have been made by the World Bank in recent years to incorporate social policy into a comprehensive poverty reduction strategy. The tripartite "opportunity, empowerment and security" strategy proposed in the World Development Report 2000/2001, reflecting the

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51 See Heidbrink / Paulus (2000). PRSPs are currently being established in 46 countries and prepared in many others.

52 For the relationship between CDFs and PRSPs see World Bank (2001a), p. 23: "For low-income countries, the Poverty Reduction Strategy Paper (PRSP) is the principal vehicle for operationalizing CDF principles."


54 See, for example, Ahmad / Drèze / Hills / Sen (1991) and Devereux (2002). A similar line is taken in the...
multidimensionality of poverty, has already been discussed briefly in Chapter 2.1. As part of this complex approach, the World Bank assigns to social security an important place under the heading of "security". This was made more specific by the concept of Social Risk Management (SRM) developed by the World Bank's Social Protection Unit. The SRM concept seeks to highlight the wide range of risks that may arise in the areas of nature, health, life cycle, society, gender, economics, politics and the environment at micro, meso and macro level (see Table 1). For the poor, who are more vulnerable, these risks usually pose a particular challenge.

The aim of the SRM concept is to indicate the many possible strategies for preventing, mitigating and coping with risks ("Helping the Vulnerable Manage Risk"). In this the World Bank makes a distinction between the individual and household levels, the market and the state, four areas in which risk management may be needed (see Table 2). This reveals the large number of different actors who may be involved in risk management – individuals, households, communities, non-governmental organizations, the private sector, local, regional and national government authorities and international organizations. The World Bank concept thus draws attention to the wide range of risk management strategies to be found in developing countries, many of them not based on social policy in the narrower sense.

Table 2 similarly reveals, however, that government social policy can also make a major contribution to the prevention, mitigation and management of risks in developing countries, the alternative coping strategies at household level often being, after all, child labour and nutritional cutbacks. This analysis is applicable not only to the

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<table>
<thead>
<tr>
<th>Table 2: The Risk Concept of Social Risk Management</th>
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<tbody>
<tr>
<td><strong>Micro level</strong> (individual or household affected)</td>
</tr>
<tr>
<td>Nature</td>
</tr>
<tr>
<td>Health</td>
</tr>
<tr>
<td>Life cycle</td>
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<tr>
<td>Society</td>
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<tr>
<td>Gender</td>
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<td>Economy</td>
</tr>
<tr>
<td>Politics</td>
</tr>
<tr>
<td>Environment</td>
</tr>
</tbody>
</table>


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59 See World Bank (2001e).


61 For the concept of vulnerability see, for example, Holzmann (2001) and Heitzmann / Canagarajah / Siegel (2002).


63 For application to the Jordanian case see Loewe et al. (2001).
"classical" partner countries but also to the transformation process, which is described in a World Bank paper as a "unique catastrophic event" that is accompanied by numerous correlated and covariant shocks. These shocks affect a large proportion of the population particularly in the countries of the former Soviet Union, from which it can be inferred that social policy institutions have an important role to play as coping mechanisms.

2.4 Protection Systems in Developing and Transition Countries

The growing realization in the past decade that social policy institutions can also play an important role in the development policy context was accompanied by a greater appreciation of the many different forms of protection systems to be found in developing countries. Five types can be distinguished: traditional, informal, cooperative, private and publicly provided social systems.

Traditional protection systems are supported by solidarity communities often limited to specific localities or regions and are based on reciprocal arrangements among relatives, neighbours or members of religious and/or ethnic groups, and they usually manage without formalized rules.

Table 2: Risk Management Options

<table>
<thead>
<tr>
<th>Table 2: Risk Management Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal mechanisms</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Individual/household</td>
</tr>
</tbody>
</table>
| Risk prevention      | • Preventive health care  
                      | • Migration         | • Collective infra-structure investment  
                      | • More secure income sources | • Common property |
| Risk mitigation      | • Crop and plot diversification  
                      | • Income source diversification  
                      | • Investment in human and physical capital  
                      | • Marriage, extended family  
                      | • Share-cropping  
                      | • Storage |
| - Diversification    | • Occupational association  
                      | • ROSCA             | • Savings account at financial institution  
                      | • Investment in social capital  
                      | • Transfers |
| - Insurance          | • Pension fund  
                      | • Accident and life insurance  
                      | • Other insurance |
| Coping with shocks   | • Sale of assets  
                      | • Borrowing from money-lender  
                      | • Child labour  
                      | • Poorer nutrition  
                      | • Temporary migration |
|                      | • Transfers within solidarity networks  
                      | • Sale of financial capital  
                      | • Bank loan |

64 See Dobronogov (2003), p. 11.

65 While the SRM concept presented in the previous section is particularly wide-ranging in this respect, a more conventional approach to social policy is adopted here. See Ahmad / Drèze / Hills / Sen (1991), Klemp (1992), Gsänger (1993) and BMZ (1999).
Informal forms of security, such as savings clubs and soup kitchens, are based on communal self-help efforts, they are usually of recent vintage, and they do not have a common-law status. Collectively organized solidarity systems, such as cooperatives and trade unions, offer their members legally formalized benefits, which are meant to afford communal protection based on solidarity. Private insurance schemes, which now play a significant role primarily in the areas of pension and health insurance, similarly provide for risk-pooling through legally formalized contractual relations, but operate on a commercial basis. Publicly provided social systems are collectively organized solidarity networks of a legally formalized nature, to which the whole population ideally has access. As a rule, however, social insurance schemes presuppose a dependent employment relationship and regular contributory payments. Transfer systems organized by the state are not bound by such requirements and, unlike insurance schemes, often generate no entitlements.

The extent to which the population of a developing country has access to these five forms of security is intertemporally and regionally very different. In the course of the extensive processes of urbanization and modernization, traditional protection systems are breaking up in many places, and only part of their protective function can be performed by informal types of security and cooperatively organized solidarity systems. Protection systems run by government or the private sector are not as a rule open to the bulk of the rural population or people working in the informal sector. In large parts of Africa and Asia publicly provided social insurance schemes play no more than a limited role, whereas in many Latin American countries they are comparatively well developed, but here too they are complemented to a significant degree by other forms of protection. In eastern Europe and the former Soviet Union comprehensive, publicly provided social systems were developed in the Communist era, with other forms and bodies playing a subordinate role.

The guarantee of comprehensive social security was regarded as an important achievement of Communism by a large proportion of the population of Eastern Europe and the former Soviet Union. Yet experts are predominantly critical of Communist social policy. Economists have described it as "lavish" and argue that "it was impossible to finance all these entitlements." Social experts have, however, pointed out that access to some social benefits presupposed a recognized employment relationship: members of society who were classified as unproductive or disloyal were excluded on the ground that they were "undeserving poor". The two lines of argument agree, however, in their criticism of the paternalistic nature of Communist social policy.

The creation of unemployment insurance schemes aside, the existing social policy institutions at first survived the change of system largely intact. The nature and scale of the reform of the social policy institutions were far more contentious than the economic and political changes. Neoliberal economists argued that the system of protection "from the cradle to the grave" slowed the dynamism of economic growth and should therefore be severely curtailed. Voices from the social policy camp, on the other hand, assigned a key role in the transformation process to social security, since they believed it could counteract political opposition by compensating the losers in the reforms. Social policy should therefore be regarded as a requirement for successful transformation.

Twelve years after the change of system in eastern Europe and the former Soviet Union began the differences of opinion have become less pro-

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66 See Ferge (1994). Hamilton (1989) and Adam (1991) refer in this context to an implicit social contract between the regime and the people in the Communist countries, which was, however, disintegrating in the 1970s and 1980s as the economic difficulties mounted.
67 Sachs (1996), p. VII.
69 For old-age security reform see Müller (1998) and Müller (1999).
nounced. On the one hand, the high social costs of the change of system are undisputed today; on the other hand, there is just as little doubt that the social policy institutions inherited from the Communist past need to be reformed if they are to meet today's greater and different requirements. At the same time, increasing differentiation is occurring in the post-Communist region. The eastern European candidates for EU membership have already undertaken extensive economic and social reforms and today spend far more on social policy than most of the successor states to the former Soviet Union, where the economic collapse went deeper and many reforms have yet to be launched. The persistence and scale of the poverty occurring during the transformation process were underestimated for a long time, as the World Bank has admitted in a recently published study. While it had originally been expected that poverty would be a transitional phenomenon that could be overcome through an early return to a growth path, the need for government intervention in the social policy sphere is now emphasized. The situation in the Central Asian countries is particularly serious in this respect, as a glance at commonly used development indicators reveals (see Chapter 4).

3 Transformation and Development in Central Asia

3.1 The Soviet Development Agenda

The Central Asian region, having come under Tsarist rule in the 19th century, became part of the Soviet Union after the October Revolution. In a process lasting several years and accompanied by the harsh persecution of "ultra-nationalism" and "pan-Turkism" internal territorial reorganization along existing ethno-linguistic borders was initiated. At first, only Turkmenistan and Uzbekistan were declared Soviet republics (1924), while an Autonomous Tajik Republic was established within the Uzbek Soviet Socialist Republic and Kazakh and Kyrgyz Autonomous Republics were established within the Russian Federation. Some years later Tajikistan (1929), Kazakhstan and Kyrgyzstan (1936) were also declared full Soviet republics.

There was already a development agenda for Central Asia in Soviet times. The declared objective was to raise the socio-economic level of a region regarded as backward to the average for the Soviet Union and to bring about the political, economic and cultural integration of the Central Asian people into the Soviet Union as a whole. The undisputed achievements of the Soviet past include the development of a health care system. In 1913 there were only 400 doctors and 900 other medical personnel in the whole of Central Asia, or only one medically trained worker for every 10,000 inhabitants. By 1940 the number of doctors had been increased sevenfold, and by 1960 it had al-

72 See, for example, Heller / Keller (2001) and World Bank (2002).
74 See World Bank (2000c).
75 Central Asia here means the territory of the present republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The geographical defini-
76 See Nove / Newth (1966) and Rashid (1994). Akiner (2002) describes the process known as National De-
limitation as having been relatively successful; Deutschland (1993), on the other hand, refers to an "arbitrary drawing of borders" (p. 1). The Tajik Re-
public included only 63 % of all Tajiks, and Samarkand and Bukhara were claimed by both Tajiks und Uzbek-
– a continuing source of conflict, as was the division of the Ferghana Valley among the Uzbek, Kyrgyz and Ta-
jik Soviet Socialist Republics.
77 Contemporary western observers also saw the Central Asian region as an "economically and culturally back-
ready risen to 31,400.\textsuperscript{78} Considerable progress was also made in the educational sphere.\textsuperscript{79} During the 1926 census literacy rates in Central Asia were found to be between 2 to 3\% (Uzbeks) and 7\% (Kazakhs). In 1928 there were no more than 4.1 teachers per 1,000 inhabitants in urban areas and only 0.9 in rural areas. A general bilingual education system was then gradually established, and by the late 1960s illiteracy was a thing of the past.\textsuperscript{80} These efforts, which were explicitly extended to include girls and women, were not confined to elementary education. By 1955 all Central Asian children were receiving at least seven years of education, and vocational and university training and the development of research institutes were also being promoted.

In the economic and cultural spheres, however, criticism is levelled at the Soviet development agenda and its implementation.\textsuperscript{81} The economic policy measures were initially aimed at the establishment of an industrial base. In the 1920s and 1930s the emphasis was placed on the development of heavy industry and the exploitation of available mineral resources. In addition to the chemical, mining, oil and natural gas sectors, investments also began to be made in the expansion of cotton-growing in the late 1950s. Between 1960 and 1990 the area given over to cotton doubled, primarily in Uzbekistan and largely at the expense of food crops. As in the other Soviet republics, agriculture was collectivized in Central Asia in the late 1920s. The nomadic way of life which had been dominant in the desert and steppe regions of Central Asia – and especially in Kazakhstan and Kyrgyzstan – was brought to an end despite considerable resistance in some cases. In view of the ecological conditions, however, transhumance, a form of nomadic pastoralism, was retained. In spite of the efforts to industrialize, the economic structure of Central Asia continued to be largely dominated by agriculture. In 1990 agriculture accounted for about a third of the gross domestic product (GDP) of the Central Asian Soviet republics.\textsuperscript{82} Urbanization too was less pronounced in Central Asia than the average for the countries of eastern Europe and the Soviet Union. In 1991 the urban population accounted for 31\% of the total population in Tajikistan, 38\% in Kyrgyzstan, 40\% in Uzbekistan and 45\% in Turkmenistan, but 58\% in Kazakhstan.\textsuperscript{83} The Soviet economy featured a distinct North-South divide.\textsuperscript{84}

The main criticism voiced in the literature is that the Central Asian Soviet republics were integrated into the Soviet economy solely as suppliers of raw materials, which were processed elsewhere.\textsuperscript{85} Rather than the development of decentralized, self-sufficient structures in the various Soviet republics, the Soviet economic model provided for regional specialization and complementarity.\textsuperscript{86} The role allotted to Central Asia in this model has been compared to the integration into the world market of many states on the "classical" periphery and even led to the central government in Moscow being accused of colonialism.\textsuperscript{87} In return for the

\textsuperscript{78} See Nove / Newth (1966), pp. 87 f. In other parts of the Soviet Union the rates of growth in medical personnel were many times higher.


\textsuperscript{80} See Nove / Newth (1966), p. 71: "This astonishing improvement in education standards has not been achieved without constant pressure on the part of the authorities." It should be pointed out that even now illiteracy has not been overcome in neighbouring countries. In 1997 65.3\% of population over 15 years of age were unable to read and write in Afghanistan, 26.6\% in Iran and 17.8\% in China. Comparative statistics can be found on the website of the United Nations Educational, Scientific and Cultural Organization (UNESCO): http://www.unesco.org/education/information/WEBTables/Ind2web.xls, 21 August 2002.

\textsuperscript{81} See Akiner (2002).

\textsuperscript{82} The percentage was between 27\% (Kazakhstan) and 34\% (Kyrgyzstan). See World Bank (2002f), pp. 209 f.

\textsuperscript{83} In Eastern Europe and the Soviet Union the equivalent figure was 64\% of the population. See UNDP (1993), p. 206.

\textsuperscript{84} See Ahlberg (1990), p. 1172, who also refers to the "underdevelopment of Central Asia compared to the industrialized parts of the Soviet Union".

\textsuperscript{85} See Akiner (2002).

\textsuperscript{86} See Deutschland (1993).

\textsuperscript{87} See, for example, Gumpel (1990) and Pomfret (1999). For a detailed discussion of the accusation of colonial-
raw materials they supplied, however, the Central Asian republics received extensive financial transfers from Moscow, which were used to build economic and infrastructure capacities and social policy institutions in Central Asia.  

Today there is, on the other hand, no denying the damage to the environment caused by the intensive efforts to increase the limited area of agricultural land by means of large-scale irrigation projects. As a result, the lower reaches of the only two rivers flowing into the Aral Sea, the Amu-Darya and the Syr-Darya, and so huge areas of what was once the fourth largest body of inland water in the world have dried up. This has led to serious salinization and contamination of water and soil in the Aral region, which has caused major health problems, the destruction of the local fishing and canning industry, growing desertification and climate changes. The soil and water pollution due to the large-scale use of pesticides and artificial fertilizers in the growing of cotton as a monoculture has primarily affected Tajikistan, Turkmenistan and Uzbekistan. In Kazakhstan the environment has also been polluted by the Bikanur space centre, radioactive fall-out from the Chinese province of Xinjiang and a series of nuclear tests carried out in the area of Semipalatinsk (now known as Semey) from 1949 to 1963.

The cultural integration of the Central Asian republics into the Soviet Union as a whole is also criticized today as a "truly massive feat of social engineering". The changes intended as part of the Soviet development agenda affected all aspects of human life, from architecture, clothing and leisure activities through family and employment structures to religion, language and writing. The attempt to create a common Soviet identity (homo sovieticus) was equivalent de facto to the Europeanization of Central Asia. This process was exacerbated not least by the massive influx of Slav Soviet citizens, who accounted for a large proportion of the political and economic elites until the early 1990s. In addition, the Soviet Union's external frontiers were sealed, which for Central Asia meant not only the interruption of traditional trade routes but also the end of cultural exchanges with neighbouring countries in the region – Iran, Afghanistan and China – and isolation from the rest of the Islamic world. Practice of the Islamic religion was seriously restricted in the Soviet Union; there were, however, major regional and intertemporal differences in the treatment of Islam.

ism already being voiced at that time see Nove / Newth (1966), pp. 113 ff.


89 Since 1960 the Aral Sea has decreased by 75 % in area and by 91 % in volume; see Giese (2002). Further background information can be found on the website of the Aral Sea programme of Médecins Sans Frontières: http://www.msf.org/aralsea/asa_dis.htm, 21 August 2002.


92 In the area where the Turkic languages are spoken, the Arabic script gave way to the Latin alphabet in the late 1920s, as in Turkey. From 1938, the Cyrillic alphabet was introduced throughout the Soviet Union. See Capisani (2000), pp. 155 ff.

93 Akiner (2002) points out that even then there was no more than a partial change of elites, since many traditional political leaders were coopted into the Communist Party and education also did a great deal to open the way for social advancement.

94 After a wave of repression in the 1920s Stalin gave the Muslims their own religious administration, the muftiate, in 1945. Under Khrushchev a further wave of anti-Islamic repression occurred. In the Brezhnev era Uzbekistan, where the muftiate for Central Asia and Kazakhstan was located, was declared a model of "Soviet Islam", while a de-Islamization campaign was simultaneously being conducted in Kyrgyzstan. A timetable of the events in Uzbekistan can be found in Herrfahrdt (2001), p. 138.
Even gauged by its own objectives, the implementation of the Soviet development agenda for Central Asia can be regarded as no more than a limited success, since after seven decades it had ultimately proved impossible to overcome the regional disparities within the Soviet Union. From 1940 to 1989 only the population of the Kazakh Soviet Republic succeeded in improving its relative income position from 88% to 90% of the average income in the Russian Federation. For all the other Central Asian republics, the income disparities relative to the Russian Federation grew in this period. This process was particularly pronounced in Tajikistan, where the average income fell from 108% (1940) to 73% (1989) of the level in the Russian Federation. The incidence of poverty was also far higher in the Central Asian republics in 1988 than in the Russian Federation. Central Asia accounted for half of all the poor in the Soviet Union, but for only 17% of its population (see also Chapter 4.2). Until the Soviet Union collapsed, Central Asia, like the Caucasus, continued to belong to the periphery among the Soviet republics.

3.2 The First Decade of Transformation after Communism

The attempted coup in Moscow in August 1991 aimed at restoring Communism was the immediate trigger for the collapse of the Soviet Union. At a time when Russia had already left the Union the Central Asian Soviet republics also declared their independence: Kyrgyzstan and Uzbekistan on 31 August 1991, Tajikistan on 9 September 1991, Turkmenistan on 27 October 1991 and, finally, Kazakhstan on 16 December 1991. The newly established Central Asian states thus faced a threefold challenge, which has come to be known as the "triple transition": the consolidation of a national and state identity, the democratization of the political system and the reorganization of the economic system.

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97 See Falkingham (2002).
98 Offe (1994), pp. 64 ff. See also Linn (2002).
3.2.1 Political and Socio-cultural Developments

With the exception of Kazakhstan, where anti-Russian demonstrations had occurred as early as 1986, there had been very few separatist efforts in the Central Asian Soviet republics. Furthermore, as none of the Central Asian Soviet republics had existed as an independent state at any time in history, autonomy as nation states was as much an unexpected as a new challenge for the countries of the region. All the Central Asian countries have multiethnic populations, although this is hardly ever taken into account in the construction of a national identity that has been the aim of each country’s titular ethnic group since independence. Thus the gradual ousting of the previous *lingua franca* (Russian) from the administration and the workplace has caused major problems for the various ethnic minorities. In Kazakhstan, which is home to 150 different ethnic groups, only 40 % of the population belonged to the titular ethnic group in 1990, the figure in Kyrgyzstan being 52 % and in Tajikistan 63 %. Ethnic diversity was at its lowest in Uzbekistan and Turkmenistan, where, respectively, 71 % and 73 % of the population belonged to the titular ethnic group.

Political reorganization was launched in the Central Asian countries with the adoption of new constitutions and the abolition of the Supreme Soviets. First in this respect was Turkmenistan in 1992. Bicameral systems have since been introduced in Kazakhstan (1994), Kyrgyzstan (1995) and Tajikistan (1999), and Uzbekistan is preparing to take this step. In all the countries of the region a central role is played by the presidents, who have been in office since Soviet times, the exception being Tajikistan, where the old *nomenklatura* was removed in 1992. Their strong position forms, as it were, the pinnacle of a network of clientele and patronage relations that survived the Soviet era. The appointment of strong presidents with an autocratic style of leadership has been interpreted as an attempt to encourage cohesion in society in view of the absence of a national identity. Another declared motive was the prevention of civil war as in Tajikistan. Presidential and parliamentary elections in the region have not, as a rule, met the OSCE’s standards. Opposition parties, where they exist, encounter massive obstruction and have been unable to develop into separate power centres. The curtailment of democratic rights and freedoms and widespread violations of human rights have led to international criticism of the Central Asian governments. Even in Kyrgyzstan, where initially a

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99 During the period of perestroika all that was demanded was greater autonomy within the Soviet Union. However, some violent, ethnically motivated confrontations did occur. See Rashid (1994) and von Gumppenberg (2002b).

