Short Communication

Development Assistance and Poverty Reduction in Central Asia

Petr Kment¹, Vladimir Krepl², Patrick Francis Kapila³

¹*Czech University of Life Sciences Prague, Faculty of Economics and Management, Department of Humanities, Prague, Czech Republic*

²*Czech University of Life Sciences Prague, Faculty of Tropical AgriSciences, Department of Sustainable Technologies, Prague, Czech Republic*

³*University of Venda, School of Agriculture, Department of Agricultural and Rural Engineering, Private Bag X5050, Thohoyandou, Limpopo Province, South Africa*

Abstract

This article deals with Official Development Assistance (ODA) in Central Asia and with relation of the ODA to the Millennium Development Goals. We look at present development in the sphere of poverty reduction and also at dependence between ODA and GDP growth in a selected country – Kyrgyzstan. ODA per capita and several other indicators are highest in Kyrgyzstan and Tajikistan. The time series using poverty ratio indicators for Kyrgyzstan shows that between 2004 and 2011 there was a decline in the percentage of population under the poverty line. The trend generated using analogous time series for Kazakhstan and Tajikistan is similar. However, the internal situation in the region of interest is unstable. The dependence between ODA and GDP growth apparently does not exist in the region of interest. Further aid would be appropriate to focus on development projects' themes already successfully conducted in selected areas and selected social groups.

Keywords: Central Asia; development assistance; GDP growth; Millennium Development Goals.

INTRODUCTION

This article deals with Official Development Assistance (ODA) in post-socialist countries of Central Asia. As the 2015 end date for achieving the Millennium Development Goals (MDG) is approaching, we look at present developments in the sphere of poverty reduction. The research questions are as follows: 1. What is the development of ODA in the Central Asian countries in the study period and what are the main differences between countries?, 2. What is the relation between GDP growth and ODA in a selected country, and 3. Whether a decrease of the percentage of the population living below the poverty line occurred in the study period? The study has mainly become closely connected to the first Millennium Development Goal “Eradicate extreme poverty and hunger”. We aimed at such indicators of the MDG1 that are documented with consistent and comparable data. From a methodological viewpoint, the analysis of secondary statistical data of the World Bank has been used.

Institutionalised development assistance aims to achieve the Millennium Development Goals (MDGs). The idea is based on the neoclassical Solow's growth model of economy (Solow, 2000) in the Jeffrey Sachs's interpretation (Sachs et al., 2004). According to this model, it is necessary to first allocate funds into the economy of developing countries to increase a capital accumulation (capital of various forms - tangible, human and social ones). These financial means form the ODA that takes place through an implementation

of development projects carried out by organizations from donor countries or international organizations. These projects consist primarily of activities designed to ensure further accumulation of different forms of capital, i.e. educational activities, innovations of technologies, etc.

If we are looking for the developed countries' motives for carrying out the development cooperation, we can find mainly moral, political and pragmatic motives (Stojanov and Novosák, 2008). The ODA can, however, also be seen as a specific diplomatic tool, which in itself usually involves a certain amount of political solidarity and altruism, although there are “return services” on the side of the donor as well as the beneficiary differing from case to case, the purpose of which is to facilitate the enforcement of the donor's economic interests (Pajtinka, 2007).

What is the condition of the Millennium Development Goals at present? Their deadlines are postponed beyond the originally set year 2015, at least in the case of some targets, into which the eight main goals are divided. This delay applies especially to the goals that deal with the poverty eradication in sub-Saharan Africa. That is why a disillusionment of development cooperation is discussed in economic circles as well.

The former World Bank senior economist William Easterly argues against the planned development assistance. He distinguishes between the approach of “planners” and “searchers”, and the ability to meet the Millennium Development Goals. He only sees the use of the searchers'

approach that finds the specific development needs of the region (Easterly, 2006). Despite Easterly's criticism, the development assistance still is conducted through development projects. Micro-credits of Bangladeshi economist Muhammad Yunus have also been implemented (Yunus, 2003), but their general extension is problematic, e.g. in post-Soviet developing countries. Small loans in the amount of several USD, originally designed especially for rural and agricultural development of the Indian subcontinent, are not enough to initiate business in the post-Soviet area.

