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ASSISTING DEVELOPMENT IN CENTRAL ASIA: STRATEGIC HORIZONS OF RUSSIAN ENGAGEMENT

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This working paper was prepared as part of the Russian International Affairs Council's project *The Situation in Central Asia after the Possible Withdrawal of the Coalition Forces from Afghanistan*. It examines aspects of Russia's participation in rendering assistance to the countries in the region. The authors identify drivers of instability in Central Asia, review the involvement of the main players and donors in assisting development in the region, and evaluate Russia's role and capacity in this field with due account of its national interests. The authors offer a number of recommendations on increasing the efficiency of Russian aid to Central Asian countries. The views and opinions of authors expressed herein do not necessarily state or reflect those of RIAC.

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1. CENTRAL ASIA: DRIVERS OF INSTABILITY AND IMPERATIVES FOR FOREIGN AID

In general, Central Asian countries can be categorised as *changing* and *fragile* societies. The former definition refers primarily to the social and economic spheres and implies a developing and modernising society; the latter mainly concerns security, reflecting the existence of multiple threats, which, if combined, may result in a 'state failure' under the worst case scenario. An analysis of the Central Asian context reveals the following key factors of instability:

1. *General development problems* that are characteristic of many developing countries (low living standards, poor infrastructure, shortage of key development resources, etc.).

2. *Problems arising from the transition from the Soviet system of a planned economy and totalitarian ideological state to other forms of social and political organisation* (high level of corruption, internal conflicts, lack of effective property guarantees, etc.).

3. *Weak political institutions* due to the lack of prolonged experience of statehood, and the predominance of clan and tribal structures in social relations.

4. *The existence of a large number of non-traditional trans-border challenges to security* (terrorism and religious extremism, drug-trafficking, illegal migration, the danger of becoming a 'failed state' that does not control its own territory).

5. *The New Big Game factor*, i.e. geopolitical rivalry among key powers for influence on the states in the region.

The high vulnerability of Central Asian countries entails the need to render them massive foreign aid with an emphasis on strengthening statehood. This task is particularly relevant to the contiguous countries, primarily the Russian Federation, for which mitigating these factors of instability is imperative to national security.

1.1. Socioeconomic Development Challenges

The reliance on commodity trade and the 'demodernisation' trend. Central Asian economies are far more dependent on commodity export than the Russian economy. Turkmenistan has gas, Kazakhstan has oil and non-ferrous metals and Uzbekistan has gas and cotton. The biggest challenges are faced by Tajikistan and Kyrgyzstan, which are unable to make full use of their abundant water and energy resources. There is a general sense within the expert community that the situation will not change dramatically in the coming decades. Indeed, we are witnessing a trend towards the demodernisation of Central Asian countries. For example, in Tajikistan, the proportion of the urban population declined to 26 per cent in 2010 because of the civil war and economic problems, putting it on a par with the least developed countries.¹ Other signs of demodernisation are the mass exodus of highly qualified professionals and representatives of the middle class (both Russian-speaking and indigenous) as well as the collapse of the technical and social infrastructure created in Soviet times (in such sectors as education and healthcare), even in countries with relatively abundant natural resources such as Turkmenistan. Demodernisation is particularly dangerous for countries that have few signs of modernisation anyway because it deprives them of a chance to catch up with the developed world in the foreseeable future.

Needless to say, the mere existence of large amounts of natural resources does not automatically represent a potent stimulus for modernisation due to the well-known phenomenon known as the 'resource curse'. However, the Arab oil monarchies, which have learnt a great deal from Western countries during the past 40 years, have demonstrated that, in spite of the 'resource curse', large oil revenues may enable the ruling elites to channel resources towards the development of education and health. In Central Asia, only Kazakhstan has been investing considerably in maintaining and developing the infrastructure, especially the social infrastructure, created in Soviet times.

All this is bound to result in *low living standards in the region. Only Kazakhstan has prospects for ensuring a higher living standard compared with the other countries in the region.* Kazakhstan is rich in natural resources and is investing heavily in creating a comparatively liberal and efficient (by post-Soviet standards) economic model. Turkmenistan, though it possesses vast natural resources,

¹ World Bank Data. Urban Population (per cent of total). URL: <http://www.worldbank.org/indicator/SP.URB/TOTL.IN.ZS>. The CIA World Factbook. URL: http://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_cas/html

faces great problems in securing sustainable development due to its deficient institutional system and a very different mentality among its elite. The other countries in the region do not have enough natural resources and the pace and results of their economic reforms are modest compared with those of Kazakhstan.

The differences in the effectiveness of economic development institutions are illustrated by the *Ease of Doing Business Index* for Kazakhstan and Turkmenistan in 2002–2012 (Fig. 1) compared with average world indicators according to the annual *Heritage Foundation* and *Wall Street Journal Index of Economic Freedom*.²

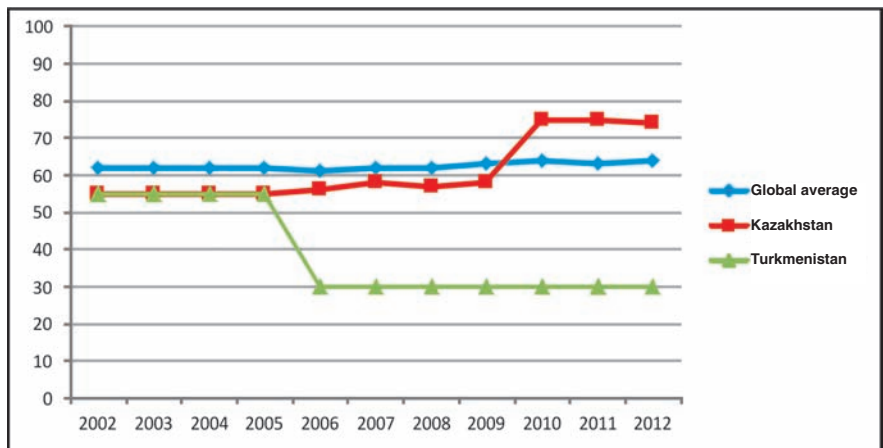


Fig. 1. Economic Freedom in Kazakhstan and Turkmenistan Compared with World Averages

Source: Heritage Foundation. URL: <http://www.heritage.org/index/default>

The degree of economic freedom may be seen as a specific criterion of the success of economic reform. In 2005, when the situation in the two countries was roughly similar, Kazakhstan managed to jump ahead and achieve a level of economic freedom that is higher than the world average. By contrast, Turkmenistan dropped to a very low level since 2005.

A population explosion and shortage of resources. All Central Asian countries are witnessing rapid population growth (Table 1). The nations in the region have a comparatively large number of births that far exceed the number of deaths, and a low median age.

² Index of Economic Freedom. URL: <http://www.heritage.org/index/default>

Table 1

Demographic Characteristics of Central Asian States

Country	Median age	Number of births per 1,000 (2012, estimate)	Number of deaths per 1,000 (2012, estimate)	Population growth in % (2012, estimate)
Kazakhstan	29.3	20.44	8.52	1.23
Uzbekistan	26.2	17.33	5.29	0.94
Kyrgyzstan	25.2	23.9	6.9	0.89
Tajikistan	22.9	25.93	6.49	1.82
Turkmenistan	25.8	19.55	6.21	1.14

Source: The CIA World Factbook. URL: http://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_cas.html

The highest median age (over 29) is in Kazakhstan, largely because of the Russian-speaking population which is ageing just as it is in Russia. The country has a serious regional imbalance: some regions in the south inhabited by predominantly Islamic and the least 'Russified' population are seeing a demographic explosion. Uzbekistan reports the lowest birth rate in the region and the slowest natural population growth. Kyrgyzstan's population is growing at an even slower rate due in large part to more intensive emigration, especially to Russia. Tajikistan is the closest to experiencing a population explosion, with the lowest median age, the largest number of births and the highest population growth rate.

Considering these trends, especially the low median age, one can predict that the rapid population growth in the region will continue for at least 20–40 years, although it will gradually taper off. The predominance of young people in the population structure will automatically reproduce a comparatively high birth rate. Even after the demographic explosion is over, the region (especially Tajikistan and the Fergana Valley) will remain overpopulated, while resources – primarily water – will be in short supply and living standards will be below global standards.

Migration. Labour migration is the key indicator of the socio-economic development challenges in Central Asia. Most migrants come from Tajikistan, Kyrgyzstan and Uzbekistan. All three countries depend economically on migration to Russia; remittances from Russia account for a large share of GDP in these countries (47 per cent in Tajikistan and 30 per cent in Kyrgyzstan, according to the latest data).

The data shown in Table 2 reveals stark differences between the countries in the region. Tajikistan, Kyrgyzstan and Uzbekistan

have low per capita GDP, high unemployment and wide-spread poverty. Considering the large number of young males it is not surprising that these countries have a large number of labour migrants who are prepared to accede low-wage jobs. Russia and Kazakhstan, by contrast, are receiving these migrants. While the flow of Central Asian labour migrants to Russia is great in absolute figures (Russia has a very large population compared with that of Kazakhstan), the inflow of migrants to Kazakhstan (per 1,000) is higher in relative terms. Russia and Kazakhstan have become hosts to migrants because they have a comparatively high (by regional standards) GDP per capita combined with a lower level of unemployment and poverty. Adding to this are the higher average age of the population in Russia (38.8 years) and Kazakhstan (29.3 years) and a larger proportion of female population in Russia due to a high male mortality rate. All these factors naturally create great demand in Russia for men who are prepared to take low-paid manual jobs.

Table 2

The Relationship of Migration Flows and Economic Factors in Central Asia and Russia

Country	Migration growth/ population decline per 1,000 (2012, estimate)	Per capita GDP according to purchasing power parity (in USD, 2012)	Unemployment in % (official and unofficial estimates)	Population below poverty line, in % (estimate)
Russia	0.29	17,700	6.2 (2012)	13.1 (2010)
Kazakhstan	1.23	13,900	5.3 (2012)	8.2 (2009)
Uzbekistan	-2.65	3,500	1 (by unofficial estimates – more than 20)	26 (2008)
Kyrgyzstan	-8.1	2,400	8.6 (2011)	33.7 (2011)
Tajikistan	-1.21	2,200	2.2 (2009, by official estimate; by unofficial estimates – up to 50–60)	46.7 (2009)
Turkmenistan	-1.9	8,500	60 (2004, by unofficial estimate)	30 (2004)

Source: The CIA World Factbook. URL: http://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_cas.html

Turkmenistan is a very special case. Due to its huge hydrocarbon resources, it has a relatively high per capita GDP by regional standards. However, massive structural unemployment and poverty lead to intensive outbound migration. This may be due to the peculiar administrative structure created under Saparmurat Niyazov (Turkmenbashi) which the country's new leader, Gurbanguly Berdimukhamedov, failed to replace during the course of reforms. Under Turkmenbashi, while the state spent lavishly on prestigious projects, all the hospitals outside the capital were shut down, the education system was effectively dismantled on a number of counts, about a third of the population lived below the poverty line, according to experts, and hidden unemployment exceeded 50 per cent.