100 Until the Soviet era Central Asia, previously known as Turkestan, had been inhabited by nomadic tribes, which were organized into fairly large confederations in the Kazakh region. Since the 16th century there had also been three khanates, which developed into important economic, cultural and religious centres (Bukhara, Khiva and Kokand). See Capisani (2000) and Rasizade (2002).

101 In Kazakhstan the other population groups were primarily ethnic Russians (38 %), Germans (6 %) and Ukrainians (5 %), the main groups in Tajikistan and Kyrgyzstan being ethnic Uzbeks (24 % and 13 % respectively) and Russian (8 % and 22 %). See Izvorski (1999), p. 7.
rather liberal climate prevailed and an active civil society emerged, human rights violations are now a frequent occurrence. The situation is, however, most serious in Turkmenistan, which, according to the US civil rights organization Freedom House, is one of the world's twelve most repressive regimes.  

In the context of autocratic rule the re-Islamization of Central Asia has been interpreted as a means of constructing political legitimacy and forging links to a cultural and religious heritage. "Indeed, Islam has to some extent taken the place of Marxist ideology as state dogma." In the revival of Islamic traditions, however, significant regional differences are to be seen: while there are deep religious foundations to build on in the Ferghana Valley, for example, the relationship with Islam in northern Central Asia is cultural rather than religious. The separation of religion and state is enshrined in the constitutions of the Central Asian countries, but in Uzbekistan in particular re-Islamization is promoted by the government. At the same time, repeated terrorist attacks occur especially in the Ferghana Valley, which includes Uzbek, Kyrgyz and Tajik territory, the suspected perpetrators being Islamist groups. Local and human rights groups report, however, that accusations of Islamism and terrorism are deliberately used against religious and lay opposition groups. Besides its political function, re-Islamization is also having an initial impact on the gender situation in the region, which in Soviet times was characterized by the postulate of nominally legal equality. Thus education was compulsory for girls, and women were encouraged to pursue gainful activities. Equal participation in working life was, however, impeded by a very high birth rate in the Soviet era, especially as the domestic division of labour had remained unchanged. A stronger commitment to the traditional role of women has been encouraged by the economic upheaval of the past decade, which has led to massive job losses and the closure of many nursery schools (see also Chapter 4.1).

3.2.2 Economic Transformation

The challenges associated with the change from a planned to a market economy were greater in Central Asia than in many other transition countries. The existing economic structures were in no way geared to national sovereignty, and the previous trade and transport routes, which had all passed through the Russian Federation, were interrupted. National independence was accompanied by an abrupt end to the budget transfers from Moscow and the withdrawal of the military industrial complex from the region. This was joined by a brain drain, as several hundred thousand Russians – including many highly qualified specialists – left Central Asia after independence. However, the region has a relatively well educated population, and Kazakhstan and Turkmenistan in particular, but Uzbekistan too, are rich in natural resources.

109 With Sunnis, Shiites, Ismailis, Wahabis and Sufis, different Islamic traditions are, moreover, represented in the region. The religions practised also include Shamanism, Zoroastrianism and Christianity. See Capisani (2000).
110 Muslims who practise their faith outside the mosques authorized by the state can expect to be persecuted harshly. See Malashenko (2002) and Veser (2002).
111 Both the transnational Hizb-ut-Tahrir-al-Islami (Islamic Liberation Party), which recruits its members from the educated sections of the population, and the Islamic Movement of Uzbekistan (IMU), which operates primarily in the rural areas surrounding the Ferghana Valley, are calling for the establishment of a caliphate state in Central Asia – the former without, the latter with the use of violence. See Akbarzadeh (2001), Halbach (2002) and Schatz (2002).
112 See Cheterian (2001). The number of political detainees in Uzbekistan is estimated at 7,600; see Halbach (2002).
113 See UNDP (2002), pp. 191 f. The number of births per woman in the 1970s still averaged 3.5 in Kazakhstan, 4.7 in Kyrgyzstan, 6.2 in Turkmenistan, 6.3 in Uzbekistan and 6.8 in Tajikistan. However, there were major differences between urban and rural areas. Recently, total fertility rates have fallen sharply (see Table 11).
ticular, but Uzbekistan too, are rich in natural resources, although only limited processing of the raw materials is done in Central Asia itself.\textsuperscript{116} Furthermore, the wealth of natural resources, especially oil, has long been regarded as a mixed blessing in the development context.\textsuperscript{117} A summary overview of the progress made by Central Asia until 2001 in changing from planned to market economy can be seen in Table 3. Measured with the EBRD's yardstick, Kyrgyzstan and Kazakhstan have already undertaken important reforms in some key areas, while Tajikistan and Uzbekistan occupy a medium position.\textsuperscript{118} The Turkmen government, on the other hand, has sought to keep its explicit promise to initiate transformation with "ten years of well-being" [sic!] essentially by resorting to structural conservatism.\textsuperscript{119} Particularly in the areas of competition policy and price liberalization and in the reform of the financial sector the Central Asian countries are still lagging well behind the other transition countries. Only in Kazakhstan and Kyrgyzstan do state-owned enterprises subject to soft budget constraints contribute significantly less than 50\% to GDP.\textsuperscript{120}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|}
\hline
 & Kazakhstan & Kyrgyzstan & Tajikistan & Turkmenistan & Uzbekistan \\
\hline
Price liberalization\textsuperscript{a} & 3 & 3 & 3 & 2 & 2 \\
Trade and foreign exchange system\textsuperscript{a} & 3\+ & 4 & 3\+ & 1 & 2\– \\
Privatization\textsuperscript{a} & & & & & \\
- small-scale & 4 & 4 & 4\– & 2 & 3 \\
- large-scale & 3 & 3 & 2\+ & 1 & 3\– \\
Competition policy\textsuperscript{a} & 2 & 2 & 2\– & 1 & 2 \\
Financial institutions\textsuperscript{a} & & & & & \\
- Banking reform and interest rate liberalisation & 3\– & 2\+ & 2\– & 1 & 2\– \\
- Securities markets and non-bank financial institutions & 2\+ & 2 & 1 & 1 & 2 \\
Private sector share of GDP (%) & 65 & 60 & 50 & 25 & 45 \\
\hline
\end{tabular}
\caption{Transition Indicators for Central Asia, 2002}
\end{table}

\textsuperscript{116} Kazakhstan is the second largest oil producer in the CIS, it has natural gas, mineral, gold, copper, coal, zine and iron ore reserves, and it is a major wheat exporter. Turkmenistan is the world's fourth largest natural gas producer, has significant oil reserves and grows cotton and wheat. Kazakhstan and Turkmenistan are likely to derive considerable benefit from new discoveries of oil in the Caspian Sea. Uzbekistan is the world's second largest cotton exporter and produces gold, uranium, copper, oil and natural gas. Kyrgyzstan has the world's seventh largest gold mine, exports hydroelecetric power and produces cereals, vegetables, cotton, tobacco and silk. Tajikistan grows cotton, wheat, fruit and vegetables, produces aluminium, mines gold, silver, zinc and coal and generates hydroelectric power. See EBRD (2001a), EBRD (2001b), EBRD (2001c), EBRD (2001d) and EBRD (2001e).


\textsuperscript{118} For a comparative discussion of the different reform paths taken by Kazakhstan, which is committed to the "Washington Consensus", and by Uzbekistan with its gradualist strategy see Alam / Banerji (2000).

\textsuperscript{119} Quoted from Capisani (2000), p. 149. See also World Bank (2001d), p. 18: "The 10 Year Plan envisages the transformation of the country’s centrally planned economy to a socially oriented market economy, without social or economic turmoil and conflict."

\textsuperscript{120} The term "soft budget constraint" was coined by Kornai (1986).
The development of a market economy will thus require numerous other reforms, including some not covered by the EBRD’s yardstick. Kazakhstan, one of the first countries in the region to undertake reforms, is, for example, associated with "unrestrained crony-capitalism". In other words, interest groups have hitherto monopolized the transformation process for their own ends through corruption and state capture. Corruption, in this context, affects the enforcement of existing laws, while state capture influences the process of establishing the legislative and regulatory framework to the benefit of certain groups and individuals. While both corruption and state capture are found at a high level in Kyrgyzstan, the two phenomena do not always occur simultaneously. Thus while corruption is widespread in Uzbekistan and Kazakhstan, the capture economy index indicates limited state capture by the business sector in both countries.

A detailed analysis of post-Soviet economic policy in Central Asia cannot be undertaken here. However, an overview of the trend in a number of important economic indicators since the early 1990s will be given. In all the Central Asian countries the first half of the last decade was characterized by negative rates of growth in real GDP of up to 29% in a single calendar year (see Table 4). From 1996 the growth rates in Kazakhstan, Kyrgyzstan and Uzbekistan were mostly positive; in Tajikistan and Turkmenistan this trend began somewhat later. Although the region has featured high growth rates in recent years, none of the Central Asian countries except Uzbekistan had been able to achieve its 1989 GDP level by 2001. The cumulative decline in GDP was least pronounced in the case of the two slow reformers Uzbekistan and Turkmenistan, which achieved 105% and 96% respectively, of their 1989 GDP level in 2001. In Tajikistan, on the other hand, GDP in 2001 was only 56% of its 1989 level, mainly because of the devastating effects of war.

<table>
<thead>
<tr>
<th>Table 4: Economic Growth during Transformation</th>
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<tbody>
<tr>
<td>Rates of growth in real gross domestic product (GDP)</td>
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<tr>
<td>Kazakhstan</td>
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<td>Kyrgyzstan</td>
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<td>Tajikistan</td>
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<td>Turkmenistan</td>
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<td>Uzbekistan</td>
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<td>CIS</td>
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<tr>
<td>Central Europe/ Baltic states</td>
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<tr>
<td>Transition countries</td>
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| Source: EBRD (2002) |

124 See Gürgen et al. (1999). 
125 For the reliability of Central Asian economic data and their limited informative value in the face of a growing informal sector see Alam / Banerji (2000) and Pomfret (2002).
because of the civil war. It was the only Central Asian country to lag behind the CIS average. Like Kyrgyzstan, it also fell below the average for all transition countries. The whole region fared far less well than the Central European and Baltic transition countries.

The economic crisis triggered by transformation in Central Asia in the first half of the 1990s was also reflected in very high rates of inflation (see Table 5). All the Central Asian countries except guarantted during the Soviet era, but often resulted in "unemployment on the job" and so to concealed unemployment. 126 From 1989 to 1999 the employment ratio fell by 19.4 % in Tajikistan, by 14.2 % in Kazakhstan and by 9.7 % in Kyrgyzstan. The fall was far less pronounced in Turkmenistan, at 6.0 %, and Uzbekistan, at 5.5 %.

These differences in the decline in employment were due, on the one hand, to the scale of the market economy reforms hitherto undertaken, and

<table>
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<tr>
<th>Table 5: Inflation during Transformation(^a)</th>
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<tr>
<td>Kazakhstan</td>
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<td>Kyrgyzstan</td>
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<td>Tajikistan</td>
</tr>
<tr>
<td>Turkmenistan</td>
</tr>
<tr>
<td>Uzbekistan</td>
</tr>
<tr>
<td>CIS(^b)</td>
</tr>
<tr>
<td>Central Europe/ Baltic states(^b)</td>
</tr>
<tr>
<td>Transition countries(^b)</td>
</tr>
</tbody>
</table>

\(^a\) Change in annual average retail/consumer price level, in per cent
\(^b\) Median

Source: EBRD (2002)

Kyrgyzstan experienced four-digit rates of price increases between 1992 and 1995, i.e. immediately after secession from the Soviet Union. Only towards the end of the decade did it become possible to reduce inflation rates significantly. They remained high, however, in Turkmenistan and Tajikistan, at 22.8 % and 12.8 %, respectively. Table 5 shows that the rates of price increases in the Central Asian countries were far higher than in the other transition countries. This is particularly apparent from a comparison with Central Europe and the Baltic states, but also when the whole post-Communist region is considered.

The trend in employment in the first decade of transformation is shown in Table 6. In 1989 the five Central Asian countries still had very high employment ratios compared to Western Europe. They reflected both the scale of employment among women and the "right to work" that was especially the reforms in the enterprise sector (see Table 3). On the other hand, they reflect such contextual factors as the civil war in Tajikistan, which caused serious labour market problems. Table 6 shows that, as a rule, the decline in employment began before independence, when the Soviet Union was in economic crisis and the creation of new jobs could not keep pace with the high birth rates in Central Asia (see also Table 11). 127 Youth unemployment is a major problem today, particularly in Uzbekistan and Tajikistan, where young people between the ages of 15 and 24 accounted for, respectively, 59.0 % and 40.6 % of

126 Götting (1998), p. 64. See also Kausch et al. (1994).
It is generally noticeable that the decline in employment in all the Central Asian countries as shown in the statistics was far higher than that revealed by the official unemployment figures. It is particularly in Turkmenistan and Kazakhstan, especially as the transition to world market prices improved both countries' terms of trade, by 50% and 19%, respectively. However, the practical difficulties of selling in the world market the oil and natural gas that was produced soon became apparent. The export of oil and natural gas is hampered primarily by the Central Asian countries' lack of access to the sea, which makes it difficult for them to penetrate new markets. The existing pipelines were badly maintained and led to less-than-solvent CIS countries, where the oil and gas were bartered rather than exchanged for foreign currency.

Given the wealth of raw materials, there was considerable initial optimism, particularly in Turkmenistan and Kazakhstan, where the wealth of raw materials was substantial. However, the practical difficulties of selling in the world market the oil and natural gas that was produced soon became apparent. The export of oil and natural gas is hampered primarily by the Central Asian countries' lack of access to the sea, which makes it difficult for them to penetrate new markets. The existing pipelines were badly maintained and led to less-than-solvent CIS countries, where the oil and gas were bartered rather than exchanged for foreign currency.

---

128 Youth unemployment was 28.9% in Kazakhstan and 15.8% in Kyrgyzstan. No data were available for Turkmenistan. See UNICEF (2001).

129 The EBRD (2001f) gives the following official unemployment rates for 1999: 6.0% in Kazakhstan, 5.4% in Kyrgyzstan, 4.3% in Uzbekistan and 2.8% in Tajikistan. Actual unemployment is likely to have been far higher, however.


---

### Table 6: Employment Ratios in Central Asia

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>82.6</td>
<td>81.4</td>
<td>79.9</td>
<td>78.0</td>
<td>71.2</td>
<td>68.2</td>
<td>69.1</td>
<td>69.5</td>
<td>69.8</td>
<td>67.0</td>
<td>68.4</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>74.3</td>
<td>73.2</td>
<td>72.3</td>
<td>74.8</td>
<td>67.3</td>
<td>64.8</td>
<td>64.1</td>
<td>63.5</td>
<td>64.0</td>
<td>63.6</td>
<td>64.6</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>72.6</td>
<td>72.4</td>
<td>71.7</td>
<td>68.3</td>
<td>65.8</td>
<td>64.7</td>
<td>63.4</td>
<td>58.1</td>
<td>58.8</td>
<td>57.2</td>
<td>53.2</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>77.9</td>
<td>74.1</td>
<td>73.7</td>
<td>73.2</td>
<td>72.6</td>
<td>72.4</td>
<td>72.5</td>
<td>72.0</td>
<td>72.6</td>
<td>73.1</td>
<td>71.9</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>72.0</td>
<td>73.9</td>
<td>75.3</td>
<td>73.7</td>
<td>71.9</td>
<td>71.3</td>
<td>70.2</td>
<td>69.4</td>
<td>68.6</td>
<td>67.7</td>
<td>66.5</td>
</tr>
</tbody>
</table>

a Number of employed as % of 15-59 population

Source: UNICEF (2001)

### Table 7: Current Account Balance during Transformation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>0.0</td>
<td>-7.9</td>
<td>-7.8</td>
<td>-1.3</td>
<td>-3.6</td>
<td>-3.6</td>
<td>-5.6</td>
<td>-1.0</td>
<td>2.2</td>
<td>-7.8</td>
<td>-5.5</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>n.a.</td>
<td>n.a.</td>
<td>-6.9</td>
<td>-13.9</td>
<td>-21.4</td>
<td>-7.8</td>
<td>-25.0</td>
<td>-19.5</td>
<td>-11.6</td>
<td>-3.4</td>
<td>-2.9</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>n.a.</td>
<td>-28.8</td>
<td>-17.8</td>
<td>-16.0</td>
<td>-7.1</td>
<td>-5.4</td>
<td>-9.1</td>
<td>-3.4</td>
<td>-6.4</td>
<td>-6.9</td>
<td>-4.1</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>68.5</td>
<td>14.1</td>
<td>4.0</td>
<td>0.9</td>
<td>0.1</td>
<td>-25.3</td>
<td>-37.4</td>
<td>-24.8</td>
<td>15.2</td>
<td>-2.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>-12.0</td>
<td>-8.4</td>
<td>2.1</td>
<td>-0.2</td>
<td>-7.8</td>
<td>-5.4</td>
<td>-0.4</td>
<td>-2.0</td>
<td>2.8</td>
<td>-0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>CISb</td>
<td>1.3</td>
<td>-13.5</td>
<td>-7.7</td>
<td>-6.7</td>
<td>-8.8</td>
<td>-10.0</td>
<td>-13.7</td>
<td>-6.5</td>
<td>-0.8</td>
<td>-2.6</td>
<td>-3.9</td>
</tr>
<tr>
<td>Central Europe/ Baltic statesb</td>
<td>3.2</td>
<td>1.3</td>
<td>0.0</td>
<td>-2.8</td>
<td>-5.7</td>
<td>-6.8</td>
<td>-6.3</td>
<td>-4.7</td>
<td>-4.9</td>
<td>-4.7</td>
<td></td>
</tr>
<tr>
<td>Transition countriesb</td>
<td>0.8</td>
<td>-7.0</td>
<td>-4.9</td>
<td>-5.1</td>
<td>-8.1</td>
<td>-9.0</td>
<td>-10.1</td>
<td>-6.7</td>
<td>-3.7</td>
<td>-5.1</td>
<td>-5.5</td>
</tr>
</tbody>
</table>

a Deficit / surplus in % of GDP
b Unweighted average

Source: EBRD (2002)
The falling world market prices of cotton and gold and the major price fluctuations in the oil market also contributed to the Central Asian countries’ external imbalances. Table 7 shows that the current-account situation was far less stable in Central Asia than in the other transition countries, which, although similarly affected by the collapse of the old foreign trade structures, were less dependent on imports than the Central Asian countries. Turkmenistan's balance on current account was affected by the most extreme fluctuations, which ranged from a surplus of 68.5% of GDP in 1992 to a deficit of 37.4% of GDP in 1998.

The financing of the post-Soviet economic model in Central Asia is shown in Table 8. None of the Central Asian countries except Kazakhstan has so far benefited from much foreign direct investment, which is not surprising given that property rights are not well protected and economic reforms have been slow.

Cumulative direct investment has been lower in Tajikistan and Uzbekistan – US $ 23 and US $ 28 per capita, respectively – than in any other transition country. Only in Kazakhstan and Turkmenistan, which have extensive oil and natural gas reserves, has foreign direct investment exceeded the CIS average of US $ 167 per capita. Foreign direct investment in Central Europe and the Baltic states was, at US $ 1,154 per capita, many times higher, however. Official development assistance in 2000 exceeded the per capita average for the transition countries (US $ 18.7) only in Kyrgyzstan and Tajikistan. ODA payments to these

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131 The construction of new pipelines, however, requires supranational cooperation, which is not always easy to achieve in an unstable region. For an overview of the oil and natural gas pipelines already in existence, under construction or planned see EBRD (2001a), p. 17. See also Jaffe (1999) and Pomfret (2002).


133 Land, for example, may not be owned at all or may not be owned by foreigners, the ban also extending to leasing in some cases. Other factors are considerable legal uncertainty, the absence of an independent judiciary and, in Uzbekistan’s case, a currency that is not freely convertible. See EBRD (2001a), EBRD (2001b), EBRD (2001c), EBRD (2001d) and EBRD (2001e).

134 Alam / Banerji (2000) point out, however, that foreign direct investment in extractive oil and gas enclaves has very limited multiplier effects.

135 Kyrgyzstan, which still receives the highest development assistance payments of all the Central Asian coun-
Table 9: Basic Indicators of Human Development in Central Asia, 2000

<table>
<thead>
<tr>
<th></th>
<th>Human Development Index (HDI)</th>
<th>Life expectancy at birth (years)</th>
<th>Adult literacy rate (%)</th>
<th>School and university attendance (%)</th>
<th>GDP per capita (PPP US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>0.750</td>
<td>64.6</td>
<td>98.0</td>
<td>77</td>
<td>5,871</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>0.712</td>
<td>67.8</td>
<td>97.0</td>
<td>68</td>
<td>2,711</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>0.667</td>
<td>67.6</td>
<td>99.2</td>
<td>67</td>
<td>1,152</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>0.741</td>
<td>66.2</td>
<td>98.0</td>
<td>81</td>
<td>3,956</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0.727</td>
<td>69.0</td>
<td>99.2</td>
<td>76</td>
<td>2,441</td>
</tr>
<tr>
<td>Transition countries</td>
<td>0.783</td>
<td>68.6</td>
<td>99.3</td>
<td>77</td>
<td>6,930</td>
</tr>
<tr>
<td>Developing countries</td>
<td>0.654</td>
<td>64.7</td>
<td>73.7</td>
<td>61</td>
<td>3,783</td>
</tr>
<tr>
<td>OECD</td>
<td>0.905</td>
<td>76.8</td>
<td>n.a.</td>
<td>87</td>
<td>23,569</td>
</tr>
</tbody>
</table>

Sources: UNDP (2002)

| Note | Combined indicator of primary, secondary and tertiary gross enrolment in the relevant age group (1999) |

136 See Rasizade (2002), von Gumppenberg (2002a) and World Bank (2002a). Troops of the anti-terrorism coalition are based in Kyrgyzstan, Uzbekistan and Tajikistan. Tajik and Kazakh airfields are also being used for military operations, and even neutral Turkmenistan has granted overflight rights.