A different trend is therefore moving towards alternatives to development strategies. Among these alternatives remittances appear to be at the forefront (Stojanov and Novosák, 2008), or the transfer of money or goods by citizens from developing countries that live and work in developed countries.

RESULTS AND DISCUSSION

Official Development Assistance in Central Asia

Table 1 contains the values of the various indicators relating to ODA received by five Central Asian countries.

The ODA has the highest share in the gross domestic income in Kyrgyzstan (9.23 % in 2011) and then in Tajikistan. These two countries also exhibit significantly higher ODA per capita value than any other countries of interest (Kyrgyzstan 94.82 USD and Tajikistan 45.36 USD). This is probably related to higher openness of these countries to foreign development assistance. More closed countries, such as Uzbekistan and Turkmenistan, on the contrary, exhibit lower values of relevant indicators. The indicator, 'net ODA received (% of central government expense)' attains the highest value in the case of Kyrgyzstan (38.8 %). The indicator, 'net ODA received (% of gross capital formation)' has the highest value 34.86 % also in the case of Kyrgyzstan and the indicator, 'net ODA received (% of imports of goods, services and primary income)' has the highest value 9.07 % also in the case of Kyrgyzstan. It is evident that these last-mentioned facts show the most important position of Kyrgyzstan in terms of ODA among the Central Asian republics.

Significant differences in the amount of development aid received have taken place since 1991 for different reasons (Krepl et al., 2013). Differences among countries can be seen in the scale where the regime is isolated and in their different orientation (to the West, China, Iran etc.) as well.

Table 1. Official Development Assistance indicators of Central Asian countries

Country	Indicator	2003	2004	2005	2006	2007	2008	2009	2010	2011
Kazakhstan	A	1.01	0.66	0.44	0.24	0.23	0.29	0.29	0.17	0.13
	B	19.71	17.84	15.11	11.39	13.62	21.40	18.49	13.72	12.88
	C	6.86	4.41	2.20	1.47	1.42	1.72	1.53	0.94	0.75
	D	3.71	2.36	1.29	0.63	0.57	0.91	0.88	0.62	0.53
	E			0.72	0.40	0.34	0.46	0.55	0.34	0.26
Kyrgyzstan	A	10.78	12.39	11.29	11.15	7.32	7.26	6.96	8.55	9.23
	B	39.68	51.20	51.89	59.51	52.09	67.65	58.21	69.82	94.82
	C				69.29	39.90	41.78	35.52	37.52	38.80
	D	88.14	81.57	76.30	46.05	27.09	24.18	24.50	28.95	34.86
	E			17.85	13.26	8.29	7.20	8.08	8.97	9.07
Tajikistan	A	10.12	12.67	11.26	8.84	6.11	5.65	8.32	7.84	5.50
	B	22.68	38.03	36.95	34.69	31.23	39.68	54.80	57.25	45.36
	C	85.27	88.79							
	D	95.34	100.02	76.14	62.04	26.17	26.35	37.85	33.93	24.60
	E			14.51	9.95	5.88	6.83	13.00	11.08	7.21
Turkmenistan	A	0.48	0.81	0.40	0.41	0.23	0.10	0.21	0.22	0.15
	B	6.14	11.55	6.40	8.48	5.86	3.69	8.00	8.86	7.51
	C									
	D	1.88	3.44	1.64	2.03	1.21	0.30	0.42	0.38	0.25
	E									
Uzbekistan	A	1.94	2.05	1.19	0.88	0.73	0.63	0.56	0.57	0.46
	B	7.61	9.51	6.49	5.64	6.32	6.86	6.83	8.08	7.31
	C									
	D	9.80	9.55	5.96	4.59	3.64	2.65	2.22	2.38	2.01
	E									

Source: World Bank, 2013-12-04. A: Net ODA received (% of GNI), B: Net ODA received per capita (current US\$), C: Net ODA received (% of central government expense), D: Net ODA received (% of gross capital formation), E: Net ODA received (% of imports of goods, services and primary income).