The aforementioned trends are stagnant and are sure to continue for another 10–20 years. In the coming decades, Russia will apparently be the main destination of labour migration from Central Asia (with the exception of Kazakhstan).

1.2. Security Risks and Threats

Inefficient institutions and transboundary security risks. All the countries in the region (with the exception of politically fragile Kyrgyzstan) have personalised authoritarian regimes often referred to as 'Sultanistic' (a term introduced by J. Linz).³ Their socio-political systems can generally be described as 'neopatrimonial'.⁴ The latter are noted for combining power and property, a high level of corruption and archaic political systems (incorporation of clan and tribal structures in the socio-political systems that have many trappings of modern systems). Clan network structures proved to be highly viable during the 70 years of Soviet rule, having survived crack-downs (for example the Andropov–Gorbachev 'Cotton Campaign' in Uzbekistan), and have been experiencing a resurgence in the last 20 years as they adapt even to formally democratic procedures.⁵

The result of the coexistence of institutional and network structures is an extremely high level of corruption. Network relations in the region are expressly negative. However, Iran and Turkey, which face similar situations in some ways, have managed several times to harness clan and network structures to development. According to the *Corruption Perceptions Index* published by

³ Sultanistic Regimes / Eds. H.E. Chehabi, J.J. Linz. Baltimore: John Hopkins University Press, 1998.

⁴ Eisenstadt S.N. Revolution and the Transformation of Societies: A Comparative Study of Civilizations. Moscow: Aspekt Press, 1999, pp. 324–359 (in Russian).

⁵ Collins K. Clan Politics and Regime Transition in Central Asia. New York: Cambridge University Press, 2006.

Transparency International, the nations of the region are among the most corrupt in the world (see Table 3). Kazakhstan is a slight exception, ranking higher in this rating than other Central Asian countries with its corruption level thought to be even lower than Russia's.

Table 3

**Transparency International Corruption Perceptions Index,
2006–2012**

Country	World ranking; points						
	2006	2007	2008	2009	2010	2011	2012
Kazakhstan	111; 2.6	150; 2.1	145; 2.2	120; 2.7	105; 2.9	120; 2.7	133; 2.8
Kyrgyzstan	142; 2.2	150; 2.1	166; 1.8	162; 1.9	164; 2.0	164; 2.1	154; 2.4
Uzbekistan	142; 2.2	175; 1.7	166; 1.8	174; 1.7	172; 1.6	177; 1.6	170; 1.7
Tajikistan	151; 2.1	150; 2.1	151; 2.0	158; 2.0	154; 2.1	152; 2.3	157; 2.2
Turkmenistan	142; 2.2	162; 2.0	166; 1.8	168; 1.7	172; 1.6	177; 1.6	170; 1.7

Source: Transparency International. URL: <http://www.cpi.transparency.org>

Another good indicator of the lack of effective institutional structures is the *World Bank's Rule of Law Index* (Table 4).

Table 4

Rule of Law Index, 2011

Country	Rule of Law Index (0–100)	Governance Quality Index (from -2.5 to +2.5)
Kazakhstan	31,5	-0,63
Kyrgyzstan	9,4	-1,25
Uzbekistan	10,8	-1,21
Tajikistan	4,7	-1,41
Turkmenistan	5,2	-1,39

Source: World Bank. URL: <http://www.info.worldbank.org/governance/wgi/index.aspx#reports>

Given their inefficient institutions, all the nations in the region are highly vulnerable to transboundary risks, above all new security threats,⁶ especially terrorism and Islamic extremism. These threats are growing due to the instability with Afghanistan. Even the statehood of Central Asian countries is under threat. According to the *Fund for Peace Failed States Index 2012*, Uzbekistan, Kyrgyzstan

⁶ New security threats emanate from non-state actors and are therefore distinguished from the traditional threats coming from states, such as the threat of military invasion.

and Tajikistan are the most 'fragile' of all the post-Soviet states (87.5, 87.4 and 85.7 points, respectively).⁷

Among the most alarming security trends is the prospect that the situation in Afghanistan will deteriorate after the planned withdrawal of the *International Security Assistance Force (ISAF)* in 2014. Particularly important in this regard is the recent emergence of the Taliban and Central Asian extremists in Northern Afghanistan in the immediate proximity of post-Soviet Central Asia. The situation in neighbouring Tajikistan and Kyrgyzstan is also a serious cause for concern. The army and security forces in Kyrgyzstan have been enfeebled by two revolutions (2005 and 2010). The Kyrgyz central government has poor control of the southern regions, especially Osh, where anti-Uzbek riots took place. The ruling coalition in Bishkek is extremely unstable. Tajikistan is still reeling from the aftermath of civil war. The government is struggling to control the country's territory, as exemplified by the fighting in Gorno-Badakhshan Autonomous Province in the summer of 2012. There is also the traditional link between the Islamic opposition in Tajikistan and the Tajiks in Afghanistan, which, in the event of Afghanistan's collapse and the emergence of provinces run by warlords independent of Kabul, may complicate matters for the political regime in Dushanbe.

Drug trafficking. The *Northern Route* through Central Asia to Russia is one of the three main routes for the transportation of opiates from Afghanistan, whose export increased dramatically after the start of the *NATO* operation in Afghanistan. In 2009, some 365 tonnes of heroin was exported from Afghanistan. Of this amount, 160 tonnes was trafficked to Pakistan, 115 tonnes to the Islamic Republic of Iran and 90 tonnes to Central Asian countries.⁸ Of the 90 tonnes, about 77 tonnes reach Russia, where they are mostly consumed, with only 3–4 tonnes moving on to Northern and Eastern Europe.⁹ The Russian heroin market is the world's largest national market. According to the *UN Office on Drugs and Crime (UNODC)*, the market is valued at around \$25 bn and is larger than the markets in Western and Central Europe combined (about \$13 bn).¹⁰

The heroin consumption situation in Russia is among the worst in the world. In Russia the number of drug users is five to eight times greater than in Europe.¹¹ According to the *UNODC*,

⁷ Fund for Peace Failed States Index 2012. URL: <http://www.fundforpeace.org/global/library/cfsir1210-failedstatesindex2012-06p.pdf>, www.fundforpeace.org/global/?q=fsi-grid2011

⁸ UNODC. *The Global Afghan Opium Trade: A Threat Assessment*. July 2011. P. 28.

⁹ *Ibid.* P. 8.

¹⁰ *Ibid.* P. 23.

¹¹ The State Duma of the Russian Federation is preparing to tackle drug addiction. Director of the Federal Drug Control Service of the Russian Federation Victor Ivanov believes that one in every ten Russian families will have a drug addict in five years. The authorities propose combating this problem by introducing tougher legislation. URL: <http://www.58.fskn.gov.ru/articles.asp?id=294>, accessed December 14, 2012 (in Russian).

Russia consumes about 18.25 per cent of all heroin produced in the world,¹² although Director of the Federal Drug Control Service of the Russian Federation Victor Ivanov puts this figure at 20 per cent.¹³ According to the Federal Drug Control Service, heroin claims about 30,000 lives every year (mainly young males), i.e. 82 people under the age of 27 die every day as a result of heroin abuse.¹⁴

According to the *UNODC*, the price of heroin transported via the *Northern Route* increases from \$3,000 per kg in Afghanistan to \$22,000 per kg in Russia.¹⁵ With revenue of about \$1.4 bn a year from transporting heroin via the *Northern Route*, in 2010 drug mafias earned an income equalling one-third of the GDP of Tajikistan or Kyrgyzstan, but only 5 per cent of the GDP of Uzbekistan and 1 per cent of the GDP of Kazakhstan.¹⁶ Not surprisingly, the main route for the transport of Afghan opiates to Russia passes through Tajikistan and then Kyrgyzstan. About 80 tonnes of the total 90 tonnes of heroin flowing to Central Asia from Afghanistan pass through Tajikistan and then follow the Kyrgyzstan–Kazakhstan–Russia route.¹⁷

The main paradox of Russia's foreign policy in Central Asia is that the two states through which the bulk of drugs pass via the *Northern Route* (Tajikistan and Kyrgyzstan) depend on Russian economic aid and the export of their labour to Russia more than any other Central Asian states, and their security is ensured by the Russian military bases on their territories.

1.3. Geopolitical Rivalry and Foreign Aid

The weakness of Central Asian nations and the region's geopolitical importance result in a high degree of involvement of other major powers in regional affairs, which is the essence of the New Big Game.¹⁸

Meanwhile, Central Asian states show little appetite for consolidation, as witnessed, among other things, by the failure of a succession of regional integration projects (implemented by the *Organization of Central Asian Cooperation*, the *Central Asian Economic Union*, and the *Organisation for Central Asian Cooperation*). Neither Kazakhstan (the largest country in the region in terms of territory and

¹² UNODC. *The Global Afghan Opium Trade: A Threat Assessment*. July 2011. P. 21.

¹³ Russia's heroin 'dose' is \$6 billion, March 24, 2012. URL: <http://www.vladimir.kp.ru/daily/25856/2824486/>, accessed December 14, 2012 (in Russian).

¹⁴ *Ibid.*

¹⁵ UNODC. *Opiate Flows through Northern Afghanistan and Central Asia: A Threat Assessment*. May 2012. P. 85.

¹⁶ *Ibid.* P. 15.

¹⁷ *Ibid.* P. 46.

¹⁸ See: Kazantsev A.A. 'Big Game' with Unknown Rules: World Politics and Central Asia. Moscow: MGIMO Publishing House, Eurasian Heritage, 2008.

size of economy), nor Uzbekistan (the most populous and powerful country in terms of military might) have been able to act as effective integration centres and successfully take a stand against the inertial trends that have become quite stable. At the same time, all Central Asian states are committed to so-called 'multi-vector foreign policies' involving the largest possible number of foreign donors (see colour insert).

Geopolitical rivalry often impedes development assistance projects. Unfortunately, the New Big Game results in **many external players using foreign aid not only to facilitate development and ensure global security, but also to pursue their own national interests under the guise of various geopolitical and geo-economic projects**. The United States often ties its assistance to projects such as the *Greater Central Asia Partnership* and the *New Silk Road*, which are aimed at the geopolitical reformatting of the current system of trade and economic ties between Central Asian nations in which Russia has traditionally been the key player in favour of the 'southern vector'. In addition, the United States and the European Union are actively using aid to promote alternative projects to transport resources via the Caspian to the West while bypassing Russia and Iran. These projects obviously have a geopolitical dimension.

China has now caused Central Asian nations to seriously redirect – using foreign aid as one of main instruments – the supply of commodities, especially energy, to the East. As a result, Russia (especially *Gazprom*) has sustained heavy losses and is no longer able to redirect these energy flows in its own interests, the flow of gas from Turkmenistan for example. The procurement prices for *Gazprom* in Central Asia have soared and Central Asian gas has also pushed down the price of Russian gas on the Chinese market. Formally China delivers its aid 'under the umbrella' of the *Shanghai Cooperation Organisation (SCO)*, but in reality it proceeds on a bilateral basis, bypassing this organisation's budget through formally affiliated projects.