137 For the effects of the Russian crisis on the Central Asian region see Pastor / Damjanovic (2001).


139 UNDP's Human Development Index (HDI) depicts the three basic dimensions of human development – a long, healthy life, knowledge and a decent standard of living. These three dimensions are operationalized by life expectancy, adult literacy and gross enrolment ratios and by GDP per capita (PPP US $). For the methodology see UNDP (2002).
tries. However, the considerable disparities within
the Central Asian region are also becoming apparent. Thus, in the global HDI ranking, which
ranges from 1 (Norway) to 173 (Sierra Leone), the Central Asian countries lie between 79th and
112th place, with Kazakhstan and Tajikistan forming the two regional extremes (see also Table 10).
With almost completely literate populations, a comparatively high life expectancy and a high
level of education, all the Central Asian countries today fall into the "medium human development"
category.140 With the exception of Kazakhstan, however, all the Central Asian countries were
low-income countries in 2000.141 Tajikistan even fell as low as a mere 30 % of average per capita
GDP for the developing countries. Once the Soviet Union's poorhouse (see Table 14), it is now
one of the world's poorest countries.142 The only Central Asian country not to reach the average life
expectancy for the developing countries, on the other hand, was Kazakhstan. The main reason for
this was the mortality rate among middle-aged men, which is almost as high in Kazakhstan as it
is in Russia.143 Only 47.6 % of boys born in Kazakhstan can expect to survive until the age of 65,
as compared to 72.7 % of new-born girls.144

From the data presented in Table 9 it can be concluded that the Central Asian countries have
reached a far higher level of human development than their per capita income indicates, but this is
not the only relevant angle from which to view the situation. An intertemporal comparison of HDI

<table>
<thead>
<tr>
<th>Table 10: Comparison of Human Development in Central Asia, 1990-2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Development Index (HDI)</td>
</tr>
<tr>
<td>Kazakhstan</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
</tr>
<tr>
<td>Tajikistan</td>
</tr>
<tr>
<td>Turkmenistan</td>
</tr>
<tr>
<td>Uzbekistan</td>
</tr>
</tbody>
</table>

Sources: UNDP (1993) and UNDP (2002)

140 In the light of the analysis undertaken in Chapter 3.2
the high ranking of Turkmenistan in particular does,
however, reveal the limits to the HDI approach.

141 See World Bank (2001e), p. 334. However, Turkmenistan
has meanwhile moved up into the group of lower
middle income countries, in which Kazakhstan is also
to be found; see World Bank (2002f).

142 See World Bank (2000d) und Schmid (2001). In terms
of per capita GNI Tajikistan was the world's seventh
poorest country in 2000. See the World Bank's statis-


144 A contributory factor here is likely to be the high per-
centage of Russians living in Kazakhstan, since the
gender gaps in the other Central Asian countries are far
narrower. The probability of surviving until 65 was
57.8 % (men) and 75.3 % (women) in Kyrgyzstan,
62.7 % (men) and 73.6 % (women) in Tajikistan,
56.9 % (men) and 71.7 % (women) in Turkmenistan
and 62.9 % (men) and 75.0 % (women) in Uzbekistan.
Table 11 shows that life expectancy in Kazakhstan, Kyrgyzstan and Tajikistan worsened in the first decade of independence. By 1999 the life expectancy of both sexes in Kazakhstan had even fallen below its 1980 level. Only the data for Turkmenistan reveal a trend in the opposite direction. Some studies ascribe the significant increase in mortality, which is also to be seen in other transition countries, to transformation-induced psychosocial stress. The gender-specific differences in life expectancy are, however, so pronounced that reference is made to the phenomenon of the "missing men". The life expectancy of Russian men was far lower than that of women even in Soviet times, this being attributed to the gender-specific differences in alcohol and cigarette consumption.

Despite the decline in life expectancy, the Central Asian countries again experienced a substantial increase in population during the transformation decade. An exception was Kazakhstan, whose population decreased by 9 % in the last decade, largely because of the emigration of a large proportion of the Slav population. Population growth has been particularly high in Turkmenistan (71 %), Tajikistan (59 %) and Uzbekistan (56 %) in the last twenty years. This has been due to very high total fertility rates, with four to six births per woman in 1980 in all the Central Asian countries except Kazakhstan. Although the transformation years have seen a sharp drop in birth rates, by almost 50 % in Turkmenistan and Tajikistan, peak figures are still being achieved in the region compared to the other transition countries. The coincidence of a rapidly growing population and a shrinking economy due to transformation has increased the pressure on the existing social policy institutions in the Central Asian countries, as will be evident from the following indicators.

Table 12 sheds light on a number of health and nutrition indicators. From 1990 to 1998 Kazakhstan, Tajikistan and Kyrgyzstan in particular experienced a serious reduction in available medical staff, the only increase occurring in Uzbekistan. The trend in maternal mortality, which is very high in the Caucasus, Russia, Romania and Latvia,

Table 11: Trends in some Demographic Indicators in Central Asia

<table>
<thead>
<tr>
<th>Year</th>
<th>Kazakhstan</th>
<th>Kyrgyzstan</th>
<th>Tajikistan</th>
<th>Turkmenistan</th>
<th>Uzbekistan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Life expectancy at birth, men</td>
<td>Life expectancy at birth, women</td>
<td>Population (m)</td>
<td>Total fertility rate (births per woman)</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>61.6</td>
<td>61.1</td>
<td>63.7</td>
<td>61.1</td>
<td>64.0</td>
</tr>
<tr>
<td>1990</td>
<td>63.2</td>
<td>64.2</td>
<td>66.8</td>
<td>62.4</td>
<td>66.1</td>
</tr>
<tr>
<td>1999</td>
<td>60.3</td>
<td>63.1</td>
<td>65.6a</td>
<td>63.4</td>
<td>n.a.</td>
</tr>
<tr>
<td>1980</td>
<td>71.9</td>
<td>70.1</td>
<td>68.6</td>
<td>67.8</td>
<td>70.7</td>
</tr>
<tr>
<td>1990</td>
<td>72.7</td>
<td>72.6</td>
<td>71.9</td>
<td>69.0</td>
<td>72.4</td>
</tr>
<tr>
<td>1999</td>
<td>71.0</td>
<td>71.1</td>
<td>71.3a</td>
<td>70.4</td>
<td>n.a.</td>
</tr>
<tr>
<td>1980</td>
<td>14.8</td>
<td>3.6</td>
<td>3.9</td>
<td>2.8</td>
<td>15.7</td>
</tr>
<tr>
<td>1990</td>
<td>16.3</td>
<td>4.4</td>
<td>5.2</td>
<td>3.7</td>
<td>20.2</td>
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<tr>
<td>2000</td>
<td>14.9</td>
<td>4.9</td>
<td>6.2</td>
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<td>24.5</td>
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<tr>
<td>1980</td>
<td>2.90</td>
<td>4.07</td>
<td>5.64</td>
<td>4.93</td>
<td>4.81</td>
</tr>
<tr>
<td>1990</td>
<td>2.72</td>
<td>3.63</td>
<td>5.09</td>
<td>4.20</td>
<td>4.07</td>
</tr>
<tr>
<td>1999</td>
<td>1.93</td>
<td>2.63</td>
<td>2.60</td>
<td>2.20</td>
<td>2.72</td>
</tr>
</tbody>
</table>

a 1997

Source: UNICEF (2001)


147 In 1994 alone net external migration amounted to more than 400,000 people. See UNICEF (2001), p. 123.
via, is not uniform. In Kyrgyzstan and Turkmenistan it deteriorated in the final Soviet decade, but has since improved significantly. In Tajikistan, on the other hand, maternal mortality again rose by 39% during the first half of the 1990s. However, it is now well below the 1980 level in all the Central Asian countries. The data in Table 12 reveal a sharp decline in infant mortality in the past two decades, especially in Tajikistan (-67%), Uzbekistan (-57%) and Turkmenistan (-53%). It must be assumed, however, that actual infant mortality rates are far higher than those officially registered, since the deaths of new-born children have not always been reported in the Central Asian countries since independence.\(^{149}\) Even the Central Asian countries' official figures on infant mortality are, however, well above the level in all other transition countries.

A health indicator of relevance to poverty is the incidence of tuberculosis, which, while falling slightly in Tajikistan in the first transformation decade, rose significantly in the other Central Asian countries. The increase was particularly pronounced in Kyrgyzstan (+166%) and Kazakhstan (+66%). The incidence of cholera, typhoid, diphtheria, hepatitis, syphilis, HIV/AIDS and malaria also rose.\(^{150}\) Drug addiction is also a growing problem, since Central Asia is increasingly developing into a growing area and a transport route for narcotics, and especially Afghan heroin ("Silk Road").\(^{151}\) In addition, undernourishment has been more common than the CIS average (8%) in all the Central Asian countries except Uzbekistan. This problem was particularly serious in Tajikistan after the years of civil war – almost half its population suffered from under-

---

\(^{149}\) See Falkingham (1999b) and UNICEF (2001). According to Bonilla-Chacin / Murrugarra / Temourov (2003), the charging of registration fees is likely to be one of the causes of the incomplete records of mortality in Central Asia and the Caucasus.


\(^{151}\) See BKA (2002), p. 94.

---

<table>
<thead>
<tr>
<th>Table 12: Selected Health and Nutrition Indicators for Central Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Doctors (change in %)</td>
</tr>
<tr>
<td>Nurses (change in %)</td>
</tr>
<tr>
<td>Maternal mortality rate (per 100,000 live births)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Infant mortality rate (per 1,000 live births)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Tuberculosis incidence (new cases per 100,000 people)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Undernourished as proportion of population (in %)</td>
</tr>
</tbody>
</table>

nourishment. Tajikistan thus took a sad lead in an international comparison.\textsuperscript{152}

Table 13 lists a number of education indicators. Attendance of pre-school facilities had already been comparatively low in Central Asia in 1989; only in Kazakhstan did one child in two attend a nursery school, which probably reflects the higher degree of urbanization in this Soviet republic.\textsuperscript{153}

Ten years later nursery school attendance had fallen sharply, primarily in Kazakhstan (-80 %), Kyrgyzstan (-77 %) and Tajikistan (-64 %).\textsuperscript{154} In Kyrgyzstan and Kazakhstan two thirds of all nursery schools had been closed by the mid-1990s.\textsuperscript{155} Elementary schools too were attended by a far smaller percentage of 7- to 15-year-olds in 1999 than ten years earlier. Although the reductions at this level have been the smallest numerically, the transition in just a few years from almost universal elementary education to the exclusion from elementary schools of 21.1 % of all children in Turkmenistan and 15.7 % in Tajikistan is alarming. The Central Asian population is almost completely literate today, as Table 13 shows.\textsuperscript{156} The steady decline in school attendance indicates the likelihood of this legacy of Soviet times soon being abandoned, however.\textsuperscript{157}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|c|}
\hline
 & \textbf{Year} & \textbf{Kazakhstan} & \textbf{Kyrgyzstan} & \textbf{Tajikistan} & \textbf{Turkmenistan} & \textbf{Uzbekistan} \\
\hline
\textbf{Pre-primary enrolment (in % of 3- to 6-year-olds)} & 1989 & 53.1 & 30.0 & 15.2\textsuperscript{a} & 33.5 & 36.8 \\
 & 1999 & 10.5 & 6.9 & 5.5 & 18.7 & 16.2 \\
\hline
\textbf{Basic education enrolment (in % of 7- to 15-year-olds)} & 1989 & 94.8 & 92.2 & 94.3 & 91.2 & 92.0 \\
 & 1999 & 94.2 & 89.5 & 84.3 & 78.9 & 88.9 \\
\hline
\textbf{General secondary enrolments (in % of 15 to 18-year-olds)} & 1989 & 32.5 & 36.7 & 40.4 & 41.7 & 36.3 \\
 & 1999 & 38.9 & 37.5 & 17.2 & 28.7 & 30.9 \\
\hline
\textbf{Higher education enrolments (in % of 19- to 24-year-olds)} & 1989 & 18.1 & 13.2 & 11.5 & 10.2 & 15.0 \\
 & 1999 & 23.3 & 29.8 & 11.5 & 3.9 & 6.2 \\
\hline
\textbf{Adult literacy rate (in %)} & 1991 & 97.5 & 97.0 & 96.7 & 97.7 & 97.2 \\
 & 1998 & 99.0 & 97.0 & 99.0 & 98.0 & 88.0 \\
\hline
\textsuperscript{a} 1990
\hline
\end{tabular}
\caption{Selected Education Indicators for Central Asia}
\end{table}


\textsuperscript{152} The only countries with a higher proportion of under-nourished people were Afghanistan, Haiti, Somalia, Burundi, the Democratic Republic of Congo, Eritrea, Mozambique, Angola and Ethiopia. See FAO (2001).

\textsuperscript{153} Klugman et al. (1997) argue that, as there was already a labour surplus in Soviet times, especially in the rural areas of Central Asia, there was little incentive to increase the female employment rate by providing comprehensive child care facilities.

\textsuperscript{154} In almost all other transition countries, on the other hand, pre-school care facilities continue to be widely used. See UNICEF (2001), p. 147.

\textsuperscript{155} See Bauer et al. (1998), p. 64.

\textsuperscript{156} It should be pointed out that the data on the current scale of illiteracy in Uzbekistan are highly inconsistent. The illiteracy rate for Uzbekistan is given as 11.5 % in UNDP (2001), but as 0.8 % in UNDP (2002). Similar discrepancies are to be found between World Bank (2001e), which refers to 7 % of men and 17 % of women, and World Bank (2002f), where the figures are 0 % for men and 1 % for women. According to the official Uzbek data, less than 1 % of the population was illiterate between 1996 and 1999; see UNDP (2000a). See also the divergent data in Tables 9 and 13.

\textsuperscript{157} See Falkingham (2002).
minority today, the percentage being lower than in any other transition country.  

4.2 Regional Comparison of Income Poverty

Income poverty in the Central Asian region cannot be ascribed only to transformation, since it reaches back into the Soviet era. Table 14 assembles the available indicators of income poverty in Central Asia, enabling a comparison to be made. It becomes clear that the income of a significant proportion of the Central Asian population fell below the "absolute minimum subsistence level" of 75 roubles as early as 1988 – well before the Central Asian countries gained their independence – this being especially true of Tajikistan (58.6 %). Because of the different sources of data and poverty lines taken as a basis, Table 14 permits no more than cautious conclusions to be drawn, especially where an intertemporal comparison is concerned. The indicators which have been assembled suggest, however, that the change of system was followed by a considerable worsening of the problem of income poverty. Even the international standard indicator of absolute poverty, US $ 1 a day (see Chapter 2), which otherwise sheds little

<table>
<thead>
<tr>
<th>Poverty line</th>
<th>Year</th>
<th>Kazakhstan</th>
<th>Kyrgyzstan</th>
<th>Tajikistan</th>
<th>Turkmenistan</th>
<th>Uzbekistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>75 roubles/month</td>
<td>1988</td>
<td>15.9</td>
<td>37.1</td>
<td>58.6</td>
<td>36.6</td>
<td>44.7</td>
</tr>
<tr>
<td>US $ 120/month *</td>
<td>1987-88</td>
<td>5.0</td>
<td>12.0</td>
<td>n.a.</td>
<td>12.0</td>
<td>24.0</td>
</tr>
<tr>
<td>US $ 1/day</td>
<td>1993-95</td>
<td>65.0</td>
<td>88.0</td>
<td>n.a.</td>
<td>61.0</td>
<td>63.0</td>
</tr>
<tr>
<td>US $ 1.25/day</td>
<td>1993-96</td>
<td>1.5</td>
<td>n.a.</td>
<td>n.a.</td>
<td>20.9</td>
<td>3.3</td>
</tr>
<tr>
<td>US $ 2.5/day</td>
<td>1998-99</td>
<td>5.7 c</td>
<td>49.1</td>
<td>68.3</td>
<td>7.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>US $ 4.3/day</td>
<td></td>
<td>30.9 c</td>
<td>84.1</td>
<td>95.8</td>
<td>34.4</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

* in international dollars
b at 1993 international prices
c 1996


and Uzbekistan (44.7 %). Data on earlier years are not available, since measuring poverty was taboo in the Soviet Union before the glasnost period. As poverty was regarded as inherent in the capitalist system, it was deemed by definition not to exist under Communism and did not therefore need to be measured or combated. From the incomplete nature of the data on poverty in the period after independence had been gained it can be concluded that it is still a politically sensitive subject in most Central Asian countries, and especially Uzbekistan.  

158 See UNICEF (2001), p. 149. According to Paci (2002), p. 137, the trend in Tajikistan primarily affected women, only half as many of whom were enrolled at universities in 1996 as men.

159 By comparison, only 6.3 % of the population of the Russian Federation fell short of this officially defined minimum subsistence level in 1988; in the Baltic states the percentage of those affected by income poverty was even smaller. See Gumpel (1990), p. 1180.


161 See UNDP (2000c) and Kasymov (2001).
US $ 4.30 a day, as against two thirds of the population in Kazakhstan and Turkmenistan – the region's wealthiest countries. Uzbekistan could not be included in this study. The data presented should therefore be interpreted with caution, since they were all collected several years ago and considerable volatility is an inherent feature of political and economic transformation.

Table 15 shows how the relative risk of poverty faced by Central Asian households correlates with selected household characteristics. The data reveal a particularly close link between poverty and the number of children, the risk of poverty being greater than average only when three or more children are present. Except in Tajikistan, the risk of poverty also correlates with the status of the head of household in the labour market. If he or she is unemployed or retired, there is a higher than average risk of poverty. Access to a private plot of land for fruit and vegetable growing may prevent poverty in Kazakhstan and Tajikistan.162

The trend in real wages during Central Asia's first decade of independence is shown in Table 16. Although data relating to the same base year cannot be obtained, making an intraregional comparison difficult, the scale of income losses is nonetheless clear. In Tajikistan and Uzbekistan real wages in the mid-1990s were almost completely eroded by high rates of inflation, falling to, respectively, 6.5 % and 9.2 % of the 1989 level. Although Kyrgyzstan and Kazakhstan in particular managed to avoid such extreme income losses, their real wage levels had also fallen by the mid-1990s, by 58 % and 67 %, respectively. All the Central Asian countries have since seen a gradual recovery of real wages, though so far on a very modest scale in Tajikistan and Uzbekistan: with prices continuing to rise steeply, they reached only 17.2 % and 20.8 %, respectively, of their 1989 level (see also Table 5). In any interpretation of these figures, it should be borne in mind that wages in Central Asia are often paid after some considerable delay or not at all, which further increases the erosion of their real value.163

Economic transformation in Central Asia, however, has been associated not only with extreme erosion of real wages but also with the spread of the phenomenon of open unemployment, largely unknown in the past. Occurring simultaneously, the two processes have resulted in guaranteed employment and the role of wages and salaries rapidly waning in importance. At the same time, an urgent need to develop coping strategies has emerged. Thus in the rural areas of Central Asia in particular there have been many cases of the economy being largely demonetized and the transition being made to a barter economy.164 The people of Central Asia have also been forced to resort to the combination of different sources of

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162 For a detailed analysis based on different poverty lines and equivalence scales and with account taken of other household features see World Bank (2000c). Here again, however, Uzbekistan is omitted, and the survey years differ.


164 See, for example, World Bank (2000d).
income commonly encountered in countries of the "classical" periphery. The available information on this process of diversification indicates that survival today is ensured by income from dependent employment, from self-employed activity and from agricultural production along with home-produced foodstuffs and publicly provided social benefits (especially pensions). The patterns of diversification to be seen in this context differ according to social stratum and region, urban and rural area.165 There are also indications that private transfers effected in the context of extended families and existing social networks play an important role. Alms and other forms of social welfare similarly have a fixed place in Islamic tradition, which is predominant in some parts of the region (see Chapter 3.2.1).166 However, there has been little research into the scale and context of private transfers and support from social networks in Central Asia, not least because their relatives often live in other parts of the former Soviet Union.