Figure 1. Net official development assistance received (current US\$) versus GDP growth (annual %, X axis) in Kyrgyzstan for the period 2003 – 2011. Data source: World Bank, 2014-03-20.

A typical example of a closed central Asian country is Turkmenistan (Horák, 2012).

The importance of Kazakhstan, Kyrgyzstan and Tajikistan is also reflected in the availability of data - the values of individual indicators relating to ODA. It is evident from Table 1 that there are fewer data on Uzbekistan and Turkmenistan. This fact also manifests a greater involvement in ODA in the case of Kazakhstan, Kyrgyzstan and Tajikistan. However, it can be said that the main problems of Central Asia are still serious and include phenomena such as poverty, inequality and increasing cooperation between extremist, terrorist and criminal groups and networks operating within Central Asia.

There is another question on ODA of the countries of interest. It is the question of relation between the ODA and GDP growth. Why Kyrgyzstan's GDP growth is (in some years) substantially lower comparing to other countries in the region, although the significance of ODA in this country markedly surpasses the other countries. We choose Kyrgyzstan for investigation of dependence between the GDP growth and ODA, as the largest amount of data is available for this country. Specifically, we used pairs of

data for the period 2003 – 2011 (see Fig. 1). We found out that mentioned variables do not correlate (Pearson correlation $r = -0.08$), and that there is no dependence between received assistance and the GDP growth in terms of the indication and data used here. The GDP annual growth in Kyrgyzstan is very similar to the GNI annual growth of this country and, therefore, it is possible to suppose that the Kyrgyzstan's GNI annual growth does not correlate with its ODA received as well. All these data and findings support the claim that the economic growth is not linked to the ODA in the region of interest.

Poverty rate in republics of Central Asia

According to the data in Table 2, which shows percentage of population under various poverty lines, it is clear that a deeper analysis in the form of time series can be made only in Kyrgyzstan (for main World Bank projects here see Table 3) and Kazakhstan. For other Central Asian republics data are not available at all, or are only fragmentary. Poverty headcount ratio at national poverty line (% of population), according to 2009

Table 2. Poverty indicators in Central Asian countries

Country	Indicator	2003	2004	2005	2006	2007	2008	2009	2010	2011
Kazakhstan	A	37.5	33.9	31.6	18.2	12.7	12.1	8.2	6.5	5.3
	B	17.2	13.9	dna	3.32	1.48	0.89	1.12	dna	dna
	C	3.12	1.69	dna	0.43	0.17	0.1	0.11	dna	dna
Kyrgyzstan	A	dna	dna	dna	61	54.6	31.7	31.7	33.7	36.8
	B	dna	38.8	45.8	32.1	29.4	20.7	21.7	22.9	21.6
	C	dna	14.2	22.9	5.94	1.9	6.39	6.23	6.7	5.03
Tajikistan	A	72.4	dna	dna	dna	53.5	dna	46.7	dna	dna
	B	68.1	49.9	dna	dna	37	dna	27.7	dna	dna
	C	35.4	20.8	dna	dna	14.7	dna	6.56	dna	dna
Turkmenistan	A	dna	dna	dna	dna	dna	dna	dna	dna	dna
	B	dna	dna	dna	dna	dna	dna	dna	dna	dna
	C	dna	dna	dna	dna	dna	dna	dna	dna	dna
Uzbekistan	A	dna	dna	dna	dna	dna	dna	dna	dna	dna
	B	dna	dna	dna	dna	dna	dna	dna	dna	dna
	C	dna	dna	dna	dna	dna	dna	dna	dna	dna

Source: World Bank, 2013-12-04. A: Poverty headcount ratio at national poverty line (% of population), B: Poverty headcount ratio at \$2 a day (PPP) (% of population), C: Poverty headcount ratio at \$1.25 a day (PPP) (% of population). dna : data not available.