International players, especially in the West, also tend to perceive Russian aid in a geopolitical context, especially when Moscow directly or indirectly ties it to such demands as the withdrawal of the *NATO* base from Manas Airport in Bishkek, Kyrgyzstan. Projects involving Eurasian economic integration are interpreted in a similar manner.

High level of uncertainty in the region and possible scenarios. The situation described above is quite alarming, especially in the light of the possible deterioration in Afghanistan and the potential domino effect that may strike Central Asian states. The risks and

uncertainties are very high. And they should be taken into account when rendering foreign assistance.

The George C. Marshall European Center for Security Studies project for drugs and non-traditional security threats (2012–2013), which involved A.A. Kazantsev, Dr. of Political Science and D.A. Alexeyev, Ph.D. in Political Science envisaged four scenarios of how the regional security situation might evolve.

Under Scenario No. 1 '**Successful International Cooperation**', the major powers cooperate successfully in combating new security threats. It involves improving the efficiency of governance in Central Asia and accelerating modernisation in the region. *In this case Russia can establish effective cooperation with other key donors, including Western countries, in delivering regional assistance.*

Under Scenario No. 2 '**Gradual Decline**', international rivalry neutralises any attempts to provide effective assistance to Central Asian nations. The activities of non-governmental actors (above all, terrorist networks and the drug mafia) creating various kinds of non-traditional security threats intensify. *On the one hand, Russia in this case fails to effectively cooperate with other donors, but on the other hand, because of the heightened security threats, Moscow needs to dramatically increase its assistance to the countries in the region.*

Under Scenario No. 3, the '**Intensified New Big Game**', international rivalry (notably between the East and the West) gets out of control and incites further destabilisation in Central Asia. Drug trafficking and other new security threats increase and collective assistance fails. *In this case, unfortunately, it is China, and not Russia that has a greater chance to dramatically increase regional influence through assistance. Moscow faces a difficult choice between settling for the role of Beijing's 'junior partner' and challenging it in the quest for influence, seeking to be an independent actor in the confrontation between the West and China.*

Under the worst-case Scenario No. 4 '**Central Asia Explodes**', after 2014 the withdrawal of coalition forces from Afghanistan triggers a domino effect. As a result, failed states emerge, terrorist activities grow, and the number of drug states increases. *In this case, Russia will have to dramatically increase the amount of foreign aid while cooperating with other international players.*

The most probable of the above scenarios is Scenario No. 2, although some elements of Scenarios No. 3 and No. 4 may also materialise, thereby confronting Russia with a number of challenges.

2. THE ARCHITECTURE OF INTERNATIONAL DEVELOPMENT ASSISTANCE TO CENTRAL ASIAN DEVELOPMENT: GENERAL OVERVIEW AND PROFILES OF THE MAIN FOREIGN PARTNERS

2.1. The Structure of Foreign Aid to the Region

In the structure of financial flows allocated for international development assistance (IDA), Central Asia at first glance occupies a marginal place compared with other regions. According to the *Organisation for Economic Co-operation and Development (OECD)*, the five Central Asian countries in 2011 accounted for a mere 0.98 per cent of the world's official development assistance (ODA) not taking into account written-off debt of \$1.346 bn (by comparison, the share of neighbouring Afghanistan is 4.9 per cent with \$6.710 bn written off). The countries' shares in the regional ODA pool are as follows: Kyrgyzstan – 39 per cent; Tajikistan – 26 per cent; Uzbekistan – 16 per cent; Kazakhstan – 16 per cent; and Turkmenistan – 3 per cent.¹⁹ Not a single Asian country ranks in the top 40 of major ODA recipients around the world in terms of the absolute amount of aid received.

However, a closer analysis with a focus on the relative amounts of aid (on a per capita basis) paints an entirely different picture. According to the *OECD*, per capita assistance in Central Asian countries in 2011 was as follows: Kyrgyzstan – \$95; Tajikistan – \$50.8; Kazakhstan – \$13; Turkmenistan – \$7.5 and Uzbekistan – \$7.5.²⁰ On the one hand, per capita aid to the poorest countries – Kyrgyzstan and Tajikistan – looks modest, for example, in comparison with neighbouring Afghanistan (\$190) or the donors' favoured recipient in the post-Soviet space, Georgia (\$122.5).²¹ On the other hand, however, it is at least as large as the amount of aid that goes to major recipients in tropical Africa as well as South and South East Asia, such as Tanzania, Ethiopia, Kenya, Sudan, Somalia, Nepal, Vietnam and others.

In other words, given the small population in the region, the donors have at least shown a consistently high level of attention to the less developed Central Asian countries. It would also help to take into account another important indicator, i.e. the volume of foreign aid as a percentage of the country's GNI. On that count Kyrgyzstan and Tajikistan are the unchallenged leaders in the region (9.3 per cent and 5.5 per cent of GNI, respectively, in 2011).²² In the

¹⁹ OECD. 2013. Geographical Distribution of Financial Flows to Developing Countries Disbursements, Commitments, Country Indicators.

²⁰ Database on official development aid AidFlows. URL: <http://www.aidflows.org>

²¹ Ibid.

²² Ibid.

other three countries of the region the ratio is less by an order of magnitude: 0.5 per cent for Uzbekistan; 0.18 per cent for Turkmenistan; and 0.13 per cent for Kazakhstan.²³ One must pay attention to the dramatic differences in the capacity of the Central Asian countries to absorb aid. Kazakhstan stands out as it makes the most effective use of assistance, whereas the region's problem countries – Kyrgyzstan, Tajikistan and Turkmenistan – do not do so.

The donor presence in the region is comparatively low. Officially, Central Asian countries receive aid from practically all the 'traditional' donors: members of the *OECD Development Assistance Committee (OECD DAC)*, including the European Commission and international organisations (multilateral development banks, *UN* institutions, funds and programmes), and key 'new' ('non-traditional') donors. However, the majority of actors play a largely nominal role. There are only five significant partners among the traditional donors, whose voice matters with government agencies in Central Asian countries when they develop and implement national development projects. These are the United States, Japan, Germany, Switzerland and the United Kingdom (which, between them, account for 96.8 per cent of bilateral aid coming to the region from *OECD DAC* members) as well as the European Union institutions.²⁴ The share of other *OECD DAC* members in the overall volume of aid to the region delivered by the 'donors' club' is a symbolic 3.2 per cent.

There are several reasons for the low level of involvement by the majority of European countries, including such major donors as France, Italy, Spain, the Netherlands and Belgium, in delivering aid to Central Asian republics through *bilateral channels*. First, Central Asia is not a foreign policy priority area for these countries. Second, unlike former European colonies, the national agencies responsible for international development assistance in the region have little experience of involvement. Thirdly, there is limited access to Turkmenistan and Uzbekistan, which often hinder the activities of international donors in fear that their assistance may have a hidden ideological agenda.²⁵

Among the numerous donor organisations, the most notable role in Central Asia is played by the *Asian Development Bank*, the *World Bank (International Development Association [IDA])* in Tajikistan and Kyrgyzstan, and *International Bank for Reconstruction and Development [IBRD]* in the other countries), the *IMF*, the *Global Fund* and the *Islamic Development Bank* (see Fig. 2).

²³ Ibid.

²⁴ The European Union in this case acts as a collective donor that administers voluntary contributions of member states to development assistance to the European Development Fund as well as their mandatory contributions to the EU budget allocated for development purposes.

²⁵ De Cordier B. The EU's Humanitarian Aid and Civil Protection Policy in Central Asia: Past Crises and Emergencies to Come. EUCAM, Policy Brief No. 29. 2013. P. 5.

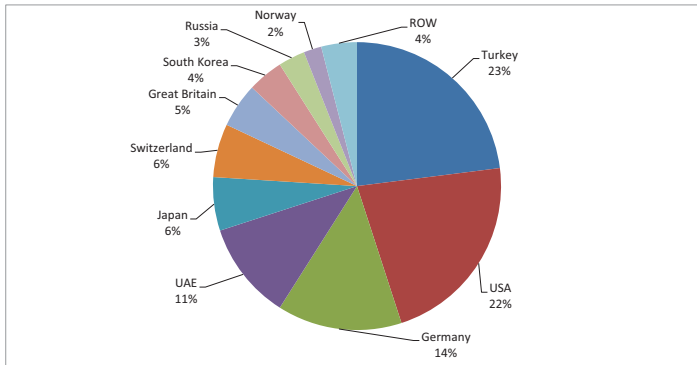


Fig. 2. Distribution of Bilateral Official Development Aid Provided to Central Asian Nations by the Donor Countries Reported to the OECD DAC in 2011 (per cent)

Source: AidFlows. URL: <http://www.heritage.org/index>, www.aidflows.org

Finally, the most active new donors in the region are China and Turkey, as well as the Russian Federation. Arab donors are also playing a growing role. For example, in 2011 the United Arab Emirates emerged as the largest donor to Kazakhstan (\$73.65 m), while Kuwait rose to fifth place in the list of Uzbekistan's key donors (\$5.7 m). Qatar is increasing its economic expansion which, according to some experts, "plays into the hands of American interests by providing the countries in the region with economic partners that offer an alternative to Russia and China."²⁶ Kazakhstan has been building up its donor potential recently, particularly in humanitarian aid.²⁷

The structure of foreign assistance varies considerably from country to country. Bilateral aid in the richest states – Kazakhstan and Turkmenistan – accounts for 82 per cent and 69 per cent, respectively, of the total aid they receive.²⁸ The indicators for Uzbekistan, Tajikistan and Kyrgyzstan are much lower, at 42 per cent, 44 per cent and 45 per cent, respectively.²⁹ These obvious differences are directly linked with the efficiency levels of the national governance institutions in the recipient countries, and it is these efficiency levels that play a key role in assessing the risks involved in providing aid. The allocation of a bigger portion of assistance through inter-

²⁶ Pritchins S. Qatar Reaches out to Central Asia in US Interests. URL: http://www.russiancouncil.ru/inner/?id_4=1267#top (in Russian).

²⁷ Under the Decree of the President of the Republic of Kazakhstan dated April 9, 2013 «On Approving the Concept of the Republic of Kazakhstan in the Sphere of Official Development Assistance», the amount of Kazakhstan's voluntary contribution to international development assistance organisations was over 418 m tenge. According to UN statistics, between 2006 and July 2011, Kazakhstan provided \$53.7 m in humanitarian aid to foreign countries with the bulk of the money going to Central Asia. With \$30 m, Kazakhstan ranks third in terms of humanitarian assistance rendered to the countries in the region. URL: <http://www.zakon.kz/4552658-ukazom-prezidenta-utverzhdjena.html> (in Russian).

²⁸ The average world indicators are: 70 per cent for bilateral and 30 per cent for multilateral aid (contributions to the main budget of international organisations).