The occurrence of persistent income poverty in Central Asia may be seen as the largely unintended consequence of the political and economic changes. However, this certainly cannot be said of the increase in inequality which accompanied these changes, the farewell to "egalitarian" society being, after all, an explicit item on the transformation agenda.169 The pace and scale of the social differentiation did, however, come as something of a surprise.170 Table 17 shows the current degree of income inequality in the Central Asian countries with the help of the Gini coefficient for per capita

<table>
<thead>
<tr>
<th>Table 16: Relative Poverty Risks, by Type of Household</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of household</strong></td>
</tr>
<tr>
<td>No children</td>
</tr>
<tr>
<td>Two children</td>
</tr>
<tr>
<td>Three or more children</td>
</tr>
<tr>
<td>Retired head of household</td>
</tr>
<tr>
<td>Unemployed head of household</td>
</tr>
<tr>
<td>Rural</td>
</tr>
<tr>
<td>Access to private plot</td>
</tr>
</tbody>
</table>

a 1996  
b 1997  
c 1998  
d 1999

NB: Poverty is defined as below 50% median per person consumption. At a relative poverty rate greater than 1, the risk of poverty is higher than that of an average household.

Source: Falkingham (2002)

165 For some indicators of country-specific patterns of diversification see Table 19 (Kazakhstan), Table 23 (Kyrgyzstan), Table 25 (Tajikistan) and Table 29 (Uzbekistan). An analysis of this kind was not available for Turkmenistan.

166 Reciprocal social responsibility plays an important part in this context, and poor people have a legal claim to the possessions of the rich. See Weidnitzer (1998).

167 See, however, Coudouel / McAuley / Micklewright (1997).


170 See World Bank (2000c) and Milanovic (2001).
income.\textsuperscript{171} In the late 1980s income inequality in Central Asia had already been slightly above the Scandinavian level (0.25). In Kazakhstan the Gini coefficient has not risen appreciably since then, being slightly higher than the figure for Germany (0.30) from 1996 to 1998.\textsuperscript{172} Kyrgyzstan, Tajikistan and Turkmenistan, on the other hand, exceeded the figure for the USA (0.41) in the late 1990s and so reached levels prevalent in Latin America (0.45 to 0.60), the region with the world's highest income inequality.\textsuperscript{173}

\textbf{4.3 Country-specific Poverty Profiles}

The intraregional comparative analysis of poverty is complemented in the following by an attempt to identify features specific to each country. From Soviet times the Central Asian republics inherited the Family Budget Survey (FBS), the methodology of which has, however, been fundamentally criticized.\textsuperscript{174} Regarded as the most important source of data, therefore, are the Living Standards Measurement Surveys (LSMSs), which were conducted on the World Bank's initiative in all the Central Asian countries except Uzbekistan from 1996 to 1999. In Kyrgyzstan a Multipurpose Poverty Survey (MPS) and a Poverty Monitoring Survey (PMS) were carried out, financed by a loan from the International Development Association (IDA).\textsuperscript{175} Any attempt to paint a detailed picture of the social situation in the Central Asian countries in this way has its limits, however.\textsuperscript{176} There are, for example, hardly any qualitative background studies on the fundamental social changes and reconfigurations that have occurred in Central Asia in the past decade and affect the household level in particular. Household surveys in which a basic understanding of the social context examined cannot be presupposed are not very meaningful, however. There are, moreover, indications that the interpretation of the terms "income" and "expenditure" differs markedly from market economy convention, which can be ascribed to fundamental semantic and cultural differences and may distort the survey findings.\textsuperscript{177}

\textbf{4.3.1 Kazakhstan}

The poverty line used in Kazakhstan is well below the subsistence level defined by the government. The concept of poverty on which it is based is related to consumption rather than income. For 2002 the poverty line was set at 40\% of the

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|}
\hline
\textbf{Year} & \textbf{Kazakhstan} & \textbf{Kyrgyzstan} & \textbf{Tajikistan} & \textbf{Turkmenistan} & \textbf{Uzbekistan} \\
\hline
1987-90 & 0.30 & 0.31 & 0.28 & 0.28 & n.a. \\
1996-98 & 0.35 & 0.47 & 0.47 & 0.45 & n.a. \\
\hline
\end{tabular}
\caption{Income Distribution in Central Asia}
\end{table}

\textsuperscript{171} Equal distribution occurs at a Gini coefficient of 0, perfect inequality of distribution at a Gini coefficient of 1. See also Mikhailov / Heinrich (1999) and Falkingham (2002).
\textsuperscript{172} According to government figures, the Gini coefficient in Uzbekistan rose from 0.26 in 1991 to 0.37 in 1999; see OECD (2000). For the Gini coefficients of Scandinavia, Germany, the USA and Latin America see World Bank (2001e), pp. 282 f.
\textsuperscript{173} See Morley (2000) and Wodon (2000).
\textsuperscript{174} See Atkinson / Micklewright (1992) and Falkingham / Micklewright (1997).
\textsuperscript{175} The methodology of this survey has also been criticized. See Lanjouw (1997) and Pomfret / Anderson (1999).
\textsuperscript{176} See Falkingham (1999a).
\textsuperscript{177} Pensions, for example, are not perceived as "income" but as a legal entitlement. Convincing evidence of these methodological problems has been produced in Uzbekistan's case; see Kandiyoti (1999). A project arising from this criticism, the Social Development Research Capacity Project, in which the DfID and UNDP are participating and which combines quantitative and qualitative studies, is currently being implemented. Other information can be found on the project website: http://www.sdrc.uz/, 21 August 2002.
minimum subsistence level, which is based on a minimum basket consisting of 70% foodstuffs and 30% other goods and services. In 2001 the poverty line was set at only 38% of the minimum subsistence level. While just under 40% of the Kazakh population were living below subsistence level in 1998, the proportion had fallen to 28.4% by 2001. Table 18 also reveals the proportion of the population consuming less than the minimum basket of food. This indicator too fell from 1998, but rose again slightly in 2001 and is now 12.5%. The Kazakh government’s latest poverty analysis identifies the following principal risk groups: young people who are neither employed nor studying, children and large families, the long-term unemployed, elderly people living alone, the disabled and the "marginalized" (the homeless, former detainees, migrants and refugees), about whom little information is, however, available. The unemployed, single parents and pensioners are referred to as potential risk groups. The problem of the working poor is also growing in Kazakhstan. At the beginning of the year 11.8% of all welfare recipients were employed. The problem of inadequate earned income affects women in particular; even in Soviet times they earned on average less than men. The gender-related wage differentials in 1998 were 24.2%, but had risen to 41.6% by 2001. A study carried out in 1999 came to the conclusion that, throughout the country, almost one woman in two, but only one man in three, had a total income below the minimum subsistence level.

Table 19 shows the sources of income open to Kazakh households in 1996. While by far the most important source consisted of wages and salaries, it accounted for only about half of total money income and a quarter of total income. In all social strata except the highest the sum of state social transfers took second place, pensions playing a particularly important role. Private monetary transfers were also very significant. Particular reference should be made in this context to payments made by parents to children. However, Kazakh households also received financial transfers from other relatives, cultural and religious organizations and non-governmental organizations. Other sources of income were business activities, second jobs and the sale of home-produced foodstuffs. An analysis by consumption quintiles reveals substantial differences, especially with regard to the contribution made to household income by social benefits. While the two lowest quintiles derived 22% and 25% of their monetary income from this source, the figure for the highest quintile was only 12%, which indicates relatively good targeting. Government transfers related to

| Table 18: Poverty in Kazakhstan (in % of the Population) |
|-----------------------------------|-----|-----|-----|-----|-----|-----|
| Below the subsistence minimum    | 34.6 | 38.3 | 39.0 | 34.5 | 31.8 | 28.4 |
| Below the food basket            | n.a. | 12.7 | 16.2 | 14.5 | 11.7 | 12.5 |

Source: Republic of Kazakhstan (2002)
total income are even more crucial in the lower quintiles.186

The poverty encountered in Kazakhstan, however, also has a geographical component. When evaluating the Kazakh LSMS carried out in July 1996, the World Bank identified a considerable North-South divide in what is by far the largest Central Asian country. Only the north of Kazakhstan exhibited a single-digit poverty incidence calculated by the headcount method, whereas more than two thirds of the population in the southern parts of the country bordering Uzbekistan and Kyrgyzstan were consuming less than the minimum subsistence level, which at that time was equivalent to about US $ 40 per month (see Table 20). 187 The poverty gap and the severity of poverty too were far more pronounced in the south than in the other parts of the country (see Box 1). In the oblasts of Atyrau and Zhambyl a particularly large proportion of the population is living below the minimum subsistence level today.188 Many labour migrants and civil war refugees from Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan, the northern Caucasus and Russia live in the oblasts of Mangistau, Almaty, South Kazakhstan, Zhambyl and Kostanai, which are situated in the border regions. An added factor is internal migration, largely comprising movement away from the regions around the Aral Sea (Kyzylorda oblast) and Semipalatinsk (East Kazakhstan, Pavlodar and Karaganda oblasts), which have been affected by pollution, desertification and a shortage of drinking water.

The Kazakh government estimates that income poverty is having an above-average effect on remote rural areas and small towns today, while peak incomes are being achieved in the oil enclaves.189 In small Kazakh towns in 2001 an average of one person in two was unemployed owing to transformation-induced recession and the change in economic structures. In many cases, the only local enterprise was closed – by 1998 there were already 57 former "one-company towns" in Kazakhstan, Almaty, South Kazakhstan, Zhambyl, Kostanai.

| Table 19: Structure of Cash Income by Consumption Quintiles, Kazakhstan 1996 (in %) |
|---------------------------------|--------|--------|--------|--------|--------|--------|
|                                 | 1st quintilea | 2nd quintile | 3rd quintile | 4th quintile | 5th quintilec | Total |
| Primary wage                    | 45     | 49     | 55     | 51     | 50     | 51     |
| Pensions                        | 16     | 21     | 14     | 13     | 9      | 13     |
| Other public transfers          | 6      | 4      | 4      | 3      | 3      | 3      |
| Secondary/other occupation      | 6      | 4      | 6      | 4      | 4      | 5      |
| Own business                    | 8      | 3      | 7      | 8      | 8      | 7      |
| Sale of food                    | 2      | 1      | 1      | 1      | 3      | 2      |
| Private cash transfers          | 14     | 13     | 9      | 14     | 19     | 15     |
| Other                           | 4      | 4      | 4      | 4      | 4      | 4      |
| Total                           | 100    | 100    | 100    | 100    | 100    | 100    |

a Only cash income was taken into account here. In 1996, however, non-monetary sources contributed just as much to total income as monetary sources.

b Quintile with the lowest household consumption
c Quintile with the highest household consumption


186 While monetary income accounted for only 43.4 % of total income in the highest social strata, the proportion in the two lowest consumption quintiles was 69.8 % and 63.6 %. See World Bank (1998), p. 26.

187 This was equivalent to about US $ 70 PPP. See Murthi / Pradhan / Scott (2002), p. 5.


189 See Republic of Kazakhstan (2002), p. 17. In the Mangistau oblast salaries in the oil industry are 18 times higher than monetary incomes in the agricultural sector.
Kazakhstan. In late 2001 36.7% of the rural population were affected by poverty, while urban poverty, at 19.0% of the population, was only about half that level. The LSMS carried out in 1996 had revealed a much narrower gap between urban areas (39%) and rural areas (30%) as regards the incidence of poverty. However, other social indicators in the rural areas were already far worse at that time. Children, for example, were more frequently affected by anaemia, underweight, stunting and increased mortality rates. In addition, housing was of a poorer quality, and access to drinking water, central heating and sanitation, by no means universal in urban areas either, was available to only a very small proportion of the rural population. All in all, the National Human Development Report on Kazakhstan notes that poverty has become a widespread and acute problem in the past decade.

4.3.2 Kyrgyzstan

The Kyrgyz Poverty Monitoring Survey (KPMS) carried out in Kyrgyzstan on a number of occasions in the latter half of the 1990s defines a level of consumption below the minimum calorie requirement as extreme poverty, while consumption below the minimum amount of food and other necessary non-food consumption is deemed to be poverty. Table 21 shows that inadequate consumption had become a mass phenomenon in Kyrgyzstan in the late 1990s. In 1996 half the Kyrgyz population were living in poverty; by 1999 almost two thirds of the population were affected. In the same period extreme poverty rose from 19.1% (1996) to 23.3% (1999). The calculated poverty gaps similarly grew from 1996 to 1999. Their level indicates, however, that relatively slight increases in consumption enabled extreme poverty to be overcome ("shallow pov-

Table 20: Regional Distribution of the Population and of Poverty in Kazakhstan, 1996

<table>
<thead>
<tr>
<th>Region</th>
<th>% of population</th>
<th>Headcount</th>
<th>Poverty gap</th>
<th>Severity of poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>20.0</td>
<td>9.2</td>
<td>1.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Centre</td>
<td>19.0</td>
<td>26.4</td>
<td>9.0</td>
<td>4.4</td>
</tr>
<tr>
<td>East</td>
<td>13.8</td>
<td>31.3</td>
<td>9.0</td>
<td>3.6</td>
</tr>
<tr>
<td>West</td>
<td>26.8</td>
<td>37.8</td>
<td>10.8</td>
<td>4.2</td>
</tr>
<tr>
<td>South</td>
<td>20.4</td>
<td>69.2</td>
<td>26.4</td>
<td>13.0</td>
</tr>
</tbody>
</table>

a Total population of the region in % of the total population of Kazakhstan
b Kostanai, Kokshetau, Pavlodar and North Kazakhstan oblasts
c Mangistau, Atyrau, Aktyubinsk and West Kazakhstan oblasts
d Zhezkazgan, Karaganda, Akmola and Torgai oblasts
e Semipalatinsk, East Kazakhstan, Taldykorgan and Almaty oblasts
f Kyzylorda, South Kazakhstan and Zhambyl oblasts

NB: The number of oblasts has been reduced since the study was carried out.


192 As the 1996 study was carried out at the principal harvest time, rural poverty is likely to have been systematically underestimated. See World Bank (1998) and Murthi / Pradhan / Scott (2002).
193 Only 78% of the urban population and 17% of the rural population had clean tap water, and only 70% of the urban population and 10% of the rural population had Central heating. Only 59% of urban dwellers and 5.6% of rural dwellers had an indoor toilet. See Murthi / Pradhan / Scott (2002).
195 In 1999 the poverty line was 7,340 som (US $ 176) per person p.a.; in the case of extreme poverty it was 3,849 som (US $ 92) per person p.a. See World Bank (1999a) and World Bank (2001b).
Poverty and Social Policy in the Central Asian Transition Countries

Poverty and extreme poverty have been falling in Kyrgyzstan since that external shock was overcome, poverty rates have been falling in Kyrgyzstan.\footnote{In terms of per capita consumption poverty was still affecting 62.5\% of the population in 2000 and 56.4\% in 2001. The proportion of the population affected by extreme poverty fell from 31.9\% (2000) to 24.7\% (2001). Poverty declined in both urban and rural areas. Methodological differences, however, prevent these figures from being comparable to the data in Table 21. See World Bank (2002b).}

As Table 21 shows, the Kyrgyz rural population was hit far harder by poverty and extreme poverty from 1996 to 1999 than the urban population, the percentage gap between the indicators for the urban and rural populations narrowing in that period.\footnote{Urban/rural poverty disparities fell from 21.8 to 20.7 percentage points between 1996 and 1999, while absolute poverty declined from 13.0 to 8.5 percentage points.} In 1997, when economic growth was high and inflation fell sharply in Kyrgyzstan (see Tables 4 and 5), the disparities were at their greatest at 36.0 and 15.8 percentage points. While the urban population benefited from economic recovery and extreme poverty was reduced, rural poverty worsened. With the onset of the Russian crisis in 1998, the incidence of poverty rose again, or continued to rise, in urban and rural areas. According to World Bank figures, proportion rose as high as two thirds in Batken and Jalal-Abad. The highest poverty rates were recorded in the Naryn (81\%) and Talas (73\%) oblasts. A similar picture emerges in the case of

### Table 21: Regional Distribution of Poverty in Kyrgyzstan, 2000

<table>
<thead>
<tr>
<th>Oblast</th>
<th>Bishkek</th>
<th>Batken</th>
<th>Chui</th>
<th>Issyk-Kul</th>
<th>Jalal-Abad</th>
<th>Naryn</th>
<th>Osh</th>
<th>Talas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty(^a)</td>
<td>29.9</td>
<td>69.0</td>
<td>28.1</td>
<td>53.7</td>
<td>67.9</td>
<td>81.4</td>
<td>51.6</td>
<td>72.7</td>
</tr>
<tr>
<td>Extreme poverty(^a)</td>
<td>5.8</td>
<td>34.3</td>
<td>4.5</td>
<td>27.6</td>
<td>15.1</td>
<td>37.6</td>
<td>19.8</td>
<td>36.6</td>
</tr>
<tr>
<td>No access to drinking water(^a)</td>
<td>n.a.</td>
<td>28.2</td>
<td>n.a.</td>
<td>0.0</td>
<td>13.1</td>
<td>6.7</td>
<td>36.6</td>
<td>0.1</td>
</tr>
<tr>
<td>No medical care(^a)</td>
<td>15.1</td>
<td>7.7</td>
<td>26.6</td>
<td>13.2</td>
<td>12.7</td>
<td>21.2</td>
<td>3.8</td>
<td>5.0</td>
</tr>
<tr>
<td>Underweight among 1- to 6-year-old children(^b)</td>
<td>12.7</td>
<td>4.2</td>
<td>9.6</td>
<td>4.4</td>
<td>6.9</td>
<td>3.1</td>
<td>5.2</td>
<td>4.0</td>
</tr>
</tbody>
</table>

\(^{a}\) % of the population  
\(^{b}\) % of all 1- to 6-year-old children

Source: UNDP (2001c)

Table 22 enables the regional distribution of poverty in Kyrgyzstan to be analysed. In social terms the eight oblasts differed widely in 2000, and as in Kazakhstan, there is a North-South divide. Only in the capital, Bishkek, and the neighbouring Chui oblast did poverty affect less than 30\% of the population. In Osh and Issyk-Kul, on the other hand, half the population was affected, and the

### Table 22: Poverty and Extreme Poverty in Kyrgyzstan

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
<td>Total</td>
<td>Poverty gap</td>
<td>Urban</td>
<td>Rural</td>
<td>Total</td>
<td>Poverty gap</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>37.1</td>
<td>58.9</td>
<td>51.9</td>
<td>20.0</td>
<td>10.3</td>
<td>23.3</td>
<td>19.1</td>
<td>6.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>28.5</td>
<td>64.5</td>
<td>51.0</td>
<td>18.0</td>
<td>4.9</td>
<td>20.7</td>
<td>14.8</td>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>50.7</td>
<td>71.3</td>
<td>63.6</td>
<td>24.7</td>
<td>18.3</td>
<td>25.8</td>
<td>23.0</td>
<td>6.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>49.0</td>
<td>69.7</td>
<td>64.1</td>
<td>25.0</td>
<td>17.1</td>
<td>25.6</td>
<td>23.3</td>
<td>7.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank (2001b)
extreme poverty, the only single-digit rates occurring in Bishkek and Chui. In the Naryn, Talas and Batken oblasts over a third of the population was consuming less food than required for the minimum calorie intake. Table 22 also shows that 37% of the population in Osh and 28% in Batken did not have clean drinking water. Medical care was unavailable to 27% of the population in Chui and 21% in Naryn, whereas only a small proportion of the population was affected in this way in Osh and Talas. In Bishkek and Chui one child in ten was underweight. The data in Table 22 thus show not only that the material situation in Kyrgyzstan in 2000 was alarming, but that sometimes major deficiencies were also to be seen in the areas of nutrition, health care and infrastructure. The same is increasingly true of the capital, Bishkek.

A World Bank study of the determinants of poverty in Kyrgyzstan, based on household data collected in 1998, similarly found that geographical location had by far the greatest influence on a household’s level of consumption. It was more significant than its situation in a rural or urban area. In this respect too, households in Naryn and Talas fared particularly badly. In addition, the level of consumption in Kyrgyz households was below the average where the head of household did not speak Russian or, being single, divorced or widowed, was living alone. The size of the household and the number of children under the age of 14 living in it were other influential factors: the larger the household or the number of children, the lower the level of consumption. Even when a pensioner was living in the household, the level of consumption was likely to be below the average. A growing proportion of the Kyrgyz population are resorting to farming, which does not as a rule rise above subsistence level, as an alternative to the employment opportunities lost in the industrial sector.

### Table 23: Structure of Household Income, Kyrgyzstan 2001 (in % of total income)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Urban areas</th>
<th>Rural areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsistence agriculturea</td>
<td>24.6</td>
<td>12.7</td>
<td>31.0</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>22.8</td>
<td>42.5</td>
<td>12.2</td>
</tr>
<tr>
<td>Net earnings from entrepreneurial activity</td>
<td>16.6</td>
<td>22.4</td>
<td>11.9</td>
</tr>
<tr>
<td>Sale of agricultural products</td>
<td>14.9</td>
<td>2.0</td>
<td>21.8</td>
</tr>
<tr>
<td>Sales of private possessions</td>
<td>7.0</td>
<td>1.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Pensions</td>
<td>6.6</td>
<td>8.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Private transfers</td>
<td>5.0</td>
<td>7.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Other social transfers</td>
<td>1.0</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Other income</td>
<td>2.5</td>
<td>2.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

a Imputed income from consumption of home-produced products

Source: World Bank (2002b)

198 Unlike Kazakhstan, where only drinking water pipes were counted, Kyrgyzstan bases its figures on a far wider concept of drinking water, which includes access to clean water from rivers, springs and canals. See UNDP (2000b), p. 100.