Table 3. World Bank projects in Kyrgyzstan approved in 2013. Source: World Bank (2013)

Project Title	Commitment Amount (USD million)	Status	Approval Date
Social cohesion through community-based development	2.0	Active	October 9, 2013
Programmatic Development Policy Operation 1	25.0	Active	July 25, 2013
State Assets Inventory and Registry	0.68	Active	July 22, 2013
Kyrgyz Second Health and Social Protection Project	16.5	Active	May 3, 2013
Kyrgyz Health Results Based Financing	11.0	Active	April 18, 2013
Sector Support for Education Reform Project	16.5	Active	March 7, 2013

Table 4. General description of Central Asian countries

Area	Unit	Year	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
	km ²		2 724 900	199 951	143 100	488 100	447 400
Population		2013	17 736 896	5 548 042	7 910 041	5 113 040	28 661 637
Life expectancy at birth	years	2013	69.94	69.75	66.72	69.16	73.03
GDP	USD (PPP)	2012	235.6 billion	13.5 billion	18.04 billion	49.75 billion	106.4 billion
GDP per capita	USD (PPP)	2012	14100	2400	2300	8 900	3600
GDP real growth rate	%	2012	5.0	-0.9	7.5	11.0	8.2

Source: CIA World Factbook, 2013-12-12.

available data, was highest in Tajikistan (46.7%), followed by Kyrgyzstan (31.7%) and lowest in Kazakhstan (8.2%). These data, although only fragmentary, follow the general “development” of countries of interest expressed for instance in GDP per capita (PPP) in 2012: Kazakhstan 14100 USD, Kyrgyzstan 2400 USD and Tajikistan 2300 USD.

Although there are no data available on poverty at national line/level for Uzbekistan and Turkmenistan, we present their values of GDP per capita (PPP) in 2012: Uzbekistan 3600 USD and Turkmenistan 8900 USD. Table 4 further shows relatively encouraging data of real GDP growth for all the Central Asian countries except for Kyrgyzstan. These data would suggest that “the

most intensive” ODA recipient and major partner of the West in the region is undergoing unfavourable economic development, while the economies of more closed countries are growing. We dealt with this curiosity in the previous section as well.

The time series using indicators ‘poverty headcount ratio at \$2 a day (PPP) (% of population)’ and ‘poverty headcount ratio at \$1.25 a day (PPP) (% of population)’ for Kyrgyzstan shows that between 2004 and 2011 there was a decline in the percentage of population under poverty line. The trend generated using analogous time series (but now with the available data in fewer years) for Kazakhstan and Tajikistan is similar. There was “only” 5.3% population under national poverty line in 2011 in Kazakhstan, which is relatively an encouraging statement. However, for example, the CIA World Fact book states that “Definitions of poverty vary considerably among nations. For example, rich nations generally employ more generous standards of poverty than poor nations.” That is why a question arises how “intensively” those 5.3% in Kazakhstan and 36.8% in Kyrgyzstan were poor in 2011.

This year (2013) document reflecting the approaching deadline of the MDGs achievement states on the target 1 of the MDG1 i.e.: “*extreme poverty have fallen in every developing region. Globally, the MDG target on the proportion of people living in extreme poverty has been met five years ahead of the target date. About 700 million fewer people lived in extreme poverty conditions in 2010 than in 1990. Despite this impressive achievement at the global level, 1.2 billion people are still living in extreme poverty*” (United Nations, 2013). This document also describes the current state of MDGs that can be approximately summed up in the statement: some targets of MDGs have been achieved, however, during the works (since 1990), additional development problems occurred. A specific case of the situation in Central Asia and MDG7 was described in the conclusions of the previous article (Krepl et al., 2013).