²⁹ OECD. Aid at Glance: by donor, recipient and region. URL: <http://www.oecd.org/dac/stats/statisticaloutput-whatdowedowithourdata.htm>.

national organisations in countries with low institutional capacity is an important means of reducing the programmatic and reputational risks of engagement.³⁰ With the amount of assistance diminishing and increased emphasis on higher value for money, the task of risk minimisation takes on added significance.

Much foreign assistance is delivered through international non-governmental organisations such as the *Aga Khan Development Network* (which is particularly active in Tajikistan), the *Agency for Technical Cooperation and Development (ACTED)*, the *Soros Foundation*, the *Open Society Foundation* specialising in the development of civil society and democratisation, the *Eurasia Foundation*, and others, as well as local NGOs which number several thousand in Tajikistan and Kyrgyzstan.

The table 5 shows the distribution of aid between various sectors.

Table 5

Distribution of Official Development Assistance to Central Asian Countries by Sector (%)

Sector	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Education	7.7	6.9	5.5	10.4	18.1
Healthcare and population programmes	12.5	14.9	14.0	21.1	23.2
Other social sectors	25.6	24.7	22.6	40.2	16.3
Cross sectoral programmes	13.1	8.8	7.4	16.7	5.2
Support for national development programmes	–	14.7	14.7	–	–
Economic infrastructure and services	38.0	12.5	17.3	5.2	27.7
Production sectors	2.1	9.1	11.9	4.2	7.3
Humanitarian assistance	–	7.1	5.6	–	–
Other	1.0	1.4	1.0	1.0	2.2

Source: AidFlows. URL: <http://www.aidflows.org>

³⁰ The OECD DAC identifies three main types of risks that any donor faces: contextual risks (risks of state failure, return to conflict, humanitarian crisis, etc.) which are practically beyond the donor's control, but which can be minimised by effective assistance delivery; programmatic risks are risks of failure to achieve programme aims and objectives or causing harm through intervention; and institutional risks, i.e. risks for the organisation that provides assistance, including security, corruption and reputational risks. These risks are interdependent. For example, programme risks are minimised by setting modest interference goals, but the chances that they will actually diminish the threats to development faced by the recipient country are lower, and vice versa. See: *Managing Risks in Fragile and Transitional Contexts. The Price of Success?* Paris: OECD Publishing, 2011. URL: <http://www.oecd.org/dac/in-caf/48634348.pdf> (accessed November 24, 2012). P. 24–27.

In such countries as Kyrgyzstan and Tajikistan, traditional donors are open to cooperation not only with multilateral organisations, but with their own peers in the *OECD DAC* 'club'. The responsibility for the implementation of projects is frequently delegated to the national agencies of the countries that have the greatest experience of regional involvement (for example, to the *German Society for International Cooperation*, or *GIZ*).

Countries that are the largest recipients of assistance have had permanent donor clubs for many years now. These include international development institutions and bilateral official development agencies as well as private donors. The aim of these clubs is to make sure that donor money is not used twice – the so-called 'harmonisation' of assistance – and to jointly coordinate priorities and goals with partner countries in accordance with the principles of the *2005 Paris Declaration on Aid Effectiveness*.³¹

Kyrgyzstan has the *Development Partners Coordination Council of Kyrgyz Republic (DPCC)*, which began to take shape in 2006 during the preparation of the *First Joint Country Support Strategy (JCSS)* for the Kyrgyz Republic for 2007–2010. It involved seven donors: the *Asian Development Bank (ADB)*, the *Swiss Agency for Development and Cooperation*, the UK Department for International Development (DFID), UN agencies and the *World Bank Group (WBG)*. The *European Commission (EC)* and the German government joined the *JCSS* programme in late 2007 and the *IMF* in February 2009. As of today, the Kyrgyz *DPCC* consists of 17 organisations, including the *Eurasian Development Bank* as the administrator of the *Eurasian Economic Community Anti-Crisis Fund*. The coordinating activities of donors include the implementation of joint projects, their financial reporting and auditing, reviews of project portfolios and the harmonisation of financial management and procurement procedures. The *Eurasian Development Bank* is represented in the *DPCC* working groups of the Kyrgyz Republic on transport, energy, finances, investments and public finances.³²

Tajikistan also has a 'donors' club' called the *Donor Coordination Council (DCC)*, established in 2007 to promote cooperation and information exchanges between donors and to assess the priority sectors of development through dialogue with the government of Tajikistan. In 2007, 12 donors and the government of Tajikistan signed a *Joint Country Partnership Strategy* in Tajikistan. At present, the *Council* includes 26 representatives of

³¹ OECD. 2008. The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. URL: <http://www.oecd.org/development/effectiveness/43911948.pdf>

³² EurAsEC Anti-Crisis Fund. Donor Clubs. URL: http://www.acf.eabr.org./e/partnersacfe-donor_acf_e

multilateral and bilateral organisations. It is headed by a representative of the *World Bank Group*. A representative of the *Eurasian Development Bank* is also actively involved in the *Council* sessions, including discussions of the reform of public finances and the energy sector which are the priorities of the *Anti-Crisis Fund* in Tajikistan.³³

Although the 'traditional' donors are ready to harmonise efforts (unlike the 'new' donors, notably China and Turkey), each major player in the international development assistance field pursues its own strategy. The differences have to do with the distribution of aid between countries, sectors, channels and instruments, and they depend on the nature of the strategic and economic interests of a particular donor in the region.

2.2. The United States of America

For a long time, the United States was the largest donor to Central Asia. It maintains this privileged position to some degree today. According to *OECD* data for 2011, the United States was the second largest donor to Kyrgyzstan (after Turkey); the third-largest to Kazakhstan; the largest donor to Tajikistan; the second-largest to Turkmenistan; and the third-largest to Uzbekistan.³⁴ Total U.S. economic and security assistance to the region in 1992–2010 amounted to \$5.7 bn, i.e. 14 per cent of all assistance provided to the former Soviet republics. The bulk of this amount was disbursed after 2001 and the start of the military campaign in Afghanistan, which dramatically elevated the region's importance on the scale of Washington's foreign policy priorities. For example, in 2002, assistance to the region doubled to \$584 m, and the share of Central Asia in the total amount of assistance to former Soviet republics rose to 25 per cent. Since the mid-2000s, after the Bush administration switched its attention to Iraq, the volume of aid has gradually scaled down. Part of the reason was also Kazakhstan's economic success and the fact that the U.S. Congress imposed sanctions on Uzbekistan in the wake of incidents in Andizhan. In recent years, U.S. assistance to Central Asian countries has been roughly comparable to its assistance to the states of South Caucasus.³⁵

At present, a highly revealing trend can be seen in regards to the diminishing U.S. aid programmes around the world. While the

³³ Ibid.

³⁴ AidFlows. URL: <http://www.aidflows.org>

³⁵ Nichol J. Central Asia: Regional Developments and Implications for U.S. Interests. Congressional Research Service. January 9, 2013. P. 48–49.

United States has been cutting its economic and social assistance to the region, security assistance has remained roughly at the same level. Thus, the budget for the 2013 fiscal year proposes cutting the overall amount of assistance to Central Asian countries by 13 per cent (from \$133.6 m to \$118.3 m) whereas the programmes under the 'Peace and Security' category, i.e. assistance to armed forces, law enforcement bodies, border control services, etc., have largely remained at the same level (\$30.3 m). The biggest recipient of aid in the region is now Kyrgyzstan (\$47 m), with its security assistance package growing from \$6.3 m to \$9.2 m. Total assistance to Tajikistan was to be cut from \$45 m to \$37.4 m, with security assistance to only be reduced from \$11.7 m to \$9.8 m; assistance to Kazakhstan was to be cut from \$18.8 m to \$14.9 m (security assistance from \$6.2 m to \$5.8 m); total aid to Uzbekistan was to remain within the same range, i.e. \$12.6 m (including \$3.4 m in security aid); and aid to Turkmenistan was to be slashed from \$9.9 m to \$6.7 m (with funding for security programmes being reduced from \$2.9 m to \$2.1 m).³⁶

The draft budget of aid programmes run by the Department of State and the *U.S. Agency for International Development* for the 2014 fiscal year that was submitted to Congress on April 10, 2013 also reduces aid to Central Asian countries by 4 per cent (for comparison, aid programmes to the South Caucasus were slashed by 12 per cent). The budget cuts have affected all the countries with the exception of Kyrgyzstan: Kazakhstan has had aid reduced by 28 per cent, from \$14.9 m to \$10.8 m; Tajikistan has had aid reduced by 7 per cent, from \$37.4 m to \$34.9 m; Turkmenistan has had aid reduced by 9 per cent, from \$6.7 m to \$6.1 m; and Uzbekistan has had aid reduced by 12 per cent from \$12.6 m to \$11 m. Kyrgyzstan, however, has had aid increased by 8 per cent, from \$46.7 m to \$50.6 m.³⁷

The new electronic database *foreignassistance.gov* (Table 6) shows the distribution of U.S. aid (development and security assistance) according to the categories used by the U.S. Department of State and the *U.S. Agency for International Development*.

³⁶ FY 2013 Congressional Budget Justification for Foreign Operations. URL: <http://www.state.gov/t/relations/iab/fy2013cbj/index.htm>

³⁷ Kucera J. Central Asia, Caucasus to See Further Declines in U.S. Aid. April 10, 2013. URL: <http://www.eurasianet.org/node/66810>

Distribution of the US Foreign Aid to Central Asian Countries through U.S. Department of State and USAID by Category under Fiscal Year 2013 Budget (Million Dollars)

Category	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Peace and security	5,8	9,2	9,8	2,1	3,4
Democracy, human rights and governance	2,7	10,9	4,7	1,9	2,2
Health	2,5	4,0	7,5	-	4,0
Education and social services	-	3,5	4,0	0,9	-
Economic development	3,9	18,2	10,2	1,9	3,0
Humanitarian aid	-	1,0	1,2	-	-
TOTAL	14,9	46,7	37,4	6,7	12,6

Source: Electronic data base Foreignassistance.gov. URL: <http://www.foreignassistance.gov>

Despite obvious differences in the distribution of money between various categories, the U.S. country programmes in Central Asia have many common features. In the 'Peace and Security' category the obvious priority is support for the security sector, while in the 'Democracy, Human Rights and Governance' category it is assistance for the development of civil society (governance reforms are a major priority in Kyrgyzstan) and in healthcare it is combating tuberculosis. Significant differences in assistance can only be seen under the categories of 'Education and Social Services' (in Tajikistan and Kyrgyzstan the emphasis is on primary education, and in Turkmenistan it is on higher education) and 'Economic Development' (the priority is agriculture in Tajikistan and Kyrgyzstan, infrastructure in Kazakhstan and the promotion of private sector competitiveness in Uzbekistan and Turkmenistan).