199 See UNDP (2001c).


201 See Bauer et al. (1998) and Howell (1998) for the situation of children in Kyrgyzstan.

202 The agricultural workforce as a proportion of the working population rose from 39% in 1993 to 52% in 1999, while the industrial workforce shrank from 21% to 12%. See UNDP (2000b), p. 90.
Table 23 shows the structure of household income in Kyrgyzstan in 2001. Taking a country-wide average, the most significant item was attributed income from subsistence agriculture, followed by wages and salaries. The income patterns of the urban and rural populations of Kyrgyzstan are very different. While the urban population derived almost two thirds from wages and salaries and self-employed activity, the rural population had far more diversified sources of income. Households in rural areas derived only half of their income from agricultural activities, while wages and salaries, income from self-employed activity and the sale of private possessions each contributed about 10 to 12%. Government transfers, especially pensions, play a more important role in Kyrgyzstan than private transfers, which are of some consequence only in urban areas. Despite all the coping strategies that have been undertaken, a participatory analysis of poverty recently initiated by the World Bank came to the following conclusion: "In the Kyrgyz Republic, poor people’s well-being seems to be spiralling downward, and many face increasingly desperate situations."

### 4.3.3 Tajikistan

An intertemporal analysis is not possible in Tajikistan’s case, since the only available source of data is the Tajik Living Standards Survey (TLSS) carried out in 1999 (see also Table 14, however).

<table>
<thead>
<tr>
<th>Table 24: Measurement of Poverty in Tajikistan, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty lines (month)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Minimum consumption basket in 1999 (TR 32,083)</td>
</tr>
<tr>
<td>&quot;Poor&quot; as defined by State Statistical Agency (TR 20,000)</td>
</tr>
<tr>
<td>&quot;Very poor&quot; as defined by State Statistical Agency (TR 10,000)</td>
</tr>
<tr>
<td>US $ 2.15 PPP a day (TR 15,111)</td>
</tr>
<tr>
<td>US $ 1.075 PPP a day (TR 7,557)</td>
</tr>
<tr>
<td>Relative poverty (below 50% of median)</td>
</tr>
</tbody>
</table>

| a The poor as a proportion of the total population (in %) |
| TR = Tajik roubles; since November 2000: somoni |

Source: Falkingham (2000)

Given the scale of the poverty problem, the choice of a suitable poverty line is critical. Three quarters of the Tajik population did not know at the time of the survey how they were going to satisfy their basic needs in the next twelve months, and undernourishment continues to be a problem today. A poverty line below which 96% of the population fall, such as the minimum basket of goods in Table 24, is not, however, very meaningful.

The results are highly sensitive as regards the poverty lines used (see Table 24). Depending on the indicator taken as the basis, between

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203 See also Temesgen (2002).
204 Rysakova et al. (2002), p. 296.


206 The minimum basket of goods defined by the Tajik government consists of 75% foodstuffs needed to meet a minimum calorie requirement and 25% other goods and services. See World Bank (2000d), p. 18.

207 The equivalence scale on which all the data in Table 24 are based is 0.75. For a more detailed breakdown based on different equivalence scales see Falkingham (2000), p. 10.
10.9% and 95.9% of the population are affected by poverty, the use of income-related variables systematically producing higher poverty figures than expenditure-related variables; the same is true of absolute as against relative poverty indicators. If the standard figure of US $2.15 PPP a day often used by the World Bank is taken as the basis, 65.4% (consumption) or 81.4% (income) of the Tajik population are poor. Even if the poverty line commonly used in low-income countries (“a dollar a day”) is applied, 16.3% (consumption) or 49.4% (income) of the population still had to be regarded as poor. The poverty gaps similarly varied with the parameters chosen, but generally indicated a considerable depth of poverty. To enable all inhabitants of Tajikistan to consume the minimum basket of goods each month, the government would have had to make transfers equivalent to Tajikistan’s entire GDP in 1999.208

The TLSS shows that children were a population group particularly affected by poverty.209 Street

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208 Closing the poverty gap of 56.4 (see Table 24) would have cost a total of 1.33 billion TR, while GDP in 1999 was estimated at 1.33 billion TR. See Falkingham (2000), pp. 12 ff.

which the various quintiles had access in Tajikistan. Wages and salaries were the most important source of income, but only in the two highest quintiles did they contribute significantly more than a third of total income. Other important sources of income in all quintiles were the sale of foodstuffs, the sale of private possessions and remittances from abroad. In addition, the lowest quintiles in particular received aid and social transfers.

Poverty and wealth were very unequally distributed in Tajikistan in 1999 (see Table 26). Inhabitants of rural areas were represented with above-average frequency in the poorest quintile of the population. An examination by viloyat (province) revealed that 91% of the poorest people lived in the three parts of the country with the largest population, Khatlon, Leninabad and the RRS. However, only Khatlon province was affected by poverty to an above-average degree, while an average number of poor people and a below-average number of wealthy people lived in Leninabad. In contrast, 19.2% of the inhabitants of the RRS, which are situated near the capital and accounted for 25.3% of the total population, fell into the lowest quintile, 36.4% into the highest. Only 2.1% of the poorest, but an easily above-average proportion of the wealthiest inhabitants of Tajikistan lived in Dushanbe. The 200,000 inhabitants of the Gorno-Badakhshan Autonomous Province were particularly hard hit by extreme poverty. This province is located in the Pamir Mountains and borders Afghanistan and China. Gorno-Badakhshan, where less than 4% of the Tajik population lived in 1999, accounted for almost 7% of all those falling into the lowest quintile of Tajik per capita household income. In this thinly populated mountainous region there is little involvement in supraregional trade today, "new farmers" (teachers, doctors, skilled workers and technicians) are trying their hand at subsistence agriculture, and dependence on humanitarian assistance for food security is very high. Of all Gorno-Badakhshan's inhabitants in 1999, 39.1% were members of households in the lowest quintile, as compared to 26.8% in Khatlon and 22.4% in Leninabad. Other poverty indicators, such as undernourishment among small children, were also most pronounced in Gorno-Badakhshan, Khatlon and Leninabad.

However, in the other parts of the country too living conditions were precarious in many respects. Although 97% of all Tajik households had mains electricity, only 46% had access to

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Table 26: Distribution of Population by Regions and Consumption Quintiles, Tajikistan 1999

<table>
<thead>
<tr>
<th>Total population</th>
<th>1st quintile</th>
<th>5th quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100.0 %</td>
<td>100.0 %</td>
</tr>
<tr>
<td>Urban population</td>
<td>21.9 %</td>
<td>18.5 %</td>
</tr>
<tr>
<td>Rural population</td>
<td>78.1 %</td>
<td>81.5 %</td>
</tr>
<tr>
<td>City of Dushanbe</td>
<td>6.4 %</td>
<td>2.1 %</td>
</tr>
<tr>
<td>Gorno-Badakhshan Autonomous Province</td>
<td>3.9 %</td>
<td>6.9 %</td>
</tr>
<tr>
<td>Regions of Republican Subordination (RRS)</td>
<td>25.3 %</td>
<td>19.2 %</td>
</tr>
<tr>
<td>Leninabad (now Sogd) Province</td>
<td>26.1 %</td>
<td>26.1 %</td>
</tr>
<tr>
<td>Khatlon Province</td>
<td>38.1 %</td>
<td>45.7 %</td>
</tr>
</tbody>
</table>

a Quintile with the lowest per capita household consumption
b Quintile with the highest per capita household consumption


---

212 In 1998 53% of children aged 6 to 59 months in Gorno-Badakhshan were stunted, a sign of chronic undernourishment. The figures for Khatlon and Leninabad were 39% and 20%, respectively. See World Bank (2000d), p. 23.
mains water, which was, moreover, usually available for only an hour at a time. 85 % of all households used a latrine. The fuel mainly used for cooking and heating was wood (43 % and 45 % of all households, respectively), followed by dung and peat. Only 14 % of all households had a telephone, 17 % were able to use their neighbours', but 54 % had no access at all. 37 % of all pregnant women received no medical care owing, in 69 % of cases, to the associated costs or the distance to be covered. In the school year preceding the survey 37 % of all Tajik children between the ages of 7 and 15 had missed school for at least two weeks, the proportion in the lowest quintile being 44 %. Of these, almost one child in two stayed away owing to a lack of shoes or clothing, only 8 % because of illness.214 In view of the high incidence of material and subjective poverty a recent analysis by the World Bank comes to the following conclusion: "Tajikistan is in danger of losing one of the most important assets it has on which to build its future; its human capital."215

4.3.4 Turkmenistan

In Turkmenistan's case neither an analysis of current poverty nor an intertemporal comparison of the trend in poverty is possible. The only available source of data is the Turkmenistan Living Standards Survey (TLSS) conducted four years ago.216 What is particularly difficult in the Turkmen context is, moreover, the absence of a subsistence-related yardstick for the purposes of comparison, since the calculated minimum basket of goods has not been recognized by the government and is regarded as confidential.217 Various other poverty lines have therefore had to be used to determine the incidence of poverty (see Table 27).

The differences in the resulting poverty figures are considerable, ranging from 1 % (Turkmen government) to 58 % (Turkmenstatprognoz) of the population. If the standard figure of US $ 2.15 PPP per day often used by the World Bank is taken as the basis, 7 % of the Turkmen population

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216 UNDP / UNFPA (2000), p. 3, complain of an "absence of reliable data on key social indicators – particularly concerning the vulnerability of different groups and the true extent of poverty in rural Turkmenistan."

217 See World Bank (2001d). The official figures on per capita calorie consumption show a rise in the latter half of the 1990s. The figure given for 1999, however, is only 99.6 % of the estimated minimum requirement. See UNTUK (2000), p. 19.
were poor; at US $ 4.30, however, 34 % fell below the poverty line. Another poverty line commonly used is 50 % of average consumption. If this measurable variable is taken as the basis for relative poverty in Turkmenistan, 29 % of the population are found to be affected by this problem. If, however, the line is raised to 67 % of average consumption, 45 % of the population fall below it.

Although the available data indicate that the poverty problem in the late 1990s in what is, at only 4.8 million inhabitants, the least heavily populated country of the region was less serious in absolute and relative terms than in Kyrgyzstan and Tajikistan, the results of the TLSS point to major disparities within Turkmenistan. In 1998, for example, a mere 10 % of the population accounted for not less than 44 % of Turkmenistan's total consumption, leaving only 6 % of the total to the lowest quintile of the population.\footnote{218} A comparative study of household features by expenditure quintiles revealed hardly any differences in levels of education. However, the various social strata differed significantly in the number of children per household. While the dependency rate for children up to the age of 17 was 51 % in the poorest quintile, the figure was only 28 % in the wealthiest quintile.\footnote{219} Disparities were also to be seen in living conditions and infrastructure. Only 24 % of all people in the lowest quintile had free mains water, compared to 74 % in the highest quintile.\footnote{220} But even in the latter population group only 50 % had an indoor toilet, compared to not more than 7 % of the poorest. Of the lowest quintile, 42 % had no access to a telephone, as against 15 % of the highest quintile.\footnote{221} Major disparities in living conditions were observed particularly between the capital, Ashgabat, and the rest of the country (see also Table 28).

<table>
<thead>
<tr>
<th>Table 28: Regional Distribution of Poverty, Turkmenistan 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Dashkovuz</td>
</tr>
<tr>
<td>Mary</td>
</tr>
<tr>
<td>Balkan</td>
</tr>
<tr>
<td>Akhal</td>
</tr>
<tr>
<td>Lebap</td>
</tr>
<tr>
<td>Ashgabat</td>
</tr>
</tbody>
</table>

\(^a\) The poverty line taken as the basis here is 50 % of average consumption.

Source: World Bank (2001d)

An analysis of the distribution of poverty by \textit{wekeyupat} (province) reveals considerable regional differences. Table 28 shows that almost 60 % of all poor people were living in the provinces of Dashkovuz, which adjoins Uzbekistan, and Mary, which borders on Afghanistan and Iran. Compared to their shares of the population, these two provinces account for a disproportionately large number of the poor. To a lesser extent, this is also


\footnote{219} This dependency rate indicates the number of children under the age of 18, divided by the total number of family members.

\footnote{220} In Turkmenistan up to 250 litres of water per person per day is supplied free of charge. There are similar arrangements for electricity and gas. However, the wealthiest have greater access to the subsidized infrastructure than the poorest. See World Bank (2001d).

\footnote{221} See World Bank (2001d), pp. 34 ff.
true of the province of Akhal near the capital. In contrast, the incidence of poverty in Balkan and Lebap, the two provinces with the smallest rural populations, was below the average, although there were major disparities (24 and 22 percentage points, respectively) between the urban and the rural population.\(^{222}\) In the capital, Ashgabat, the TLSS was unable to identify any poverty at all.

The average for the country, taking the definition of poverty on which Table 28 is based, i.e. 50 % of average consumption, is 29 % (see also Table 27). It is evident that the poverty figures were significantly higher among the rural population of all provinces. In the rural areas of Dashkovuz one person in two was affected by poverty, compared to almost 40 % in Mary and Balkan and about a third of the populations of the provinces of Akhal and Lebap. On the other hand, a below-average proportion of the populations of all provinces except Dashkovuz was affected by poverty.\(^{223}\) Even though a final evaluation is not possible because of the limited volume of data available, the World Bank concludes: "While the extent of absolute poverty is quite small in Turkmenistan, [...] the cushion between the poor and the non-poor is quite thin, and any economic shock could send a significant proportion of the population into greater income poverty."\(^{224}\)

### 4.3.5 Uzbekistan

Information is still at its most fragmentary in Uzbekistan, the country which, with 24.5 million inhabitants, has the largest population in the region. After considerable hesitation on the part of the government the first country-wide survey of living standards based on international standards was only recently carried out; the results are not yet publicly available, however.\(^{225}\) According to earlier statements by the Uzbek government, the living standards and disposable income of the population have risen steadily in recent years.\(^{226}\) This claim was not, however, backed by appropriate data. There is no information on the incidence of poverty in Uzbekistan, since poverty was for many years considered by the Uzbek government to be a taboo subject.\(^{227}\)

According to estimates by the EBRD, which has set the poverty line at 1.5 times the official minimum wage, 14 % of the population were poor in 1999, with rural households, landless families and single parents particularly hard hit.\(^{228}\) The World Bank puts the proportion of the population living below the poverty line in 2000/2001 at 31 % and estimates that more than two thirds of the poor were living in rural areas.\(^{229}\) Other insights into the poverty problem in Uzbekistan are provided by household surveys limited to specific regions.\(^{230}\) The findings of a study confined to the Ferghana region suggest that households affected by poverty usually feature a number of risk factors, such as an unfavourable demographic structure, unemployment of members of the household, absence of livestock and sick or disabled family members. Better-off households, on the other hand, are characterized by well-paid jobs in the formal sector, their own piece of land, entrepreneurial activities and ownership of livestock. Wealthy households have a variety of sources of income, such as earned income, pensions, a small subsistence farm and entrepreneurial activities. While income from dependent employment plays

\(^{222}\) See UNTUK (2000), p. 32.

\(^{223}\) The results may exaggerate the differences between urban and rural areas, since the level of prices was not regionally adjusted and barter transactions were not taken into account. See World Bank (2001d), p. 8.


\(^{225}\) See IMF / World Bank (2002b).

\(^{226}\) See, for example, UNDP (2000a).

\(^{227}\) See UNDP (2000c) and Kasymov (2001). See also World Bank (1999b), p. 78: "Reliable information on living standards in Uzbekistan is not available."

\(^{228}\) The official minimum wage in 1999 was US $ 17 (official exchange rate) or US $ 9 (market value). See EBRD (2001f), p. 211.

\(^{229}\) See World Bank (2002d), pp. 9 f.

\(^{230}\) See Kandiyoti (1999), World Bank (1999b) and CER (2001).
a major role in urban households, owning livestock is particularly important in rural areas.\textsuperscript{231}

An Uzbek government survey shows the sources of income available to Uzbek households had in the latter half of the 1990s (see Table 29).\textsuperscript{232} Owning to the sharp drop in Uzbek real wages, with which only the decline in Tajikistan compares in scale (see Table 16), dependent employment is the most important source of income, but it contributes only about one third of household income.

<table>
<thead>
<tr>
<th>Table 29: Income Structure of Uzbek Households, 1996-1999 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: UNDP (2000)</td>
</tr>
<tr>
<td>Dependent employment</td>
</tr>
<tr>
<td>Income from entrepreneurial activity</td>
</tr>
<tr>
<td>Pensions and other social benefits</td>
</tr>
<tr>
<td>Income from assets</td>
</tr>
<tr>
<td>Subsistence agriculture</td>
</tr>
<tr>
<td>Income from individual labour activity</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 30: Real per capita GDP (US$ PPP) by Region, Uzbekistan 1997-1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: UNDP (2000)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Uzbekistan, total</td>
</tr>
<tr>
<td>Northern Uzbekistan</td>
</tr>
<tr>
<td>- Karakalpakstan</td>
</tr>
<tr>
<td>- Khorezm</td>
</tr>
<tr>
<td>Central Uzbekistan</td>
</tr>
<tr>
<td>- Bukhara</td>
</tr>
<tr>
<td>- Djizzak</td>
</tr>
<tr>
<td>- Navoi</td>
</tr>
<tr>
<td>- Samarkand</td>
</tr>
<tr>
<td>- Syrdarja</td>
</tr>
<tr>
<td>Southern Uzbekistan</td>
</tr>
<tr>
<td>- Kashkadarya</td>
</tr>
<tr>
<td>- Surkhandarya</td>
</tr>
<tr>
<td>Eastern Uzbekistan</td>
</tr>
<tr>
<td>- Andijan</td>
</tr>
<tr>
<td>- Namangan</td>
</tr>
<tr>
<td>- Ferghana</td>
</tr>
<tr>
<td>- Tashkent</td>
</tr>
<tr>
<td>- City of Tashkent</td>
</tr>
</tbody>
</table>

\textsuperscript{231} See CER (2001).

\textsuperscript{232} The exact definition of the various sources of income, e.g. "income from entrepreneurial activity" and "income from individual labor activity" is not given in the source document.
gaps and gashtaks – social gatherings that also act as ROSCAs.233

From the information available it can be concluded that there are considerable social disparities between the urban and rural population in Uzbekistan.234 Table 30 also shows the significant differences revealed by an examination of per capita income by wiloyat (region).235 While eastern Uzbekistan, where the capital, Tashkent, is situated, was in the best position in the period considered, with a per capita income well above the average for the country as a whole, followed by central Uzbekistan with its urban centre, Bukhara, southern Uzbekistan experienced a relative decline in incomes in the late 1990s, even falling behind northern Uzbekistan, with its problem region, Karakalpakstan.

This level of geographical aggregation should not, however, be allowed to conceal the major differences among the various regions. In the best position were the capital, Tashkent (185.2 %), and the mining region, Navoi (131.9 %), which borders Kazakhstan. The regions with the lowest per capita income in 1999 were, at 65.6 %, 67.6 % and 74.3 %, respectively, Namangan, which borders Kyrgyzstan, the Autonomous Republic of Karakalpakstan on the Aral Sea and the region of Surkhandarja, which borders Afghanistan. Table 30 also reveals the sometimes substantial changes in the relative positions of the regions observed over a period of a mere three years. After a serious drought that affected northern Uzbekistan in 2000 the situation in Karakalpakstan is now especially critical. It suffered not only serious losses of harvest but also shortages of drinking water owing to the drying up of the Amu-Darja and the increased incidence of typhoid, hepatitis A and diarrhoea. According to ADB estimates, 50 to 70 % of the population of the Autonomous Republic of Karakalpakstan are today affected by poverty and 20 % by extreme poverty.236

There is documentary evidence of the Uzbek population being badly affected by income poverty in the late 1980s (see Table 14) and suffering massive reductions in real wages in the 1990s (see Table 16).237 According to a recent estimate by the IMF and World Bank, the poverty problem in Uzbekistan has worsened since the collapse of the Soviet Union and is very deep-seated today; average spending by the poor, for example, is 38 % below the poverty line.238 Income inequality also increased in the first decade of independence: according to estimates by the Uzbek government, the Gini coefficient rose from 0.26 (1991) to 0.37 (1999).239 No up-to-date information on the scale and regional distribution of income poverty in Uzbekistan is available. The latest National Human Development Report notes, however, that Uzbekistan faces many complex challenges in the area of human development in the 21st century.240

5 Social Policy and Poverty Reduction in Central Asia

As the indicators discussed in Chapter 4 will have made clear, the first decade of Central Asia’s independence saw not only an increase in income poverty but also regression in a number of the main dimensions of human development. In the health and education sectors in particular there are

233 See Kandiyoti (1999). See also Coudouel / McAuley / Micklewright (1997).
234 See World Bank (1999b), UNDP (2000a) reports that the differences between urban and rural areas concern life expectancy (71.6 vs 69.5 years), literacy rate (99.7 % vs 98.8 %), average school attendance (14.0 vs 9.2 years) and current school and university attendance (80.4 % vs 65.7 % of the relevant age group).
235 See also Coudouel et al. (1997) and World Bank (1999b).
237 See also Table 14.
238 See IMF / World Bank (2002b), p. 33. See also Table 14.
239 UNDP (2000a). See, however, Pomfret / Anderson (1997), p. 6: “Official statistics are subject to large margins of error, or doubt.”
240 UNDP (2000a), p. 34.
signs of advancing erosion, although the quality of the available data indicates the need for some caution, especially when intertemporal comparisons are made. The decline in access to primary medical care and education is closely linked to the rise in income poverty, since dwindling family budgets often leave no room for newly introduced user fees to be paid, for winter clothing and schoolbooks to be bought for the children or for the latter to be excused from helping out on the farm (see also Chapters 5.2.3 and 5.2.4). At the same time, however, cutbacks can also be seen in the provision of health care and education, reflecting the reduction in fiscal room for manoeuvre with which Central Asia was confronted in the post-Communist decade. The fiscal dimension of social policy in Central Asia will be considered in greater depth in the next chapter, before a number of different social policy areas are discussed. Finally, a number of more comprehensive poverty reduction initiatives in Central Asia are presented.