CONCLUSIONS

The Millennium Development Goal 1 that is focused on alleviating poverty in the developing world can be regarded as one of the optimistically looking. In Central Asia, our region of interest, for the period 2003 - 2011 there was a decrease in the percentage of poor measured by the appropriate indicators. However, these optimistic tendencies are to be subjected to further interpretation. The main fact speaking for careful evaluation of the development of poverty is a large amount of data, which are not (and should be) available and an impossibility of accurate indication in some cases.

Kyrgyzstan and Tajikistan receive (out of the countries under consideration) the most of ODA related to their GNI and the most ODA per capita as well. In the available data, however, a trend of poverty reduction can be traced also e.g. in Kazakhstan. It appears that the poverty reduction in the region is related to other factors that play a significant role at present. Specifically, these factors are an intensifying fossil fuels extraction and changes in the Central Asian countries’ foreign policy orientation. The first positive effects of market economy should also appear (after more than 20 years).

It is not possible to prove the dependence between development assistance received and the GDP growth by using of available statistical data. Our results are therefore classified in the still growing group of arguments that speaks for replacement of ODA with different forms of development support.

Moreover, documents of international organizations and recent studies indicate that the internal situation in the region is unstable. Our final recommendation is as follows: further aid of various forms would be appropriate to focus on development projects’ themes already successfully conducted in selected areas and selected social groups.

REFERENCES

- CIA World Factbook. Available at: www.cia.gov/library/publications/the-world-factbook/.
- Easterly W. (2006): The white man’s burden. 1st Ed. New York, The Penguin Press, ISBN 1-59420-037-8.
- Horák S. (2012): Turkmenistan’s Shifting Energy Geopolitics in 2009-2011. European Perspectives. Problems of Post-Communism 59(2): 18-30.
- Krepl V., Kment P., Valis Z. (2013): Environmental Development in Central Asia: towards Sustainability? Agricultura Tropica et Subtropica 46(2): 73-78.
- Pajtinka E. (2007): Commercial diplomacy and its role in the 21st century. (In Slovak: Hospodárska diplomacia a jej úloha v 21. storočí). Mezinárodní vztahy 4: 52-72.
- Sachs J.D., McArthur J.W., Schmidt-Traub G., Kruk M., Bahadur Ch., Faye M. McCord G. (2004): Ending Africa’s Poverty Trap. UN Millenium Project. Brookings Papers on Economic Activity 1, pp. 117-240. Available at: www.unmillenniumproject.org/documents/BPEAEndingAfricasPovertyTrapFINAL.pdf, accessed 2010-11-25.
- Solow R. (2000): Growth Theory: An Exposition. Oxford University Press, USA, 2nd Ed., ISBN 978-0195109030.
- Stojanov R., Novosák J. (2008): Migration instead of aid? Remittance and brain circulation as tools of development. (In Czech: Migrace namísto pomoci? Remittance a

- cirkulace mozků jako nástroje rozvoje). Mezinárodní vztahy, 43(1): 38-77.
- United Nations (2013): Millennium Development Goals and beyond 2015. Available at: www.un.org/millenniumgoals/pdf/Goal_1_fs.pdf, accessed 2013-12-29.
- World Bank (2013): Available at: data.worldbank.org/, accessed 2013-12-04.
- Yunus, M. (2003): Banker to the poor. New York: Public Affairs. ISBN 1-58648-198-3.

Received: January 14, 2014

Accepted after revisions: March 17, 2014

Corresponding author:

RNDr. Petr Kment, Ph.D.

Czech University of Life Sciences Prague
Faculty of Economics and Management
Department of Humanities
Kamýcká 129, 165 21, Prague 6, Czech Republic
E-mail: kment@pef.czu.cz
Phone: (+420) 224 382 187