2.3. The European Union as an Institutional Partner

The European Union's role in the development of Central Asia began with the *Technical Assistance to the Commonwealth of Independent States (TACIS)* programme, which aimed to support the economic and social development of former Soviet republics during the transition period. *The EU and Central Asia: Strategy for a New Partnership*, initiated by the German government, was adopted in

2007.³⁸ It identifies eight priority areas for cooperation (human rights; the rule of law; education; the promotion of economic development, trade and investment; strengthening energy and transport links; environment sustainability and water; combating common threats and challenges; and building inter-cultural dialogue). The *Strategy* formed the basis for the decision to transition to long-term cooperation as part of the *European Development Co-operation Instrument*, or *DCI*.

Also in 2007, the *Regional Strategy Paper for Assistance to Central Asia for the Period 2007–2013* was developed and is still being implemented by the European Union.³⁹ The assistance strategy aims to promote sustainable development, stability and security as well as closer regional cooperation, and establishes priorities for cooperation both at the regional and national levels.

The overall budget of the *Regional Strategy Paper for Assistance to Central Asia for the Period 2007–2013* is €673.8 m (Table 7). To facilitate planning, the seven-year period was divided into two parts. The first *Central Asia Multi-annual Indicative Programme (2007–2010)* had a budget of €352.8 m: €215.8 m for bilateral projects and €137 m for regional programmes. A total of €321 m was allocated for the *Central Asia Indicative DCI Programme (2011–2013)*, providing an annual 20 per cent increase in aid: €216 m for bilateral cooperation and €105 m for regional programmes.⁴⁰

Table 7

EU Regional and Bilateral Funding, 2007–2013

Type of financing	Volume of financing (million euros)
Regional funding	242
Bilateral funding	431.8
Kazakhstan	74
Kyrgyzstan	106.2
Tajikistan	128
Turkmenistan	53
Uzbekistan	70.6
TOTAL	673.8

Source: European Commission. European Union: Central Asia Development Cooperation. Brussels, 2012. URL: http://www.ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/263a_en.pdf

³⁸ Council of the European Union. General Secretariat. European Union and Central Asia. Strategy for a New Partnership. October 2007. URL: <http://www.auswaertiges-amt.de/cae/servlet/content-blob/473818/publicationFile/5063/EU-CentralAsia-Strategy.pdf>.

³⁹ European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007–2013. URL: http://www.eeas.europa.eu/central_asia/rsp/07_13_en.pdf

⁴⁰ All the numerical data on EU aid in this paragraph are indicative. The amounts actually disbursed are somewhat different from the targets. For more details see: Tsertvadze T., Boonstra J. Mapping EU Development Aid to Central Asia. EUCAM Factsheet 1. July 2013. URL: http://www.eucentrasia.eu/uploads/tx_ictcontent/EUCAM-FS-1-EN.pdf

The European Union identifies seven priority areas for cooperation. The primary areas are education, healthcare and social security, governance, environment, energy and climate (Table 8).

Table 8

EU Funding by Main Cooperation Sectors

Sector	Amount of funding (million euros)
Education, higher education	159.8
Healthcare and social protection	139.5
Agriculture, rural development	55.2
Environment, energy, climate	106.2
Governance	125.8
Economy, trade, private sector	48.9
Cross-border security	23
Other	15.4
TOTAL	673.8

Source: European Commission. European Union: Central Asia Development Cooperation. Brussels, 2012. URL: http://www.ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/263a_en.pdf

The main areas of assistance at the regional level for 2011–2013 are:

- 1) sustainable regional development (energy, the environment, and business cooperation networks): €46 m;
- 2) education, science and other people-to-people activities: €42 m;
- 3) rule of law, border and customs management, the fight against international crime: €10 m.

The European Union is implementing the following programmes under the **Sustainable Regional Development** heading:

- The *Sustainable Energies and Renewable Energy Sources programme* aims to create political, legal and departmental mechanisms for the efficient use of energy and the development of renewable energy sources at the national and regional levels.
- The *Interstate Oil and Gas Transportation to Europe (INOGATE)* programme promotes energy cooperation between the European Union, Black Sea and Caspian nations and neighbouring countries. The programme's four priorities are: to further convergence of electricity markets, strengthen energy security, promote the sustained development of the power industry, and attract investments.
- The European Union is the main supporter of the *Regional Environmental Centre for Central Asia (CAREC)* in Kazakhstan and is involved in the preservation of the Aral Sea and of biological

diversity in the Pamir-Alai border zone between Kyrgyzstan and Tajikistan.

- The *Transport Corridor Europe–Caucasus–Asia (TRACECA)* strengthens economic relations, trade and transport through projects in transport security, the harmonisation of laws, trade facilitation and training programmes for the employees of the relevant agencies.
- The *Central Asia Invest Programme* supports the development of small and medium-sized enterprises in Central Asian countries.
- The *Investment Facility for Central Asia (IFCA)* was launched in 2010 with an initial budget of €20 m. It provides additional investments in infrastructure with an emphasis on energy, environmental protection, support for small and medium-sized businesses and the development of social infrastructure.

The main initiatives under ***Education, Science and other Exchanges*** are:

- The *Tempus Programme* supports the modernisation of higher education systems in Central Asia and their voluntary harmonisation with EU principles in this field, for example through the *Bologna Process*. The programme finances cooperation projects between the European Union and Central Asian educational institutions, including the preparation of curricula as well as reforms and the development of state-run higher education systems. As of 2011, the programme had financed 200 projects in Central Asia involving about 120 higher education institutions, with total budget about €60 m.
- *Erasmus Mundus Partnership Programme – Action 2* (previously known as *Erasmus Mundus External Cooperation Window*) is an adjunct to *Tempus* and finances cooperation projects between higher education institutions, provides grants as well as student and academic staff exchange.
- Since 2010, the *Central Asian Research and Education Network (CAREN)* has provided half a million researchers in the region with access to vast databases and communication networks, including through the support of electronic teaching.
- The European Union also supports the *EU–Central Asia Education Platform* aimed at modernising the education system in the region.

Finally, there are two major programmes under the category ***Rule of Law, Border Migration Management, the Fight against International Crime, and Customs***:

- The *Central Asia Drug Action Programme (CADAP)* launched in 2001 aims to reduce demand for drugs through the use of European and international methodologies for treating drug addiction and through improving the legal framework and law enforcement, and increasing awareness among risk groups. At present (in 2013) the European Union is launching Phase 6 of *CADAP* worth €5 m.
- The *Border Management Programme in Central Asia (BOMCA)* launched in 2002 seeks to introduce advanced European practices and transfer experience in the integrated organisation of border control as well as strengthen the potential and infrastructure for countering contraband. In 2003–2010, under the *BOMCA* programme, 12 border control points, 11 border posts, five border guard training centres, three residence halls at these centres, three canine breeding kennels and one veterinary point for these kennels were refurbished and provided with new equipment. More than 2,000 border and customs service employees as well as specialists from the quarantine service have undergone training and taken study trips to the European Union to learn the latest border control technologies. Kyrgyzstan launched a programme for major reforms in border security and received consultations under the *BOMCA* programme. The programme entered Phase 8 (which will last until 2014) in 2011. The total *BOMCA* programme budget between 2003 and 2014 is €36.3 m. The *UN Development Programme (UNDP)*, which is implementing the *BOMCA* programme, contributes €2.74 m to the programme.

As regards ***bilateral cooperation***, the European Union's efforts to combat poverty in the region focus on the two poorest countries, Kyrgyzstan and Tajikistan. Assistance is provided through the mechanism of 'sector budget support' especially for social protection. The European Union is also assisting the healthcare and agriculture sectors in Tajikistan and the education and justice sectors in Kyrgyzstan. In both countries, the European Union's cooperation activities for development aim to improve the public management of financial resources. In Kazakhstan, EU assistance seeks to support community development, reforms in state governance and the justice system, while in Turkmenistan and Uzbekistan it seeks to promote economic and institutional reforms in addition to effective governance and education systems.

Thematic programmes. The European Union supplements bilateral and regional support for Central Asian countries with projects under thematic programmes in the following areas: non-governmen-

tal structures and local government bodies; food security; the environment and rational management of natural resources; migration and granting of asylum; investment in human resources; as well as through the *European Instrument for Democracy and Human Rights*, the *Instrument for Stability* and the *Instrument for Nuclear Safety Cooperation*. Finally, the countries in the region receive aid from European Union-financed global initiatives such as the *EU Food Facility*, the *Fast Track Initiative on Education*, and the *Global Fund to Fight AIDS, Tuberculosis and Malaria*.⁴¹

2.4. Western European Countries

The European aid programmes make up only part of the IDA financial flows coming to Central Asia from Western Europe. Even larger amounts of aid come to the region through bilateral channels from European countries. All EU members of the *OECD DAC* are present in Central Asia to varying degrees. However, as mentioned earlier, three countries – Germany, Switzerland and the United Kingdom – play a particularly significant role.

The Federal Republic of Germany is one of the most important partners of Central Asian nations among European countries. Germany was one of the first countries to establish diplomatic relations with the Central Asian republics after they had achieved independence and was the first – and until 2011, the only country that had opened embassies in all five countries. Germany is the third largest trading partner of Central Asian countries after China and Russia. It was Germany that initiated the adoption of *The EU and Central Asia: Strategy for a New Partnership* in 2007, which elevated interaction between the two regions to a new level. Germany is one of the few countries that have a direct military presence in Central Asia with an airbase in Termez, Uzbekistan that is used to support the German contingent deployed in northern Afghanistan. The fact that more than 200,000 ethnic Germans live in the region adds to the uniqueness of Germany's position there.

Germany is a key donor to the countries of the region. This is evident by the fact that the staff of its embassies and the offices of the *German Society for International Cooperation (GIZ)* is larger than the total number of European Union representatives in Central Asia.⁴² According to the *OECD*, German bilateral aid to countries

⁴¹ European Commission: European Union: Central Asia Development Cooperation. Brussels, 2012.