### 5.1 Fiscal Scope for Social Policy

The transition from planned to market economy, which was accompanied by a serious economic crisis and high rates of inflation (see also Tables 4 and 5), resulted in serious fiscal imbalances in all transition countries. As Table 31 shows, however, these imbalances were particularly pronounced in Central Asia. In the early 1990s all Central Asian countries except Turkmenistan and Kazakhstan had two-digit budget deficits. In Tajikistan the budget situation turned particularly serious at the beginning of the civil war: from 1991 to 1993 the Tajik budget deficit averaged 24% of GDP. All Central Asian countries except Kyrgyzstan have been able to reduce their budget deficits significantly in the last few years. Yet none of them – apart from Turkmenistan – has managed to balance its budget in any year.

The major fiscal imbalances are primarily due to the difficulty of mobilizing government revenue under transformation conditions, under which the planned-economy premises of the existing system of generating revenue have become obsolete.


242 Craig (1999), p. 20, argues, however, that the Turkmen data are not very revealing: “Interpretation of the fiscal position […] is complicated by the partial coverage of the general government budget and the existence of sizeable quasi-fiscal deficits financed through public financial institutions by means of government-mandated directed credits. Less than 50 percent of current spending seem to pass through the formal budget.”

243 See Bönker (2002).
source, and the taxation of the few large state-owned enterprises did not require a separate tax authority. The challenges which the transition from planned to market economy represented for the generation of public revenue were exacerbated in Central Asia by the coincidence of the systemic change and the emergence of independent nation states. The trend in the Central Asian public revenue ratios in the 1990s is shown in Table 32.

During their first decade of independence all Central Asian countries suffered a sharp decline in general government revenue. At its lowest point it amounted to only 12.0 % of GDP in Tajikistan, 12.8 % in Turkmenistan, 13.2 % in Kazakhstan and 16.7 % in Kyrgyzstan (see Table 32). Only in Uzbekistan, where the economic setbacks had so far been limited in scale (see Table 4), was it possible to keep public revenue as a proportion of GDP at an almost constant level, and in a regional comparison it was at its highest there. In contrast, Tajikistan, where the government monopoly of power was badly eroded during the civil war, was confronted with a loss of more than 60 % of its previous public revenue from 1992 to 2000. Kazakhstan, Kyrgyzstan and Turkmenistan have succeeded in slowly raising the public revenue ratio in recent years.244 In general, the public revenue ratios in Central Asia are well below the average figures for central and South-Eastern Europe and the Baltic states; Tajikistan achieves just a third of the average for this group of countries. On the other hand, extractive capacity – the ability to generate public revenue – has slumped in the past decade throughout the CIS.245

On their way to becoming independent nation states, however, the Central Asian countries faced

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<tr>
<td>Kazakhstan</td>
<td>27.6</td>
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<td>21.1</td>
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<td>17.4</td>
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<tr>
<td>Kyrgyzstan</td>
<td>22.4</td>
<td>16.7</td>
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<td>Tajikistan</td>
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<td>Turkmenistan</td>
<td>38.2</td>
<td>42.2</td>
<td>12.8</td>
<td>16.9</td>
<td>20.5</td>
<td>16.6</td>
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<td>30.6</td>
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<td>CISb</td>
<td>n.a.</td>
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<td>n.a.</td>
<td>32.3</td>
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<td>South-eastern Europeb</td>
<td>n.a.</td>
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<td>35.1</td>
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<td>Central Europe/ Baltic statesb</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>42.3</td>
<td>41.6</td>
<td>40.8</td>
<td>40.8</td>
<td>40.5</td>
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<td>38.8</td>
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244 See also Betley (2003) and Summers / Baer (2003).
245 For the concept of "extractive capacity" see Bönker (2002). For the link between public revenue, government capacity and governance see also Bräutigam (2002).
unless Moscow adopts a generous economic development and investment programme for Central Asia in the very near future.\textsuperscript{247} Rather than the transfer of resources being increased, however, it came to an abrupt end with the collapse of the Soviet Union. The cessation of the transfers had been urged by Russian intellectuals some time before: “We don’t have the strength for the peripheries either economically or morally.”\textsuperscript{248}

The erosion of public revenue in Central Asia was bound to have an impact on expenditure, and social spending was no exception. Although the available data are incomplete and incoherent, there are general indications of a sharp reduction in expenditure in the areas of health, education and retirement pensions.\textsuperscript{249} Table 33 shows the major cuts in expenditure that were made in all the Central Asian countries in the first half of the 1990s and must have had a particularly far-reaching effect since the denominator – GDP – shrank dramatically in the period considered (see Table 4). The reduction in public spending on health, education and social security that was made in the space of only a few years ranged from 27.5 % (education in Uzbekistan) to 93.3 % (pensions in Tajikistan). Most of the cuts amounted to more than two thirds of 1991 expenditure. The comparatively smallest reductions were made in Kyrgyzstan, the most extensive in Tajikistan.

The drastic reduction in social spending gave rise to major intraregional disparities in spending levels within a few years (see Table 33). In Uzbekistan the largest items of expenditure in percentage terms were education and health, while Kyrgyzstan spent most on retirement pensions. Spending on health and retirement pensions was lowest in Tajikistan; in spending on education Turkmenistan took last place. UNICEF data reveal a further decline in the level of spending on the health sector in most of the Central Asian countries in the late 1990s; in Tajikistan it amounted to no more than 0.4 % of GDP in 1999. In the education sector Turkmenistan and Kazakhstan increased expenditure, while Kyrgyzstan and Tajikistan made further cuts; no data are available on Uzbekistan.\textsuperscript{250} According to comparative UNDP data, all the Central Asian countries except Uzbekistan are currently spending less on health and

<table>
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<th>Table 33: Social Spending in Central Asia (in % of GDP)</th>
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<td><strong>Education</strong></td>
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<td>Kazakhstan</td>
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<td>Tajikistan</td>
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<td>Turkmenistan</td>
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<td>Uzbekistan</td>
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\textsuperscript{a} 1990
\textsuperscript{b} 1992
\textsuperscript{c} 1995
\textsuperscript{d} 1997

Source: Pomfret (2002); author’s own calculations

\textsuperscript{247} Ahlberg (1990), p. 1170, referring to a study by a Russian sociologist on Central Asia that had been published in 1989. Gumpel (1990), p. 1183, however, was already advancing the view at this time that “the resources needed to solve the Central Asian problem” were not available from the Soviet budget.

\textsuperscript{248} From an essay by Alexander Solzhenitsyn, quoted in Rashid (1994), p. 39. The following Solzhenitsyn quotation from the same source is similarly revealing: “Russia [will] only be strong once it has shed the onerous burden of the Central Asian underbelly” [sic]!


\textsuperscript{250} See UNICEF (2001).
education than on total debt servicing – a relatively new item of expenditure (see also Chapter 3.2.2).\textsuperscript{251}

In view of the rapid population growth in Central Asia (see Table 11), the reductions that have been described entail particularly far-reaching cuts in social services, which are unparalleled on this scale in other transition countries. Table 34 shows the trend in expenditure in US $ per capita in the second half of the 1990s. In all the areas of social policy considered, per capita expenditure was highest in Kazakhstan, followed by Uzbekistan and Kyrgyzstan. In contrast, social spending per inhabitant in Tajikistan was, at US $ 2 (health) to US $ 4 (education), extremely low in 1999. Turkmenistan could not be included in this comparison, however. Viewing social spending in Central Asia from this angle reveals the considerable and growing disparities and the continuing cuts in social services in the region, the scale of which the World Bank too has now criticized: "Social sector spending by governments is very low by international standards and in comparison with countries in Central Europe and even Russia."\textsuperscript{252}

### 5.2 Selected Social Policy Areas

The increase in income poverty and the massive cuts in social services to be seen in Central Asia in the 1990s are currently in danger of exacerbating each other, engendering a downward spiral that affects – in OECD/DAC terminology – the economic, human and protective capabilities of the people (see Chapter 2.1). In view of the wide variety of risks to which the Central Asian population was exposed in the past decade from the macro, meso and micro levels and for which it was totally unprepared, the potential that government social policy has to offer should not, however, be ignored. As was shown in Table 2, it can help to prevent, mitigate and eliminate many risks to which those affected or threatened by poverty are exposed. This is bound to be particularly true of the post-Soviet region, where there was a universal social system only ten years ago and where

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\textsuperscript{251} See UNDP (2002), pp. 236 f. The data given in this source can, however, provide no more than a rough indication of the composition of government spending in Central Asia. Strictly speaking, they are not comparable since they do not concern the same years and spending on education is measured as a percentage not of gross national product but of gross domestic product. The increasing crowding out of other expenditure items by the burden of the Central Asian countries' debt service is also noted by Gupta et al. (2001), however.

\textsuperscript{252} Linn (2002), p. 3. In contrast, the status quo ante in Central Asian social policy was considered financially untenable by some western observers once the intra-Soviet transfers had stopped; see, for example, McAuley (1994). Until recently the IMF was also critical of the "extensive public education and health systems and elaborate [...] social security arrangements" to be found in Central Asia; see Craig (1999), p. 16. See, on the other hand, IMF / World Bank (2002d), p. 7: "the social safety net has deteriorated greatly, mainly because of the limited resources available for poverty reduction."
much the same has been expected of the state during the transformation process. Although the main axis of Communist social policy – full employment – has long been a thing of the past, many social policy institutions still exist and can be used as the basis for reform efforts. The core areas – social assistance, pensions, health and education – are discussed in the following. The practical measures that have been taken in the five Central Asian countries since they gained independence are, however, far from being well-documented. No more than a general overview of the most important problem areas for social policy can therefore be given below.

5.2.1 Social Assistance

Owing to the poverty problem described in Chapter 4, income transfers in the form of social assistance seem appropriate in all Central Asian countries. It should be pointed out that in Soviet times the subsidized or free supply of the most important everyday goods and services (primarily food-stuffs, rents, electricity and water) largely replaced such transfers to specific target groups. Some of these subsidies continue to be permanent items on the political agendas and in the national budgets in Central Asia, and especially Turkmenistan. Such universal subsidies often have a regressive effect, however, and it is argued that monetary transfers directed to the most needy are superior. In practice, however, this is true only if the monetary transfers actually reach the poorest people. In most transition countries this has not always been the case. Instead, a sharp rise in the cost of living has occurred, while the assistance provided is not enough to ensure subsistence.

Ideally, social assistance should be available to all individuals or households unable to ensure their own subsistence. The design of the transfer programme should be such that the benefit is of a subsidiary nature and the need for assistance is not perpetuated. In the Central Asian context, however, funding is a key problem. As shown in Chapter 5.1, insufficient budget funds are available, especially in the resource-poor Central Asian countries, to protect the whole population against income poverty and undernourishment. This is particularly true of Tajikistan, where poverty is a widespread phenomenon and there are therefore strict limits to redistribution. Furthermore, calls from the international financial institutions for a contractive fiscal policy limit the scope for social policy in almost all Central Asian countries today. In view of the shortage of financial resources, social assistance payments are therefore currently restricted to a relatively small proportion of the needy or the legally entitled, as is shown in Box 4.

A basic challenge closely associated with that mentioned above is targeting. While available financial resources define the framework for the potential group of recipients, the aim should be to identify the poorest people with the most accurate mechanisms possible. On the whole, targeting is hampered in the Central Asian context by the fact that, as hardly any up-to-date surveys of the social situation are available, there is no precise background information on the poverty of particularly hard hit groups and their geographical distribution (see Chapter 4.3). In addition, income testing in Central Asia is difficult because of the variety and lack of transparency of the types and sources of income (see Tables 19, 23, 25 and 29). In the case of proxy means testing, on the other hand, needs are assessed on the basis of household features which are relatively easy to observe, e.g. rights of disposal over land, water and electricity supply, ownership of consumer durables, occupation and family structure. A simpler, but less accurate method is categorical targeting on the basis of certain features of the household or individual. Where it is principally the elderly, children,

255 See Barr (1998).
256 Turkmenistan is not at present subject to the international financial institutions’ conditionalities.
women and disabled people who are affected by poverty, transfer payments can be concentrated on households in which these risk groups are strongly represented. Another possible method is self-targeting, which can be operationalized, for example, by means of job creation programmes in which the participants receive less than the market wage or are even rewarded in kind (food-for-work).258

Community-based targeting, which is often mentioned in this context, is not, strictly speaking, a targeting mechanism but the decentralization of the allocation of social benefits, with advantage taken of locally available social capital.259 The practical success of this approach depends on the ability of a local community to mobilize the necessary information, to ensure effective monitoring of the implementation of the programme and to prevent corruption. A prominent example of community-based targeting is to be found in Uzbekistan, where the allocation of social assistance was completely decentralized in 1994 and dele-

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258 The intention here is to keep wages low enough for these programmes to appeal only to those who cannot find any other work. However, it excludes people who are unable to do physical work. See FES (1996).

gated to the mahallas, the local self-help organizations (see Box 4). As initial studies of the effectiveness of the poverty allocation measures delegated to the mahallas arrived at favourable conclusions, most donors welcome this unconventional allocation mechanism. The traditional nature of the mahallas seems, however, to have changed significantly in the past decade as a result of central government intervention. A recent study therefore even refers to "grassroots absolutism".

In Kyrgyzstan a social assistance programme was introduced in 1995, and the means testing that forms part of it has since been reformed on several occasions. Since 1998 the ayl okmotu (village councils) have been involved in benefit administration. Previously the payment of benefits had been the responsibility of local post office officials, some of which are reported to have enriched themselves. Furthermore, the social assistance hitherto paid out had lost so much of its real value that some of those entitled went without. The benefits were often paid months after they were due or completely replaced with payments in kind, such as cooking oil and flour. In Kazakhstan the only means-tested transfer programmes in existence in the 1990s related to child and housing allowances, up to two thirds of claimants in rural areas and in the east and south of the country receiving no benefits because of the lack of financial resources. In 2000 a universal entitlement to social assistance entered into force. The poverty line on which it was based was, however, well below subsistence level.

In 1996 Tajikistan introduced an entitlement to social assistance that was confined to four target groups: children under the age of 8 living in families with a per capita income less than twice the minimum wage; families with children under 16 who have lost at least one parent and are receiving an orphan's allowance; disabled and non-working pensioners whose income is less than the minimum pension; and students attending vocational schools and universities. In 1998, however, only 15% of those deemed to be eligible actually received the monthly benefit. In the absence of compensation for inflation it had lost so much of its purchasing power that it was only enough to buy two loaves of bread. It is reported that community-based targeting in Tajikistan, where almost everyone is affected by poverty and one person in two is undernourished, has overextended the local self-governing institutions – jamoat, shura aksakal, mahalla. In Gorno-Badakhshan in particular the uniform distribution of aid led to fewer intra-community conflicts than when an attempt was made to identify especially needy recipients. Experience of job creation programmes based on self-targeting appears, however, to be favourable.

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262 See Rysakova et al. (2002).
263 Andrews / Ringold (1999) argue that, although cash transfers are theoretically superior to the handing out of payments in kind, the latter are better protected against losses of real value at a time of high inflation. They are also regarded as an appropriate self-targeting instrument; see World Bank (2000a). The claimants themselves were, however, loath to accept payments in kind: "Now we have so much oil in our house, there is no extra room to store it." Quoted in Rysakova et al. (2002), p. 288.
264 See Murthi / Pradhan / Scott (2002).
265 For 2002 the poverty line was fixed at 40% of the minimum subsistence level. In 2001 it had been set at only 38% of the minimum subsistence level. See Republic of Kazakhstan (2002) and World Bank (1998). See also Chapter 4.3.1.
266 This is equivalent to less than 3% of the Tajik population, although, according to the legal criteria, some 17% of the population were entitled to social assistance. See World Bank (2000d), pp. 108 f.
267 For an overview of the various Tajik self-governing institutions see Ilolov / Khudoiyev (2001) and Freizer (2002). The institution of the mahalla is a common Uzbek-Tajik legacy; see Coudouel / Marnie (1999).
5.2.2 Retirement Pensions

The old-age security schemes that exist in Central Asia are a further source of monetary transfers. While pension payments are, strictly speaking, an insurance benefit rather than an instrument explicitly intended for reducing poverty, it cannot be denied that pensions play an important part in the usually multigenerational households of Central Asia. The available data show that retirement benefits make a far larger contribution to household incomes than social assistance payments and are also of greater consequence in fiscal terms than other social spending (see Chapters 4.3 and 5.1). In the course of the 1990s, however, pensions lost much of their purchasing power, not least because of the sharp drop in contribution receipts at a time of declining real wages and open unemployment. Many pensioners therefore continue to be gainfully employed, are supported by their relatives and/or are affected by poverty. As the high employment ratios in Soviet times mean that almost all the elderly are currently entitled to a pension, the existing retirement pension schemes can be regarded as an implicit variant of categorical targeting.\footnote{See, however, Milanovic (1998), p. 108: "[...] if the average level of pension in a country is relatively low, pensioners will tend to be poor. The poorer the pensioners, the better targeted pension spending will appear simply because most pensions will be received by the poor."}

The optimum design of retirement pension schemes is the subject of an international debate, which largely focuses on the question whether pay-as-you-go financing or full funding is more appropriate.\footnote{See, for example, Ribhegge (1999) and Breyer (2000).} In pay-as-you-go schemes contributions are used to finance pension payments in the same period. Apart from equalization reserves, a stock of capital is not formed. Pay-as-you-go financing is based on an intergenerational contract, with the gainfully employed ensuring the financing of retirement pensions through their pension insurance contributions. In so doing, they also acquire pension rights of their own, which then have to be financed by a future generation of workers. In contrast, under the funded system the individual's contributions are saved until he or she reaches pensionable age. The pension is then paid from the accumulated capital stock and the income earned on it. An intergenerational contract is not needed in the case of the funded system since there are no intergenerational transfers. Apart from the question of financing, there are other important design decisions to be taken on the organization of retirement pension schemes.\footnote{A pension insurance scheme can, for example, be organized on a private or public basis, membership of an existing scheme can be compulsory or voluntary, elements of redistribution may be incorporated into it, and its design may be tax-funded or contribution-funded.} In the debate on pension policy, however, a highly condensed classification of retirement pension schemes has gained acceptance. A pay-as-you-go scheme is usually associated with government sponsorship and redistribution, funded systems with private sponsorship and the absence of redistribution.\footnote{See Queisser (1993).} The debate on the economic advantages and disadvantages of pay-as-you-go vs funding is often overshadowed by a fundamental normative disagreement, primarily as regards the roles of the state, the market and the individual within the retirement pension scheme.

Representatives of the "new pension orthodoxy", who want to see retirement pension schemes privatized, like to refer to the 1981 Chilean pension reform, the first to replace a public pay-as-you-go scheme with a private funded system.\footnote{For the "new pension orthodoxy", which is propagated first and foremost by the World Bank and other international financial institutions, see Müller (1999), Müller (2001) and Müller (2002b). For the Chilean pension reform see Queisser (1993) and Uthoff (2001).} According to its proponents, a complete or partial change to the funded system increases aggregate saving and investment, makes the capital market more dynamic and contributes significantly to the growth of the economy. They also claim that the role of the state in the retirement pension scheme is greatly reduced, which is thought to ease the tax

\[\text{\footnote{For the "new pension orthodoxy", which is propagated first and foremost by the World Bank and other international financial institutions, see Müller (1999), Müller (2001) and Müller (2002b). For the Chilean pension reform see Queisser (1993) and Uthoff (2001).}}\]
These postulates are increasingly criticized today. Nonetheless, the privatization of retirement pension schemes continues to be a leading recommendation and one that has fallen on fertile soil in the transition countries in particular.

Kazakhstan changed completely to the funded system on the Chilean model in 1998, although not every design element of the South American precedent was adopted. In view of limited state regulatory competence and the rudimentary nature of the capital market, the international assessment of the Kazakh reform, which was initiated with technical expertise provided by the ADB and USAID, has been largely critical (see Box 5). Kazakh pensioners too were highly dissatisfied, since the problem of outstanding pension payments was not solved until years after the radical reform. Following the Kazakh precedent, other countries in the Central Asian region also showed an interest in a Chilean-style reform, but it is generally agreed that their capital markets are even less well equipped for a reform of this nature. In this respect, their reform efforts were concentrated on the parameters of the public pay-as-you-go system.