⁴² Boonstra J., Shapovalova N. Thinking Security, Doing development? The Security-Development Nexus in European Policies towards Tajikistan. Working Paper № 12. December 2012. URL: http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Working_Papers/EUCAM-WP12-Tajikistan-EN.pdf

in the region in 2011 totalled \$90 m, of which Tajikistan accounted for \$37.5 m, Kyrgyzstan for \$31 m, Uzbekistan for \$15.5 m, Kazakhstan for \$5.6 m, and Turkmenistan for \$1.5 m. Germany is the primary donor in Tajikistan, number two in Uzbekistan, number three in Turkmenistan and Kyrgyzstan, and number four in Kazakhstan, and is the largest donor among all European Union nations in each country.⁴³ The bulk of the programmes and projects are implemented through *GIZ* and the *German Development Bank KfW*. Other organisations that provide assistance include the *Centre for International Migration and Development (CIM)*, the *Physikalisch-Technische Bundesanstalt (PTB)*, the *Hanns Seidel Foundation*, the *Friedrich Ebert Foundation*, *Senior Experten Service (SES)*, the *Institute for International Cooperation of the German Adult Education Association (IIZ/DVV)*, the *German Cooperative and Raffleisen Confederation (DGRV)* and the *Deutsche Welle Akademie*. Germany's largest country programme is in Tajikistan, where the priority area of cooperation is to support sustainable economic development. Germany renders assistance to small and medium-sized businesses, particularly in the agricultural sector. It also provides access to credit and is involved in the reform of vocational education and the promotion of tourism. Healthcare is another priority area, with *KfW* financing infrastructure projects such as the restoration of hospitals, while *GIZ* provides assistance in the training of medical personnel. *GIZ* is also engaged in projects to develop renewable energy sources, energy conservation and energy efficiency, notably in the Gorno-Badakhstan region. In 2011, the Federal Foreign Office of Germany and the *KfW* set up a special fund to provide support for regional integration between Pakistan, Afghanistan and Tajikistan (the *Pakistan Afghanistan Tajikistan Regional Integration Programme*, or *PATRIP*). The fund invests in small and medium-sized socioeconomic infrastructure facilities (for example, bridges, roads, markets and medical centres) in order to promote transboundary exchanges. This programme regards development assistance as a contribution to regional security through improving the economic and social well-being of the poorest and promoting regional integration.⁴⁴

In Kyrgyzstan the main areas for bilateral cooperation in 2013–2014 are support for sustainable economic development and the healthcare sector. In addition, Germany is implementing certain projects in energy and new projects to provide support to young people.⁴⁵

⁴³ According to the AidFlows database.

⁴⁴ The German Federal Foreign Office. Germany and Central Asia. 2010. URL: <http://www.auswaertiges-amt.de/cae/servlet/contentblob/382808/publicationFile/4275/ZentralasienstrategieENG.pdf>

⁴⁵ Resource on the activities of international donor organisations in the Kyrgyz Republic. URL: <http://www.donors.kg/ru/donors/germanembassy> (in Russian).

In addition to bilateral cooperation programmes, Germany is implementing regional programmes in such spheres as strengthening the judiciary, promoting trade and economic cooperation, the sustainable use of natural resources and water, disaster prevention and education. We should also mention the *Central Asia Water Initiative* being implemented as part of the Berlin Process initiated by the Federal Foreign Office of Germany on April 1, 2008 at the Berlin water conference *Water Unites – New Perspectives for Cooperation and Security* and conceived as part of *The EU and Central Asia: Strategy for a New Partnership*. The main aim of the initiative is to support the management of water resources in order to launch the process of political rapprochement in Central Asia and ensure joint water and energy management in the long term. The *Central Asia Water Initiative* has four key points:

- 1) promoting transboundary water management;
- 2) expanding scientific knowledge for transboundary water management;
- 3) networking water experts in Germany, the European Union and Central Asia;
- 4) establishing a course in water management at the German-Kazakh University in Almaty.

The key component of the Berlin Process is the *Transboundary Water Management in Central Asia Programme*, which the *German Society for International Cooperation* is implementing on behalf of the Federal Foreign Office of Germany in partnership with national and international players such as the *UN Economic Commission for Europe (UN ECE)*. The programme has three components:

- 1) assisting regional institutions – the *Interstate Commission for Water Coordination* and the *International Fund for Saving the Aral Sea*;
- 2) strengthening the management of transboundary river basins (the Isfara and Hoja-Bakirgan rivers separating Tajikistan and Kyrgyzstan) in partnership with the European Commission – preparing proposals on strengthening the security zone of dams and assessment of the environmental impact of dams as well as support for the creation of monitoring and data exchange systems;
- 3) implementing national pilot projects, i.e. the building of modern irrigation systems and small hydroelectric power stations.⁴⁶

Germany is also implementing large-scale programmes for humanitarian aid and support to compatriots.

The flagship of German activities in educational matters in Central Asia is the German–Kazakh University in Almaty founded in 1999.

⁴⁶ The Berlin Water Process. URL: <http://www.rus.ec-ifas.org/about/184-berlinskij-vodnyj-process.html> (in Russian).

The region has branches of the *Goethe Institute* (in Almaty since 1994 and in Tashkent since 1998). The *Schools: Partners for the Future (PASCH)* initiative launched in 2008 comprised of 45 schools in 2010, of which 31 schools issued diplomas from the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany and the remaining 14 had the support of the *Goethe Institute*. In recent years, the *German Academic Exchange Service (DAAD)* has granted an average of 1,000 scholarships per year. In 2009, *Deutsche Welle Akademie* opened an office in Bishkek which cooperates with the media in Kyrgyzstan, Uzbekistan, Tajikistan and Kazakhstan.⁴⁷

As part of its assistance programme to German minorities, the German Government has been supporting improvements in the living conditions of ethnic Germans in Central Asia since the 1990s, allocating about €10 m for this purpose in 2007–2010 alone.

In matters of security, Germany contributes to the activities of the *OSCE Border Management Staff College* in Dushanbe. It also provides training for customs personnel in detecting drug precursors and offers training opportunities in Germany for the armed forces of the Central Asian republics. The Federal Criminal Police Office conducts courses on combating organised crime and international terrorism and also renders material and technical assistance.

Switzerland has been running programmes in Central Asia for more than 15 years already. Cooperation with Kyrgyzstan began in 1993, and with Uzbekistan in 1994. The Swiss Agency for Development and Cooperation opened its offices in Bishkek in 1996 and in Dushanbe in 1998. Today, the Central Asian nations view Switzerland as one of their most reliable partners.

Switzerland provides aid to three countries – Tajikistan, Kyrgyzstan and Uzbekistan – under the *Swiss Cooperation Strategy in Central Asia 2012–2015*.⁴⁸ The total amount of funding is about 195 m Swiss francs: 67.5 m francs for Kyrgyzstan; 62.5 m francs for Tajikistan; and 25.5 m francs for Uzbekistan, along with 40 m francs for the *Regional Water Resource Management Programme*, which aims to assess the needs for water resources in the three Fergana Valley countries and prevent conflicts over water. All the country programmes focus on 'supporting transition processes' – in Tajikistan "by contributing to its economic development and helping to build institutions and systems which respond to the population's needs"; in Kyrgyzstan "by assisting

⁴⁷ The German Federal Foreign Office, Germany and Central Asia, 2010. URL: <http://www.auswaertiges-amt.de/cae/servlet/contentblob/382808/publicationFile/4275/ZentralasienstrategieENG.pdf>

⁴⁸ Swiss Cooperation Strategy in Central Asia 2012–2015. Bern. URL: http://www.sdc.admin.ch/en/Home/Countries/Commonwealth_of_Independent_States_CIS/Central_Asia_Kyrgyzstan_Tajikistan_Uzbekistan

public and private institutions at all levels to deliver better services in an equitable, transparent and effective way”; and in Uzbekistan “by supporting improvements in the regulatory framework and sound management in the water sector, in order to enhance social and economic development.”⁴⁹

The activities in Tajikistan are mainly focused on providing drinking water and improve sanitary conditions (44 per cent of the country programme); reforming the healthcare system (19 per cent); ensuring respect for the rule of law; and the private sector development (13 per cent). In Kyrgyzstan, assistance is provided to foster public sector reforms and improve infrastructure (44 per cent) as well as to promote private sector (26 per cent) and healthcare (20 per cent). In Uzbekistan, all the money is spent on improving the water supply and sanitation.⁵⁰

The Swiss projects are mainly implemented by international organisations and NGOs. Small projects are financed through a special fund. An emphasis on human rights in partner countries is another important feature of the Swiss programmes.

The United Kingdom became a donor in Central Asia later than other European countries (it came to Kyrgyzstan in 1998 and Tajikistan in 2003). These two countries remain priority targets of the UK policy, which is consistent with the general orientation of the national IDA strategy to fight poverty. The United Kingdom is the fifth largest donor to Kyrgyzstan and Tajikistan. As for other Central Asian republics, the United Kingdom does not provide bilateral aid, but does maintain links with multilateral development institutions that implement regional programmes.

Most UK assistance to Central Asian countries is rendered through the Department for International Development (DFID), which has a regional office in Dushanbe, while the embassy in Bishkek, which opened in 2011, has a development assistance unit that coordinates its activities with the regional office. One significant recent development was the appointment of a regional conflict adviser to the British Embassy in Bishkek who will coordinate work to prevent conflicts in the region and remain in constant contact with the Foreign Offices and Ministries of Defence.

Under the *Central Asia Operational Plan 2011–2015*, the DFID will allocate £14 m to Kyrgyzstan and Tajikistan annually. The three pillars of the regional involvement strategy are: 1) Private sector and growth, 2) Promoting democracy and good governance, and 3) Regional trade and cooperation (including migration). The first

⁴⁹ Ibid.

⁵⁰ Ibid.

two sectors account for 91 per cent (55 per cent and 36 per cent, respectively).⁵¹

The DFID primarily works in the region in partnership with or through other aid agencies and multilateral organisations. In addition to the DFID, small projects are also financed by the British embassies.

Projects in Kyrgyzstan are implemented in form of technical assistance and support for the healthcare budget as well as projects to promote regional development. In Tajikistan the DFID concentrates on improving governance, above all in the financial sphere, supporting economic growth (by providing access to credit) and combating climate change. Agriculture is supported through the *Rural Growth Programme* in the northern Sughd Province. This programme is implemented jointly with the *UNDP* and Germany's *GIZ*.

Under the *Operational Plan 2011–2015*, UK activities in Central Asia will focus on creating 13,750 new jobs in Tajikistan by 2013. In Kyrgyzstan, they will aim at strengthening government accountability in the management of state finances, improving the business climate (expected to save \$95 m for the federal budget by cutting administrative costs), enhancing accountability and trust in parliament, supporting the regional trade of goods and energy, and support for migration. Regional programmes aim to help the governments of Tajikistan and Kyrgyzstan to fight corruption and support migration. In 2011–2015 legal, social and medical assistance will be provided to 208,000 citizens of Tajikistan and Kyrgyzstan from socially vulnerable families who leave their country to find work in Russia.

Special mention should be made of the *Kyrgyzstan Parliamentary Strengthening Initiative* that has been implemented by the DFID and *USAID* in Kyrgyzstan since October 2010 and is aimed at improving the legislative process, strengthening parliamentary committees, and promoting the exchange of information between parliament and the public.

2.5. The People's Republic of China

The People's Republic of China is undoubtedly the most important actor in the region. In the 20 years up until 2012, its trade with Central Asian nations grew by more than 100 times to over \$35 bn. As far as promoting development in Central Asia, China surpassed

⁵¹ Operational Plan 2011–2015. DFID Central Asia. URL: http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67349/central-asia-2011.pdf

all its rivals long ago – including individual donor countries and numerous multilateral development banks, such as the *Asian Development Bank*, the *World Bank*, the *European Bank for Reconstruction and Development (EBRD)* and others – in terms of the volume of investment and the number of projects under implementation.