In Central Asia, as in other transition countries, the retirement pension systems inherited from the Soviet era needed to be reformed to restore their financial stability, which had been seriously impaired during the initial years of transformation. The greatest challenge for the contribution-funded systems in the Central Asian context is the steady fall in employment in the formal sector, which will result in a sharp rise in system dependency ratios and the erosion of what has hitherto been almost universal entitlement. Pension experts agreed that raising the pensionable age, adopting stricter conditions for early retirement and invalidity pensions, abolishing sectoral privileges and separating pension insurance from other branches of social insurance are among the measures that need to be taken, but they are politically sensitive and only some of them have been implemented.

The introduction of indexing rules and the punctual payment of pensions – i.e. measures to prevent benefit erosion – is often precluded by a fiscal argument. Much the same is true of abandoning a relatively compressed pension structure for closer contribution-payment equivalence, which might increase the incentive to pay contributions. In 1997 the Kyrgyz reformers opted in this context for the integration of a virtual defined-contribution principle into the existing pay-as-you-go schemes (notional defined contribution scheme). The implementation deficiencies that have so far occurred in this context are not surprising, this innovative reform measure being.

274 See World Bank (1994). The programmatic title of the prominent World Bank study ("Averting the Old Age Crisis. Policies to Protect the Old and Promote Growth") already made it clear that a global pension crisis scenario was to be countered with a strategy which was not only motivated by social policy but also pursued growth policy intentions.

275 For a critique of the assumptions of the "new pension orthodoxy" see Orszag / Stiglitz (2001) and Barr (2002).

276 From 1998 to 2002 Hungary, Poland, Latvia, Bulgaria, Croatia, Estonia, Macedonia and Lithuania decided to make a partial change to the funded system. Romania, Slovakia and Ukraine too currently have plans for a multi-pillar system with a compulsory funded component. See Müller (2002a).


278 See, for example, Dobronogov (2003). In the early 1990s Ahmad / Schneider (1993) calculated that a change to a funded system would also be unattractive for Central Asia on demographic grounds, since it would entail higher contributions than under pay-as-you-go financing.

279 For the Soviet pension system see Chandler (2000) and Castel / Fox (2001).

280 Notional defined contribution schemes imitate the logic of funded systems. The pension insurance fund records the contributions received in individual accounts. When payments are calculated, the indexed total of the individual contributions are divided by the remaining life expectancy. Systems of this kind are also to be found in Latvia, Poland, Sweden and Mongolia. As they are suitable as an intermediate step towards pension privatization, they are also supported by the World Bank today – as in Kyrgyzstan's case. See Anderson / Becker (1999), IMF (1999) and Kyrgyz Republic (2001).
after all, a highly ambitious project in terms of administrative capacity.\footnote{See Dobronogov (2003), p. 17: "... the Kyrgyz Republic may have overreached itself by attempting an administratively complex notionl defined contribution reform."}

\subsection*{5.2.3 Health Policy}

In the health sector too an international comparison reveals a wide variety of organizational forms differing primarily in the roles allotted to the state, the market and the individual.\footnote{See FES (1996) and Barr (1998).} The three most important basic types are presented in the following as a classificational basis on which to examine the current situation of the health sector in Central Asia.

- \textit{Public health services}: This is tax-funded health care which is open to the whole population at no additional cost. As the medical factors of production are state-owned, there is no purchaser/provider split. Owing to the hierarchical allocation of resources, the patient's freedom of choice is limited, and health services are rationed. This organizational form exists, for example, in Spain and the United Kingdom (National Health Service).

- \textit{Social insurance model}: This model is characterized by compulsory insurance linked to employment relationships in the formal sector. The contributions vary with income and are usually shared by the employer and employee. They also give the members of the insured person's family health insurance cover.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|}
\hline
\textbf{Box 5: Pension Privatization in Kazakhstan} & \\
\hline
The state pension insurance scheme in Kazakhstan came in for public criticism in the mid-1990s because pensions were not inflation-indexed and were, moreover, paid out several months late so as to ease the pressure on the expenditure side. Outstanding pension payments were estimated at no less than 2 \% of GDP at the end of 1996. Those affected vainly tried to claim their rights by taking part in country-wide protests and hunger strikes. Against this background the Kazakh government decided to take a drastic step: the existing pay-as-you-go scheme was closed and replaced with a funded retirement pension scheme. At that time every insured person had to choose one of twelve competing pension funds, the contributions being collected in an individual pension account. Investment companies are now placing these compulsory savings in the capital market.

Most Kazakh pension funds are operated by private owners, but there is also a state pension fund, which canvasses for business with a conservative investment profile. Contrary to the reformers' expectations, the vast majority of Kazakhs initially opted for the state fund, because it seemed to them to be the most trustworthy, despite the lower returns. In the meantime, the private pension funds' share of the monthly contribution receipts has risen from 20 \% (1998) to 70 \% (2001), and the state fund is also to be privatized in the near future. As the Kazakh capital market has few investment opportunities to offer the new, rapidly growing financial institutions, a substantial proportion of the capital, estimated at US $ 1.1 billion in October 2001, is invested in government securities. Their share of the portfolio fell only slightly from an average of 92 \% in 2000 to 62 \% in 2001.

While a pension contribution of 25.5 \% was collected until the reform, the insured now pay only 10 \% to the pension fund of their choice. For the time being, however, their employers still have to make a 15 \% contribution to cover the transition costs resulting from the reform, which was partly financed with a World Bank loan of US $ 300 million. Pension entitlements acquired until the end of 1997 were recognized and declared to be national budget liabilities. The transitional generation will therefore receive both a state and a private pension. If the total should be very small, it will be topped up by the Kazakh government to the level of the minimum pension (70 \% of the minimum subsistence level). Those who do not satisfy the minimum qualifying requirements will receive a modest social pension. Recent studies by the Kazakh Finance and Social Ministry indicate the likelihood of a significant decrease in replacement rates, since most contributors have a very low income. As they will make no more than small contributions over the years and as there is as yet no annuity market in Kazakhstan, the question is how disbursements will be made in the pension fund sector. Currently, only one-off payments are made, since the capital saved in less than five years is not enough for life-long monthly pension payments.

\begin{flushright}
Source: Baldridge (1999); Flassbeck / Zwiener (1999); Orenstein (2000); Andrews (2001); Ellerman (2001); Berniyazova (2002); IMF (2002b)
\end{flushright}
\end{tabular}
\end{table}
Health insurance funds and public-sector providers of medical services may be joined by private insurers and service providers. This pluralist form of organization, which may be combined with a purchaser/provider split, is found, for example, in Germany and Canada.

- **Private-sector model**: Where the health sector is organized in this way, not only are the health insurance funds private enterprises charging premiums that depend on risks, but the providers of medical services too. Insurance is not as a rule compulsory. It is thus left to the individual or his employer to pay for medical care. A variant of this organizational form, which similarly makes a purchaser/provider split possible, has been adopted in the USA.

In Soviet times the health system was dominated by the goal enshrined in the constitution of guaranteeing the whole population access to free medical care. On gaining their independence, the Central Asian countries inherited a tax-funded public health service. In the past ten years most countries of the region have attempted to reorganize the existing health system, but so far the results have been mixed (see Box 6). Health experts estimate that substantial cost savings could be achieved if the range of services was redesigned. The Soviet health system featured, for example, a high level of specialization among the doctors, long periods of hospitalization, a large number of beds and a generous staff-to-patient ratio. From this it can be inferred that the severe cutbacks in staff and hospital beds to be seen in most Central Asian countries (see Table 12) need not necessarily lead to a deterioration of the care provided. As, however, salaries are well below the average and so inadequate, some medical staff have more than one full-time post, which is tolerated by the state, but results in reduced attendance. It is, moreover, in the hospitals’ interests to show that they have as many staff as possible so as to maximize the funds allocated to them. It is estimated that some 20% of medical staff are currently inactive (e.g. recipients of invalidity or retirement pensions).

If greater emphasis was placed on primary care, e.g. through the introduction of the family doctor model, and if out-patient care was given preference over in-patient treatment, considerable cost saving would, however, be possible, especially as the hospital sector accounts for two thirds to three quarters of the state health budget in all the Central Asian countries except Uzbekistan. The whole system of budgeting and financing health services in Central Asia should, moreover, be so reorganized as to create incentives inherent in the system to improve performance and keep costs under control. Experience in other transition countries shows that, if complex institutional reforms in the health sector are to have a chance of succeeding, the most important stakeholders must be involved.

In the rationalization measures so far taken nothing has been done to ensure that the resources saved are reinvested in the health sector. Nor, at a time of limited government extractive capacity and a growing informal sector, have the attempts by some of the Central Asian countries to establish a health insurance system on the western model led to the tapping of substantial financial resources (see Box 6). Some even dispute the wis-

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283 In the case of out-patient care, however, a contribution sometimes had to be made towards the cost of medicines. For the Soviet legacy see Klugman / Schieber (1996), Savas / Gedik (1999) and Field (2002).

284 A comprehensive, up-to-date analysis of the Central Asian health sector and detailed proposals for reforms are provided by McKee / Healy / Falkingham (2002).

285 See, for example, Falkingham (1999c), Staines (1999) and World Bank (2000c). This is not true of Tajikistan; see Box 6.

286 See Healy (2002).


288 This includes, for example, a mix of prospective and retrospective payment mechanisms, in which performance incentives and cost control keep each other in check, and a purchaser/provider split. See UNICEF (2001), McKee / Healy / Falkingham (2002) and Bonilla-Chacin / Murrugarra / Temouro (2003).
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Box 6: The State of the Reforms in the Central Asian Health Sector

**Kazakhstan:** In 1996 a compulsory health insurance system was introduced by decree. However, as major difficulties were encountered in the collection of contributions and the financial resources raised were embezzled, the country had to revert to the tax-funding of the health care system a short time later. Informal payments are estimated to account for a third of total health spending. On the provider side some public health care has been transferred to independently administered, financially autonomous enterprises. The administration of the hospitals has also been handed over to the oblasts in some cases. Private health providers were authorized in 1991, but they mostly run pharmacies and doctors' practices. Most of the medical infrastructure continues to be state-owned. Rural health care is in a desperate state.

**Kyrgyzstan:** A law introducing a compulsory health insurance system was passed in 1992, but did not enter into force until 1997. Contributions are paid by employers, while state subsidies cover the unemployed, pensioners and children. At present, 70% of the Kyrgyz population have health insurance. Owing to major difficulties encountered in the collection of contributions and the de facto cross-subsidization of pension insurance, the health sector is chronically underfunded and depends on informal payments. Primary care is currently being reorganized with donor support. A family doctor model, initially tried out in pilot projects in Issyk-Kul, Bishkek and Chui, is now to be introduced throughout the country. The reforms are being undertaken as part of the Manas programme developed jointly with WHO. Private health providers have so far focused on pharmacies, but also run some clinics in urban areas.

**Tajikistan:** The tax-funded public health sector has so far been retained. The services provided are administered partly by central government and partly at local level. About a third of the national health budget is financed by foreign donors. Informal payments are, however, estimated at two thirds of total health spending. As many doctors and nurses left the country during the civil war, considerable importance is currently attached to the training of medical staff. Comprehensive reforms are planned – on the Kyrgyz model – as part of the Somoni programme.

**Turkmenistan:** The public health sector is still financed primarily from budget resources. In 1996 a state health insurance scheme was introduced. It is based on voluntary contributions, but is not yet self-supporting. Patients are therefore required to make substantial formal and informal payments. Buildings and medical equipment are in very poor condition. Reforms have so far concentrated on primary health care, although the number of hospitals beds has also been reduced. There are also reports that the first private providers of health services, including a hospital, have started work. A coordinated approach to reforms was planned as part of the Lukman programme, but the latter was suspended before its implementation began.

**Uzbekistan:** The public health system has so far been retained. It is still organized along Soviet lines. Although there are plans for extensive reforms and the involvement of private providers, a comprehensive reform strategy for the health sector has yet to be established. Government health spending is currently supplemented not only by substantial formal and informal payments by patients but also by foreign donors, primarily on a project basis.

Source: Savas / Gedik (1999); Kulzhanov / Healy (2002); Ikhanov / Jakubowski / Hajioff (2002); Mamedkuliev / Shevkin / Hajioff (2002); Rahminov / Gedik / Healy (2002); Sargaldakova et al. (2002); Savas / Gedik / Craig (2002); Bonilla-Chacin / Murrugar / Temourova (2003)

Among the Central Asian countries except Kazakhstan is so low today that not even basic medical care can be guaranteed (see Chapter 5.1). The World Bank estimates that at least US $ 12 per capita is needed in low-income countries and US $ 21.50 in middle-income countries for minimum medical care comprising no more than inoculations, ante- and post-natal care and HIV/AIDS campaigns. The current financial endowment is simply not enough to maintain the existing medical infrastructure and to compensate medical staff appropriately.

At present, patients and their families therefore have to make informal payments to be sure of medical treatment. Though illegal, such pay-
ments were already common in Communist times. The attempt to convert them into formal fees as an additional source of finance for the health sector has largely failed in Central Asia, as in other transition countries. Formal fees now have to be paid as well as informal payments (see Box 6), making it far more difficult in the current situation of growing income poverty to obtain medical care and medicines. Studies show that poor people in Central Asia spend a larger proportion of their income on informal payments than those who are materially better off. Furthermore, the rural population's private spending on health was higher than the urban population's. The predominantly informal nature of these payments leaves no room for government control, such as the reduction or waiving of fees for population groups particularly affected by poverty.

The changes to the Central Asian health system so far appear to have been reflected primarily in an erosion of medical care in rural areas, specialist clinics in urban areas having been less affected by the general underfunding. The available indicators point to a deterioration in the health status of the Central Asian population in the past decade (see also Chapter 4.1). Inadequate medical care and a poor health status have an adverse effect not only on human and protective capabilities but also on economic capabilities, to use OECD/ DAC terminology (see Chapter 2.1). As this gives rise to substantial aggregate costs and even greater Education policy poverty, a change of trend in Central Asian health policy is urgently needed.

5.2.4 Education Policy

Universal access to education and the literacy of the entire population were among the accomplishments of the Communist era. As Table 13 has shown, however, attendance of nurseries, schools and universities fell sharply in the first decade of independence in almost all the Central Asian countries. The education sector also had to contend with some sensitive financial cuts (see Chapter 5.1), which had particularly grave consequences at a time of rapid population growth. As salaries today are very low or are paid several months late, many teachers have had either to change to another occupation or to take on second jobs to earn enough to live on. The financial resources available are often insufficient to heat and maintain the school building, and schoolbooks can no longer be provided in sufficient numbers. Owing to a shortage of space, especially in rural areas, tuition is given in two or three shifts. "As accumulated human and physical capital is eroded through non-investment and low teacher morale, commensurate declines in quality and access might be expected to follow." The serious cuts in the funding of education have resulted in formal and informal payments now being on the agenda in this sector too and in access to education for the children of poor families being far from a matter of course these days (see also Box 7). In many cases parents are expected to buy teaching materials or to pay a lending charge for schoolbooks and, not infrequently, even to contribute towards heating costs, necessary repairs and salaries. Sometimes teaching staff also expect gifts from parents, which the latter hope will result in their children gaining higher marks.

The two reasons most frequently cited for the failure of Central Asian children to attend school are bad

and the selling of personal assets to finance care." The author points out that the informal payments are distinct from the gifts with which gratitude is traditionally expressed in Central Asia.


See UNICEF (2001), p. 59: "Since informal payments bypass the official system, they in effect reinforce their cause: the scarcity of public financial resources."

For the economic costs of a poor health status see UNICEF (2001).

See World Bank (2000c).

weather and lack of clothing. An added factor, particularly in rural areas, is that children of elementary school age are already expected to help out at home. This affects girls more than boys. The lack of access to education in Central Asia thus has both a gender component and a geographical component, which is further exacerbated by regional disparities in the allocation of resources. However, failure to attend school may also be due to supply-side factors when the quality of the edu-

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cation provided is very poor and teachers are absent.\textsuperscript{299}

Formal tuition fees are now charged at the public colleges and universities, and informal payments are also widespread when students are admitted and take examinations.\textsuperscript{300} The newly established private colleges, on the other hand, confine themselves to charging formal tuition fees. Thus the gradual pluralization of providers is not entirely to blame for the increasing social stratification of the education system. In the public education sector too, formal and informal payments lead to the exclusion of children from the often large families in the lower income brackets, even, increasingly, from literacy courses. Studies show that the proportion of income spent on education in Central Asian households rises as per capita household consumption falls.\textsuperscript{301} As in the health sector, the informal nature of most payments precludes government control, such as the reduction or waiving of fees.

The available studies show that access to education is particularly important for the children of poor families. Inadequate education reduces their chances of earning a reasonable living and increases the risk of poverty.\textsuperscript{302} The literature on human capital sees investment in education as a way of improving human productivity, while UNICEF emphasizes its importance for the cohesion of society, especially in the transformation context.\textsuperscript{303} In Central Asia the decline in nursery, primary and secondary school attendance and the closure of many facilities, especially company-owned ones, are also likely to have implications for the health and nutritional status of children, since preventive medical care and hot and cold meals have traditionally been provided by school and pre-school care facilities. With income poverty growing, it must be assumed that resources at home cannot compensate for the loss of such services.\textsuperscript{304}

It is generally agreed that, when resources are scarce, primary and secondary education should have absolute priority, whereas opinions on the importance of pre-school care differ.\textsuperscript{305} At a time of high youth unemployment (see Chapter 3.2.2) vocational education is also very important, although there is very little demand for it at present. The aim should therefore be to tailor vocational school curricula to the requirements of the market economy and newly emerging occupational areas and to make them attractive to young women too. The educational reforms pending in Central Asia, however, also extend to redesigning schoolbooks and curricula and teaching interactive, less fact-centred teaching methods and new syllabi, for which comprehensive teacher training will be necessary.

The Central Asian education-policy-makers must also face up to the reality of a multiethnic population that is to be found in all the Central Asian countries (see Chapter 3.2.1). As Russian is increasingly ousted as the lingua franca in administration, business and academia and the language of the titular ethnic group begins to be used as the official language, problems arise for the other ethnic groups.\textsuperscript{306} They may go so far as renewed

\textsuperscript{299} See Falkingham (2003).

\textsuperscript{300} See Burnett / Cnobloch (2003), p. 25: "The use of informal payments has begun to create situations in which grades and admissions can be bought rather than earned."

\textsuperscript{301} See World Bank (2000c), p. 237.

\textsuperscript{302} See Vandycke (2001).

\textsuperscript{303} See Barr (1998) and UNICEF (2001). The human capital approach has also been applied to the health sector. For a critical description see Breyer / Zweifel (1999).

\textsuperscript{304} See Ismail / Micklewright (1997) and UNICEF (2001).

\textsuperscript{305} Falkingham (1999c) and Vandycke (2001) criticise the sharp decline in nursery school attendance, which makes it difficult for women in financially weak families to pursue a gainful activity or for the brothers or sisters of children of pre-school age to attend school. Children from poor families should not, moreover, have less favourable opportunities. Different assessments can be found in World Bank documents; see World Bank (2000b) and World Bank (2000d).

\textsuperscript{306} See Akiner (2002), p. 25. In Kazakhstan Russian has been retained as the official language of the administration; in Kyrgyzstan it was reintroduced as the official language in 2000.
illiteracy as a result of the change of alphabet, as has happened in Uzbekistan.\footnote{307} In most of the Central Asian countries ethnic minorities account for a considerable proportion of the population, ranging from 27\% in Turkmenistan to 60\% in Kazakhstan. As there are hardly any dictionaries, language courses or schoolbooks for these minorities, the multilinguality of the Central Asian region also poses challenges for education policy.\footnote{308}

5.3 Other Initiatives to Prevent or Reduce Poverty

Although social policy can make a major contribution to the prevention, mitigation and management of risks relevant to poverty, it is not disputed today that the multidimensionality of poverty calls for complex problem-solving approaches, which must extend beyond the conventional areas of social policy action (see Chapter 2). This chapter will therefore refer to a number of more comprehensive strategies that have been developed of late to prevent or reduce poverty in Central Asia. They include the recently launched international donor initiative for the CIS-7 countries, among them Kyrgyzstan, Tajikistan and Uzbekistan, the national poverty strategies developed by the Kazakh and Kyrgyz governments and the PRSP process launched in Kyrgyzstan and Tajikistan (see Chapter 2.2). On the other hand, it has hitherto been declared government policy particularly in Turkmenistan, but also in Uzbekistan, to forgo the establishment of an explicit poverty reduction strategy and instead to prevent the occurrence of income poverty by undertaking as gradual a transformation process as possible and retaining price controls and subsidies (see also Chapter 3.2.2).\footnote{309}

5.3.1 National Poverty Programmes

Convinced that taking social measures to cushion the negative effects of structural adjustment programmes cannot be enough in itself to reduce and prevent poverty, the World Social Summit in Copenhagen appealed in its Programme of Action for the formulation and implementation of national poverty plans (see also Chapter 2.2). The idea was to identify the structural causes of poverty and to combat them with comprehensive strategies. Besides an accurate analysis of the problems, "targets, timetables, budgets and organizations" are considered to be particularly important if there is to be more than mere declarations of intent.\footnote{310}

Kyrgyzstan was one of the first CIS countries to present a poverty programme of its own. Early 1998 saw the adoption of the National Programme on Overcoming Poverty, known as \textit{araket}.\footnote{311} The objectives set in this programme were the elimination of income poverty and the raising of living standards. The underlying strategy is based on helping the poor to help themselves and is designed to combine labour-intensive growth, investment in human development and a safety net for the poorest of the poor. According to an evaluation carried out by UNDP in 1999, however, \textit{araket} did not have its own budget and overlapped other social programmes. Another major constraint was the lack of capacity at national and local level for implementing a comprehensive poverty programme.\footnote{312}

In Kazakhstan poverty reduction already formed part of the long-term "Kazakhstan 2030" strategy adopted in late 1997.\footnote{313} A separate poverty programme, the State Program for Poverty Reduction, 2003-2005, has, however, been in preparation only since 2001 in a participatory process financed by a loan from the ADB, the

\footnotesize{\begin{itemize}
  \item \footnote{307} For a number of years the Latin rather than the Cyrillic alphabet has been used for the Uzbek language.
  \item \footnote{308} See Cimera / FES (2002).
  \item \footnote{309} As, however, no reliable poverty indicators are available in these two countries (see Chapter 4), it is difficult to judge how successful these gradual strategies have been.
  \item \footnote{310} UNDP (2000c), p. 32.
  \item \footnote{311} UNDP (2000c), p. 119. The Kyrgyz word \textit{araket} translates as "effort, endeavour".
  \item \footnote{312} See UNDP (2000c).
  \item \footnote{313} See UNDP (2001a).
\end{itemize}}
The programme was to have been signed by the Kazakh President by the end of 2002. The drafts hitherto presented show that the poverty reduction strategy developed for Kazakhstan will include the following key elements: economic growth that benefits the poor (pro-poor growth); the further development of the social sphere to give the poor access to health care, education and social assistance; improvements to infrastructure to make for better access to clean drinking water, sanitary facilities and communications; targeted regional development strategies to alleviate poverty in rural areas, small towns and areas affected by environmental pollution; and measures to improve participation and to develop civil society. To use OECD/DAC terminology, not only economic and human capabilities but also political capabilities will thus be addressed (see Chapter 2.1).