China's policy of 'economic cooperation' (China prefer not to use the term 'assistance' for ideological reasons) pursues several goals:

- 1) the development of the Xinjiang Uyghur Autonomous Region through the integration of its economy with the three neighbouring republics of Kazakhstan, Kyrgyzstan and Tajikistan;⁵²
- 2) ensuring the supply of energy and strategic raw materials, particularly minerals and rare earth metals;
- 3) boosting Chinese exports to Europe and gaining access to the Indian Ocean via southern routes.

The Chinese development cooperation policy is based on a completely different set of principles than the policies of traditional donors that are members of the *OECD DAC*. Adhering strictly to the ideological principles of aid enunciated by Chinese Premier Zhou Enlai back in 1964, China engages in mutually beneficial cooperation. It offers cheap loans through the *Export-Import Bank of China* and state banks to finance strategic projects in energy, transport and extractive industries, as well as information and communication technology. Such projects include: the construction of a cement factory in Tajikistan (\$600 m); a road to the Chinese border (\$50 m); the Dushanbe-2 thermal power station (\$20 m); the renovation of a 150-km stretch of the Osh–Batken–Isfana motorway and a 25-km road from Bishkek to Balykchi (\$130 m); the construction of the Datka substation in southern Kyrgyzstan (\$208 m); an oil refinery in the city of Kara-Balta that will process oil from Kazakhstan and Russia with capacity of 800,000 tonnes per year (\$250 m); the construction of the Kemin substation in northern Kyrgyzstan and the Datka-Kemin high-voltage line that will complete the country's power grid (\$390 m in the form of a cheap loan); and the mega project to build the China–Kyrgyzstan–Uzbekistan railway (estimated at \$6 bn). The construction of the railway will reportedly create 10,000 jobs and the operation of the railway is expected to produce \$200–300 m in profits.

China's economic expansion, which is gaining increasing attention in Central Asia, is quite logical for at least two reasons. Firstly, China offers loans on exceedingly favourable terms: for example, the aforementioned loan for the restoration of the motorway was

⁵² Luzyanin S. China in Central Asia: 'Mutual Benefit' or Expansion? March 25, 2013. URL: <http://www.mgimo.ru/news/experts/document236557.phtml> (in Russian).

issued for 20 years at an annual interest rate of 2 per cent with a nine-year grace period. Secondly, China's assistance comes with no political strings attached, which complies with the principle of 'non-interference in the internal affairs' of other countries, which is certainly a very attractive proposition for the ruling regimes in the region.

However, there is also a flip side to China's development aid. Nearly all the project aid is 'tied', whereby all the infrastructure and industrial facilities are built exclusively by Chinese workers. This has often caused public discontent in the countries of the region. Under some projects, China gets full control of various mineral fields in exchange for investments. The scale of economic dependence caused by the Chinese credit expansion, which is particularly noticeable in Tajikistan, is also a cause for concern. As of April 1, 2012, the country's external debt amounted to \$2.138 bn, of which China accounted for \$878 m, almost 2.5 times more than the *World Bank*, the *Asian Development Bank* and the *Islamic Development Bank* combined.⁵³ An even more alarming picture emerges from the *Foreign Aid Report 2011* compiled by the *State Committee on Investments and State Property Management of the Republic of Tajikistan (SCISPM)*. It reports that in 2002–2011, China accounted for 52.9 per cent of all foreign lending to the country, i.e. more than all other donors combined.⁵⁴ Although the report uses a substantially different methodology than that of the *OECD DAC*, the very fact that Chinese investments are recorded as 'aid' shows that the Tajik authorities are explicitly striving to stress China's role in assisting the republic's economic development.

In addition to investing in infrastructure and industrial projects, China is actively projecting its 'soft power' on the region, having chosen Kyrgyzstan as the main target of its cultural expansion. There are two *Confucius Institutes* (at Kyrgyz National University and Bishkek Humanities University) and numerous Chinese language centres. In recent years, China has granted 600 scholarships and organised training courses for 800 Chinese language teachers through the *Confucius Institute* at Kyrgyz National University. In 2012, Kyrgyzstan ratified an agreement with China on the construction in Bishkek of the first school with intensive Chinese language teaching to be financed by China. Preliminary talks are under way about opening a Chinese university.⁵⁵

⁵³ Tajikistan's Foreign Debt Hits \$2.138 billion Mark. April 17, 2012. URL: <http://www.avesta.tj/government/11952-vneshniy-dolg-tadjikistana-sostavil-2-mird-138-miln.html> (in Russian).

⁵⁴ State Committee of the Republic of Tajikistan for Investments and State Property Management. *Foreign Assistance Report 2011*. Dushanbe, 2012. URL: http://www.amcu.gki.tj/index.php?option=com_content&task=view&id=153&Itemid=215 (in Russian).

⁵⁵ Chinese Expansion in Kyrgyzstan: A Threat to Russian Interests? (Deutsche Welle, Germany). URL: <http://www.inosmi.ru/sngbaltia/20121204/202966810.html#ixzz2Qjyy7vsV> (in Russian).

Chinese penetration into Central Asian countries has a long history. During the seventh and eighth centuries, some areas of Central Asia were parts of the Tang Empire, and remained part of China for centuries. Many of China's foreign policy priorities are traditional and China's interest in this region can be expected to grow since it has the natural resources (oil, uranium, etc.) that China needs.

The following common and specific features can be identified in the activities of key donors in Central Asia.

Compared with other regions, Central Asia has yet to become a priority destination for official development assistance and investments. The scale of involvement of the donors, with the exception of China, is unlikely to increase by any appreciable degree in the short-term.

Almost all the players are implementing both country and regional programmes in Central Asia that cover either all five countries or a smaller group of two to three republics chosen as aid recipients. The regional component is most prominent in the strategy of the European Union. The activities of most traditional donors are based on indicative multi-year programmes.

All the major donors active in Central Asia seek to use aid to develop a system of goods and energy supplies that bypasses the Russian Federation in one way or another: either west through South Caucasus countries, or south through South Asia.

The 'traditional' donors invest primarily in programmes and projects in the social sectors (education, health, governance) and agriculture. China, by contrast, seeks to develop infrastructure, the extractive industries and to support other real economy sectors. While the 'traditional' donors actively involve non-governmental organisations in the implementation of IDA, China employs mainly state-owned companies and banks.

In its strategy of assistance to the Central Asian republics, the United States pays much more attention to security than the European Union as a collective donor, or individual European countries. This is largely due to the fact that the United States has primarily viewed the region through the prism of the Afghan problem since 2001. European nations still tend to perceive Central Asia as part of the post-Soviet space: the EU Special Representative for Central Asia, Patricia Flor, routinely refers to the Central Asian republics as 'The neighbours of our neighbours'.

However, the emergence of such projects as Germany's *PATRIP* and the revision of *The EU and Central Asia: Strategy for a New Partnership*, which placed a significantly greater emphasis on security, suggest that the differences in the approaches of Western countries may soon become less pronounced. It will be possible to draw more precise conclusions from an analysis of the changes in the distribution of resources between countries, sectors and programmes under the new multi-year programme of development assistance to Central Asian countries for 2014–2020 (currently under preparation).

The assistance strategies being implemented in Central Asia by the United States and European nations (both through EU programmes and initiatives and through the bilateral programmes of donor states) have a regulatory component that is associated with the promotion of democracy, good governance and human rights. However, these issues take a back seat in practice, giving way to pragmatic considerations, namely the wish to secure the supply of Caspian energy resources or address 'hard security' priorities (e.g., cooperation on the *Northern Distribution Network* project). As preserving stability in the region gains more importance after the withdrawal of coalition forces from Afghanistan, these normative aspects will continue to be downplayed.

3. RUSSIA AS A DONOR IN CENTRAL ASIA: CURRENT STATE OF AFFAIRS

3.1. Main Areas and Scale of Donor Activities

The Russian Federation, which re-joined the ranks of donors after a long period of being a recipient of foreign aid, is among the players whose role in the architecture of development assistance to Central Asia is becoming increasingly prominent with each passing year. The expansion of donor activities in the region is consistent with the 2007 *Concept of Russia's Participation in International Development Assistance*, the first and so far the only doctrinal document devoted entirely to the use of development aid resources to ensure the country's national interests.

The *Concept* declares that the key priority of the national IDA policy is "to observe Russia's national interests in the process of multidimensional cooperation with the CIS countries, with the focus on the members of the *Agreement on the Integrated Economic Space (IES)* and the *Eurasian Economic Community (EurAsEC)*; and strengthen integration processes within the CIS."⁵⁶ The document does not expressly refer either to the Central Asian region or to its individual countries. However, some of the language describing the goals ("To create a belt of good neighbourliness along the Russian national borders; to prevent the occurrence and facilitate the elimination of the focal points of tension and conflict, as well as sources of drug trafficking, international terrorism and crime, primarily in the regions neighbouring the Russian Federation")⁵⁷ make it clear that the Central Asian countries are to play the role of key partners among the CIS countries.

Russia assists Central Asian countries in a wide range of areas using various means, both traditional and non-traditional. Only some of the instruments used meet the criteria of official development assistance set by the *Development Assistance Committee* of the *Organisation for Economic Cooperation and Development (OECD DAC)*. They include: concessional loans with a grant element of more than 25 per cent and grants; debt relief; humanitarian aid; scholarships for students studying at Russian higher education institutions; targeted contributions to international organisations, programmes and global funds.

⁵⁶ Concept of Russia's Participation in International Development Assistance. June 25, 2007. URL: http://www.minfin.ru/common/img/uploaded/library/2007/06/concept_eng.pdf

⁵⁷ Ibid.

Such forms of development assistance that are specific to interstate cooperation in the post-Soviet space as preferential prices for fuel and lubricants, tariff preferences, support for migrants from Central Asian countries, including by facilitating money remittances and registration procedures, etc., are not counted as ODA. However, this does not make their actual role in aiding the economic development of these countries any less important.

The diversity of instruments and lack of a consolidated database containing all types of aid provided by the Russian Federation make it difficult to assess the amount of Russian IDA to Central Asia, or in other regions of the world for that matter. Experts have to make do with data from official G8 Accountability Reports and ODA data for 2010–2011 that can be gleaned from *OECD* statistical databases.⁵⁸ However, the information provided by these sources is far from complete. Data must be collected piece by piece in order to get a real picture of what is happening in the Russian ODA.

According to official ODA reports, the priority of Central Asia in the structure of Russian IDA is obvious. Thus, according to the *Russian Federation ODA National Report*, produced as part of its obligations as a G8 country, Eastern Europe and Central Asia account for 28 per cent of Russian ODA. This is equal to the proportion of Sub-Saharan Africa.⁵⁹ Considering that the population of the post-Soviet space is much smaller than that of Sub-Saharan Africa, this can be considered a high percentage.