5.3.2 Poverty Programmes between Donorship and Ownership

Tajikistan and Kyrgyzstan are so far the only countries in the region to have presented Poverty Reduction Strategy Papers (PRSPs). The Uzbek government has meanwhile similarly declared its willingness to participate in the PSRP process. As mentioned in Chapter 2.2, the PRSP, created in 1999, is an instrument that provides for a country to establish, on its own responsibility and with civil society participating, a multidimensional, long-term poverty reduction strategy geared to partnership with donors. The establishment of a PRSP recognized by the IMF and World Bank is now a requirement for debt cancellation under HIPC II and for concessionary PRGF loans.

While attention has so far been focused primarily on the establishment of the PRSPs, the challenges of the future will be posed by the implementation of the proclaimed strategies.

In Tajikistan an Interim Poverty Reduction Strategy Paper (I-PRSP) was presented as early as October 2000. I-PRSPs represent an intermediate stage in the PRSP process, enabling access to be gained to concessionary financing. Contrary to current practice, the Tajik government had already been promised a PRGF in June 1998, i.e. before the PRSP process began, on condition that macro-economic reforms were implemented under the aegis of the IMF and World Bank. These reforms comply with a detailed Policy Matrix, 2000-2003, set out in the I-PRSP and include not only fiscal measures but also sweeping structural reforms. Normally, a "full PRSP" should be presented not later than twelve months after the I-PRSP. However, the Tajik government did not complete this document until June 2002, after publishing the I-PRSP in three languages (Tajik, Russian and Uzbek) and discussing it with civil society. The aims of the poverty reduction strategy outlined in the PRSP are to increase real incomes, to achieve a fair distribution of the benefits of growth and to ensure a rise in the living standards of the poorest population groups. The strategy

314 Background information can be found on the website of the Kazakh poverty reduction programme: http://www.antipoverty.nursat.kz/poverty_eng.htm, 2 February 2003. See also Dhar (2002).

315 See Republic of Kazakhstan (2002).

316 Kyrgyzstan was also a CDF pilot country, and Tajikistan too has meanwhile established a CDF.


318 Background information on the PRSP process provided by the World Bank can be found on http://www.worldbank.org/poverty/strategies/, 21 August 2002.


320 See Development Committee (2002).


322 See IMF (2002c).


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consists of the following four key elements: encouragement of accelerated, socially fair and labour-intensive growth with the emphasis on exports; efficient and fair provision of basic social services; targeted support for the poorest population groups; efficient governance and improved security.327 The social policy measures for which the programme provides are geared primarily to reforms in the education and health sectors with a view to reducing poverty, the existing transfer programmes (social assistance and pensions) also being seen as important instruments for achieving this goal. It is admitted in this context that these four areas of social policy currently suffer from serious underfunding. The Tajik government is hoping that the international financial institutions and other donors will help to reduce the large foreign debt, thus releasing resources for poverty reduction.

The Kyrgyz I-PRSP, entitled "Interim National Strategy for Poverty Reduction", was presented in June 2001.328 A few months later the IMF's Executive Board adopted a PRGF arrangement for Kyrgyzstan, which was linked to a macroeconomic reform programme.329 In December 2002 the full PRSP was presented in the shape of the National Poverty Reduction Strategy (NPRS).330 Not long before, an IMF mission had criticized the NPRS concept for poverty reduction as being very ambitious and pressed for a revision of the cost side of the planned programme.331 In conceptual terms the PRSP process is dovetailed with the CDF programme that has similarly been launched in Kyrgyzstan and is seen as the first phase of a long-term development strategy.332 The aim of the Kyrgyz NPRS is to expand the opportunities for citizens to enjoy an adequate and equitable standard of living.333 If this goal is to be achieved, it will be necessary above all to improve government efficiency, to develop a fair society, to ensure sustainable economic growth, to promote regional development and to increase security.334 To reduce poverty, social policy instruments are also to be used: social assistance based on targeting and the pension, education and health systems, which are, however, currently suffering from serious underfunding.335 For the NPRS implementation phase the Kyrgyz government is hoping for internal and external sources of finance.336 At a consultative meeting of bi- and multilateral donors held in Bishkek in October 2002 the Kyrgyz government was promised US $ 700 million, half in the form of grants.337

5.3.3 Donor-coordinated Poverty Reduction

In February 2002 the IMF, World Bank, EBRD and ADB launched an international initiative for the seven low-income CIS countries. All of the countries of the CIS-7 group – Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan – are located in Central Asia or the Caucasus except Moldova.338 Most are resource-poor land-locked countries which were very badly affected by the disintegration of the Soviet Union and some of which are still suffering under internal armed conflict. According to the initiators’ analysis of the problems, inadequate structural and institutional reforms in these countries have been among the main obstacles to the involvement of foreign donors and investors.339

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328 See Kyrgyz Republic (2001).
330 See Kyrgyz Republic (2002).
332 The Kyrgyz CDF was formulated for the period up to 2010; see Kyrgyz Republic (2001).
334 See Kyrgyz Republic (2002), pp. 1 f.
335 See Kyrgyz Republic (2002), pp. 10 ff.
337 See Anonymous (2002).
The aims of the initiative are to improve the reputation of the CIS-7 countries by purposefully integrating them into a donor-coordinated framework and to strengthen internal forces for reform. The international financial institutions are to act as "honest brokers" in this process, but ownership and political commitment are expected of the CIS-7 countries themselves.340 Both bilateral and multilateral activities are to be possible within the framework of the initiative.

In practical terms the initiative for the CIS-7 countries is meant to help them to reduce poverty, achieve an economic growth path and engage in regional cooperation in the areas of water, energy and trade.341 While the intraregional trade barriers affect both Central Asia and the Caucasus, the water and energy issue is largely confined to Central Asia. In Soviet times Kyrgyzstan and Tajikistan supplied the Central Asian republics with water when it was needed for agricultural purposes, receiving supplies of energy from Kazakhstan, Turkmenistan and Uzbekistan in the winter. With the transition to world market prices for oil and natural gas, these barter transactions no longer proceed smoothly. Kyrgyzstan, for example, now pays more for energy imports than it receives for its water exports and is forced to use its reservoirs of water to generate hydroelectric power. This, however, is jeopardizing the supply of water to Kyrgyzstan's neighbours.

A key role in the initiative for the CIS-7 countries is to be played by the PRSPs they will submit or have already submitted.342 In addition, all the CIS-7 countries except Uzbekistan are currently undertaking Public Expenditure Reviews (PERs) in cooperation with the World Bank with a view to increasing transparency and setting priorities in public spending.343 The originators of the CIS-7 Initiative emphasize that a wide range of fiscal, structural, social and institutional reforms and sustainably high economic growth rates will be needed if poverty in the region is to be successfully combated.344 Five countries in the group, known as the CIS-5, were already heavily indebted by the end of the first decade of their independence; provision has been made for the rescheduling of their debts to be negotiated with the Paris Club.345 The first negotiations of this kind were concluded for Kyrgyzstan in March 2002.346

6 Conclusions and Recommendations for Development Policy

For the Central Asian republics established in 1991, none of which had previously been an independent state, the first decade of transformation brought major challenges. Remodelling the economy was far more difficult in the former Soviet periphery than in other transition countries and was accompanied by sweeping economic changes, very high rates of inflation, extensive job losses and a serious decline in real wages. After seven decades of a de facto guarantee of full employment the coping strategies available to the population were limited, and any diversification of sources of income outside wage labour could only emerge slowly amid the fundamental economic

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340 IMF / World Bank (2002a), pp. 1 f. The idea here is that not only should the various governments gear themselves to reforms but that the public should also be made aware of the need for market-oriented reforms: "Reforms are unlikely to be effective without broad-based ownership."

341 IMF / World Bank (2000d) and Rasizade (2002).


343 Background information on the PERs can be found at the following World Bank website: http://www.worldbank.org/publicsector/pers/pers.htm, 21 August 2002.

344 IMF / World Bank (2002a), p. 12. This is based on a multidimensional definition of poverty.

345 Azerbaijan and Uzbekistan, being less affected by indebtedness because of their export earnings (oil and gas or cotton), do not belong to the CIS-5.

346 On 7 March 2002 Kyrgyzstan agreed with Denmark, Germany, France, Japan, Russia and Turkey on a non-concessional flow rescheduling of the Kyrgyz public sector debt, providing to total cash relief of about US $147 million; see IMF (2002a), p. 7. Georgia has also been able to conclude a debt rescheduling agreement with the Paris Club; see Wagstyl (2002).
changes. Substantial income poverty is therefore to be seen throughout Central Asia today, and in Tajikistan and Kyrgyzstan in particular it has become a mass phenomenon. The data available indicate that the populations of Kazakhstan and Turkmenistan, both rich in natural resources, are somewhat better off, although they too feature major regional disparities. The abrupt end to the generous budget contributions from Moscow and the limited extractive capacity of the new administrations have resulted in government transfers being provided on only a limited scale to alleviate the income poverty.

The severe financial cuts suffered by the existing social policy institutions have resulted in non-income-related dimensions of poverty also being observed in the region on an unprecedented scale. Thus access to education and medical care, once universal, is now being rapidly eroded because of serious supply-side reductions and the effects on the demand side of the spread of formal and informal payments. At the same time, teachers and doctors, whose salaries are well below the national average wage and thus below subsistence level, are unlikely to devote themselves fully to the pupils or patients in their care. The benefits paid out by the pension insurance schemes, an important source of monetary income for households, are very modest at present. The signs are, moreover, that the people of Central Asia will have far less access to a formal retirement pension scheme in the future because of the rapid informalization of the labour market. As only about half the working population pay contributions at the moment, the still universal entitlement to a retirement pension will soon be a thing of the past in Central Asia.

The worsening of income poverty and the savage cuts in social services that have been occurring in Central Asia for a decade are currently in danger of causing a downward spiral affecting all five of the dimensions of human well-being distinguished by the OECD's Development Assistance Committee. The deficiencies in the case of economic and human capabilities exacerbate one another: people with a low income in the Central Asian countries currently do not have sufficient access to education and health care. Poor education and health, however, reduce their chances of earning an adequate income. There is also considerable interaction between health status and level of education. The two dimensions referred to above are closely linked to two others, since people affected by poverty, illness and poor education have fewer opportunities to participate in the life of society as respected members (socio-cultural capabilities). Nor, in many cases, are they in a position to withstand economic and external shocks (protective capabilities), which in turn has repercussions for economic and human capabilities. Furthermore, the people of all the Central Asian countries currently suffer from major human rights violations and a lack of opportunities for political participation (political capabilities).

As, then, the various dimensions of the poverty in Central Asia are exacerbating each other at present, there is an urgent need for action. A key role in this will be played by the fight against income poverty and a reform of the existing social policy institutions. As will have become clear, this will primarily necessitate the mobilization of additional financial resources. In the Central Asian case this is admitted by the international financial institutions, whose discourse was initially focused on cuts in the transition countries' social budgets. At present, however, the available budget resources plus the contributions and informal payments that can be mobilized are far from enough, especially in the resource-poor Central Asian countries, to protect the population against income poverty and to maintain universal access to the formal social policy institutions. This is particularly true of Tajikistan, where almost the whole population has been affected by poverty since the civil war, leaving very little scope for redistribution within society.

347 The inadequacy of the data does not currently permit any well-founded statements to be made about the scale of poverty in Uzbekistan.


If the serious underfunding of the core areas of social policy – social assistance, retirement pensions, health and education – is not to be perpetuated, the only solution in the short term is external transfers. The resources required should be mobilized as part of an internationally coordinated donor initiative. A possible forum for this is the recently launched CIS-7 Initiative of bi- and multilateral donors, in which the Central Asian countries with low per capita incomes (Kyrgyzstan, Tajikistan and Uzbekistan) are involved. As most of the Central Asian countries have small populations, a major impact can be achieved with a comparatively minor injection of external resources. The external transfers should, however, be subject to an explicit time-limit, since the real challenge is to create a sustainable financial base for the Central Asian social policy institutions. However, this objective can be achieved only in the medium term, since the basic requirement is a distinct improvement in extractive capacity of government in Central Asia. Steps should also be taken to prevent the increasing crowding out of social spending by the growing debt servicing or by military spending, of which there are clear signs in the region at present.

Greater efficiency in the use of available resources could be achieved by strengthening the currently modest administrative capacities. In keeping with social institution-building, the aim in this context should be to develop, train and equip a functioning service-providing administration. It might also be considered in this context whether the serious problems currently encountered in the disbursement of monetary transfers (social assistance, pensions) could be overcome through the introduction of a cheque card system. This model, which enables transfers to be made through cash dispensers, has proved very successful elsewhere. It should be considered whether it might be a practicable alternative in the Central Asian context, especially as universal electrification is part of the Soviet legacy. In the short term the irregularities that occur in disbursement might be counteracted by the creation of a new system whereby ombudsmen accept and examine complaints made by claimants.

If the effectiveness of Central Asia's social policy institutions is to be increased, the flow of information will need to be improved, both quantitatively and qualitatively. A periodic evaluation of living conditions is already undertaken in Kazakhstan, and it is also important for the other Central Asian countries to have up-to-date information on their social situation. In Tajikistan and Turkmenistan in particular the last surveys were conducted several years ago, and it was 2001 before the Uzbek government permitted the first living standards survey to be carried out in accordance with international rules. In the political dialogue it should be made clear that the social situation cannot be improved if the poverty problem is treated as a taboo. Where living standards surveys based on international rules do not satisfy the technical and professional requirements, it is important that they be improved within the framework of technical cooperation. Local ownership in poverty reduction is conceivable in the medium term only if the capacities needed for the periodic measurement of poverty exist locally. Here again, coordination with other donors is essential if methodological disputes are to be settled promptly and duplication of effort is to be avoided. The World Bank is particularly active in the measurement of living standards. The suitability of its methodology for the Central Asian region is not, however, undisputed; the DFID and UNDP are currently working on methodological innovations.

Donor-coordinated technical cooperation also has an important role to play in the area of advice on social policy. At present, the World Bank, the ADB and WHO are particularly involved in this sphere. There is, however, still a major need for the existing social policy institutions to be reformed, as will have become clear. In the four core areas – social assistance, retirement pensions, health and education – there is a wealth of international experience, from which the Central Asian countries can benefit; but there are very few patent remedies. The goal should rather be to begin with a careful analysis of the specific economic and socio-cultural environment and then to under-
take reforms capable of increasing the effectiveness of the social policy institutions in the Central Asian countries. Special attention should be paid in this context to reducing interregional disparities and to population groups particularly affected by poverty, such as children, the elderly, refugees and the rural population. As a reversion to nomadism is evident in Kazakhstan and Kyrgyzstan in particular, social instruments tailored to the specific needs of those concerned, such as the use of mobile medical units and an intensive school programme in the winter camps, should be developed. The multilinguality of the Central Asian region similarly poses specific educational challenges.

The results of the reform initiatives so far undertaken and documented have tended to be mixed. It is reported that the allocation of social benefits by the Uzbek mahallas, having at first been appraised positively, has meanwhile resulted in these traditional institutions being coopted by the Karimov regime. Whether community-based targeting is appropriate in other Central Asian countries depends on the ability of local communities to mobilize the necessary information, to ensure effective monitoring of programme implementation and to prevent corruption. Where retirement pensions are concerned, the appropriateness of Kazakh pension privatization is highly contentious. Other countries in the region will have to forgo taking this radical step in the near future not least because they lack capital markets. Reforms within the existing current-income financing systems are all the more urgently needed if they are to be restored to financial stability. In the health sector the Kazakh and Kyrgyz attempt to change from a tax-funded public health service to the contribution-based health insurance model has initially failed because of limited government extractive capacity and mismanagement.

The contribution-funded social insurance schemes that already exist in the area of retirement pensions and are currently being introduced in the health sectors of some of the Central Asian countries face major challenges in the regional context. With employment in the formal sector steadily falling, they are in danger of resulting in greatly restricted access to old-age security and medical care. Contribution-funded systems are considered to be more incentive-compatible than the various tax-funded model variants (basic pension and public health service), but given the current expansion of the informal sector in Central Asia, the tax-funded alternatives should be carefully examined since they may be capable of preventing the stratification of access to social policy institutions in Central Asia.

When it is being decided what form pension and health systems should take in the future, the moral concepts and ideas of justice held by the Central Asian people should be taken into account. Experience in other transition countries, the transferability of which could be verified by means of opinion polls, shows that it is felt to be unjust for wealthy members of society to enjoy better health care than poor people, and yet an income-related retirement pension is clearly preferred to a basic pension model. The institutional legacy may be primarily responsible for this apparent paradox: although everyone formally had equal access to the health system, some population groups were able to obtain privileged treatment even in Communist times, contrary to the rules. Under the Soviet retirement pension scheme, on the other hand, the amount of pension received was based in the normal way on the individual's final earnings and years of insurance – even though the pension structure was in fact highly compressed, reflecting the relatively limited differences in wages and salaries.

Should insurance models be adopted for the pension and health sectors, it will be essential to develop suitable social policy instruments for those who do not have access to a formal employment relationship. Some experience has already been gained in this area at international level in recent

351 For an examination of local institutions, social capital and possible donor strategies in the Central Asian context see World Bank (2002e).
years.\footnote{See, for example, Freiberg-Strauss / Meyer (1999), van Ginneken (1999), Loewe et al. (2001), Ortiz (2001) and Marduch / Sharma (2002).} A great deal might also be gained from examining the private transfers and support payments which are common in Central Asia, mainly in the context of extended families and existing social networks, and are, in some cases, enshrined in Islamic tradition to see whether they provide for locally appropriate social institutions.

Social policy can and should make a major contribution in the Central Asian context to the prevention, mitigation and management of risks relevant to poverty. Yet in this region too the multidimensionality of poverty requires complex problem-solving approaches that go beyond conventional areas of social policy action. Some Central Asian governments have therefore recently developed broader concepts for poverty reduction, sometimes at the suggestion or with the support of international donors. Although the detail of their priorities differs, the need for a broad agenda of economic, structural and institutional reforms to be pursued in the Central Asian countries is emphasized both in the national poverty programmes and PRSPs submitted and in the CIS-7 Initiative.

The ten goals of the Federal German government’s Programme of Action 2015 rely, however, on an even more comprehensive poverty reduction strategy, which would be fully justified in Central Asia: to increase the economic dynamism of the poor and safeguard the right to food, to create fair trade opportunities and reduce indebtedness, to strengthen social security and restore an intact environment, to ensure respect for human rights and gender equality, to strengthen responsible governance and resolve conflicts peacefully.\footnote{See BMZ (2001a).}

Compared to this comprehensive strategy, the agenda pursued by German development cooperation in Central Asia has been rather modest.\footnote{See BMZ (2001b), BMZ (2001d), BMZ (2002b) and Bundesregierung (2002).} The priorities recently set – the development of democratic structures governed by the rule of law, support for economic reforms and poverty reduction and the promotion of cross-border cooperation, especially with regard to water and the environment – are very much to be welcomed, although, when it comes to practical implementation, declarations of intent and individual projects abound.\footnote{See BMZ (2001d).} The federal government is, however, determined to cooperate more closely with the Central Asian countries. In this context the present study has sought to put forward some suggestions for the systemically oriented promotion of social policy by German development cooperation, with a view to reducing poverty in Central Asia.
Map of Central Asia
Map of Kazakhstan
Map of Kyrgyzstan
Map of Tajikistan
Map of Turkmenistan
Map of Uzbekistan
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