Russia channels a substantially larger share of assistance meeting ODA criteria through international organisations (the *World Bank*, the *World Food Programme*, the *World Health Organisation*, *UNICEF* and so on). (This indicator declined to 39 per cent in 2012.) As regards bilateral assistance, according to *OECD* data, Kyrgyzstan and Tajikistan ranked third and fifth, respectively, on the list of major recipients of Russian aid in 2011. However, the amount of funds transferred, according to official statistics, is insignificant, at \$11.6 m and \$5.5 m, respectively. In Kyrgyzstan, Russia is the sixth largest donor and eleventh largest donor overall (i.e. including multi-lateral organisations), while in Tajikistan it ranks eighth and fifteenth, respectively.⁶⁰

Meanwhile, according to data recently published by the Russian Embassy in Uzbekistan, Russian aid to Central Asian countries in

⁵⁸ Since 2011, the Russian Federation has been submitting a summary of ODA data to the OECD in accordance with its methodology.

⁵⁹ The Russian Federation ODA. National Report. 2012. URL: <http://www1.minfin.ru/common/img/uploaded/library/2012/05/PresentationEng2012-0.pdf>

⁶⁰ According to the AidFlow database.

2008–2012 amounted to more than \$1 bn,⁶¹ i.e. about \$200 m a year. These figures make Russia the biggest donor to the region, though it remains unclear how exactly that sum has been calculated. The only way out in this case is to independently consolidate the data for the most significant IDA programmes and initiatives Russia is implementing multilaterally and bilaterally.

3.2. Multilateral Aid

The structure of Russian multilateral aid to Central Asian countries is fairly complex. Russia's institutional partners include such traditional multilateral donors as the *World Bank*, *UN* institutions, funds and programmes and new Eurasian structures and mechanisms initiated by Russia, notably the *EurAsEC* and the *EurAsEC Anti-Crisis Fund*, whose resources are administered by the *Eurasian Development Bank (EDB)*.

The most important vehicle for Russia's multilateral aid to Central Asian countries is arguably the *World Bank* whose mechanism of targeted trust funds, administered by the *IDA/IBRD*, is used extensively by Russia. In terms of contributions to the *World Bank* trust funds operating in Eastern Europe and Central Asia, the Russian Federation is second only to the European Union. As of July 2013, five trust funds with Russian participation had Central Asian countries as direct or indirect beneficiaries.

The *Food Price Crisis Rapid Response Trust Fund for Tajikistan and the Kyrgyz Republic* (\$15 m) was founded under the *World Bank Global Food Crisis Response Programme* in order to mitigate the negative impact of high and volatile food prices on the poor and to help the governments of the two countries to develop a robust policy of alleviating this negative impact.

The *Europe and Central Asia (ECA) Region Capacity Development Multi-Donor Trust Fund* (\$23 m) was founded to speed up the process and improve the quality of the preparation of investment projects and to strengthen institutional capacity in low-income countries in Eastern Europe and Central Asia through grant financing. Grants are awarded by the Steering Committee, which includes representatives of the Ministry of Finance of the Russian Federation and the *World Bank*. The *Eurasian Development Bank* takes part in the work of the Committee as an observer.

⁶¹ The Embassy of the Russian Federation to the Republic of Uzbekistan 'On the Rendering by the Russian Federation of Aid to Central Asian Countries, including the Republic of Uzbekistan, in 2008–2012'. Press release No. 51. May 15, 2013. URL: <http://www.russia.uz/index.php/2009-08-16-10-46-32/700--51> (in Russian).

The *Multi-Donor Programmatic Trust Fund to Support Statistical Capacity Building in Eastern Europe and CIS Countries (ECASTAT)* (\$15 m) provides grants to Eastern Europe and CIS countries for the development of capacity and restructuring of the national statistical system to produce reliable, timely and accurate data on compliance with internationally recognised methodologies and best practices, for the improvement of procedures used to disseminate statistical data, the preparation of a national census or the creation of a register of enterprises in a given country, and advanced training for the staff of national statistical agencies.

The *Russia Education Aid for Development (READ) Trust Fund* (\$32 m) aims to pool together the efforts of leading experts, international organisations and governments to assist the CIS, Asian and African countries in enhancing the quality of education based on assessment results. The fund's resources are expected to last for 6 years (2008–2014) and the beneficiaries include eight nations, and Kyrgyzstan and Tajikistan are among them. The trust fund has disbursed \$3.8 m to Tajikistan and \$0.35 m to Kyrgyzstan.

The *Eurasian Centre for Food Security (ECFS)*. As part of the *Russia Agricultural Development Aid Cooperation (ADAC) Initiative* the Russian Federation has committed \$28.5 m. Of that amount, \$6 m was granted to Moscow State University directly from the federal budget to finance the creation of the new *Eurasian Centre for Food Security for Eastern Europe and Central Asia*; a further \$7.5 m was allocated as a loan for technical assistance on a reimbursable basis by the *IBRD* to support the establishment of the *European Centre for Disease Prevention and Control*.

The *Rapid Social Response Multi-Donor Trust Fund* aims to overcome the consequences of the global crisis by promoting social protection measures and providing access, especially to poor and vulnerable groups of the population, to healthcare, nutrition, education and other vital services. The donors to this trust fund are Russia (\$50 m), Norway (\$8.5 m) and the UK (\$3.2 m). Kyrgyzstan and Tajikistan received \$3.45 m (or 5.5 per cent) of the total fund.

The Russian Federation is also active in programmes being implemented by the *UN* regional commissions. In 2009, Russia became a donor of the *Economic and Social Commission for Asia and the Pacific (ESCAP)* with an annual contribution of \$1.2 m. The money goes mainly to support multilateral projects to develop regional transport, expand energy cooperation, broaden economic cooperation, and address social issues, including in Central Asian nations.

In 2010–2011, as part of the *ESCAP* effort to enhance regional cooperation on energy efficiency and introduce environmentally

friendly technologies in Northern and Central Asia, Russia financed the development of the concept of a regional policy for the effective use of fuel and energy resources in 2011–2015. Russia's financial contribution amounted to \$213,000. These resources were used to create an electronic database of documents on energy conservation and energy efficiency in Northern and Central Asia.

In 2012, a total of \$80,000 was allocated from the Russian voluntary contribution to *ESCAP* for a disaster prevention programme in Northern and Central Asia. Under the project, hydrometeorologists will be trained to use advanced technologies and software to process weather information. An additional \$80,000 was allocated to promote cooperation and ensure the safety of small dams in Central Asian countries.

The money from the Russian contribution to *ESCAP* was also used to conduct research and prepare recommendations on capacity building in order to manage migration and remittances and to support sustainable urban infrastructure development projects.

Since 2008, the Russian Federation has voluntarily contributed \$1.2 m to finance the project activities of the *UN Economic Commission for Europe (UNECE)*. The terms of the *UNECE*'s use of the Russian voluntary contribution are sealed in a bilateral memorandum. The *UNECE* projects mainly aim to address the practical needs of the Commonwealth of Independent States with particular focus on the Central Asian republics. The Russian contribution is designed to expand *UNECE* assistance to CIS countries in matters concerning the diversification and modernisation of their economies, improving infrastructure and strengthening integration. The Russian contribution to the *UNECE* will finance 15 projects, including the development of transport routes in the Eurasian region, addressing water and energy problems in the Central Asian countries, streamlining international trade transactions and statistical matters.

The *UNECE* was the conduit of funding for the creation of an information database of the water resources in Central Asia. It promoted the ratification and implementation of the *Protocol to the Convention on Long-range Transboundary Air Pollution* in Eastern Europe and Central Asia; an analysis of advanced energy efficiency and renewable energy technologies under the *GES-21 Project*; and the preparation of recommendations for their use with a focus on the Central Asian region, promoting the implementation and ratification of the multilateral nature conservation agreements of the *UNECE* and transboundary interaction in Central Asia as well as a project to ensure the efficient use of energy and water resources (dam safety).

The Russian Federation contributes greatly to the *UN* institutions that deliver humanitarian aid. For example, it disbursed \$8 m through numerous channels – the *WFP*, *UNDP*, *ICDO*, *WHO* – to deal with the aftermath of the humanitarian crisis following ethnic violence in southern Kyrgyzstan in the summer of 2010. Russia headed the list of humanitarian aid donors in the region mainly by supporting the *WFP* activities in Tajikistan and Kyrgyzstan to the tune of \$8 m and \$6 m, respectively. On 27 June 2013, the Russian Government decided to make a targeted contribution to the *WFP* in the amount of \$22 m to finance a project to set up a system of school meals in Tajikistan and Kyrgyzstan in 2013–2015 in accordance with the model that had been successfully tested in Armenia in 2010–2012.

Russia also actively cooperates with *UNICEF* in Central Asia. In particular, in July 2013 Russia made a voluntary contribution to the organisation's budget to finance a project to facilitate access to water supplies, and sanitary and hygienic facilities in Kyrgyzstan, specifically in the rural parts of the Osh, Jalal-Abad and Batken regions where the shortage of water supplies and sanitary facilities is particularly acute. In addition to restoring and building a water supply and sanitary facilities, methodological guidelines are to be prepared for teachers on hygiene and sanitary matters, campaigns are to be launched to prevent parasite-transmitted diseases, the human and technical capacity of the national sanitary and epidemiological control service is to be strengthened, and emergency material reserves are to be replenished with personal sanitary and hygienic products.⁶² The Russian Federation implemented a similar *UNICEF* project in 2010. A project for the additional immunisation of the population against diphtheria was carried out under the auspices of *UNICEF* in 2012 and financed by a lump-sum Russian contribution of \$1 m. In May 2013, mindful of the positive experience from that campaign, the Russian Government made a new \$2.1 m contribution to *UNICEF* to finance the project *Mother and Child Nutrition: An Urgent Call for Action*.

Furthermore, Russia made lump-sum voluntary contributions to the *WHO* for 2012–2013 to enhance Tajikistan's preparedness to handle emergencies and deal with their aftermath as well as enhance paediatric care at primary-level medical institutions in Tajikistan. Kyrgyzstan and Tajikistan are also recipients of annual Russian contributions to the *United Nations Industrial Development Organization (UNIDO)* council to support the integration of *EurAsEC*

⁶² Russia to Allocate \$1 m to the UNICEF Budget to Assist Kyrgyzstan. July 15, 2013. On the Russian lump-sum targeted contribution of \$2.1 m to the UNICEF budget to finance the Fund's project 'Mother and Child Nutrition: An Urgent Call for Action'. Press release, May 31, 2013. URL: <http://www.rusemb.tj/ru/index/index/pageid/438> (in Russian).

countries (projects to set up a network of *UNIDO* offices for investment and technologies) and contributions through the *UN Institute for Training and Research* for the advanced training of CIS diplomats at the Ministry of Foreign Affairs' Moscow State Institute of International Relations (MGIMO).

The Russian Federation is using the multilateral channels of the *UN* institutions to promote its 'soft power'. A good example is a joint *UNICEF* project to print a large number of Russian language textbooks for primary schools in Kyrgyzstan. The project was financed by a \$0.5 m Russian voluntary contribution and is nearing completion.⁶³

As regards assistance through Eurasian structures, it is above all necessary to highlight the mechanisms of the *EurAsEC Anti-Crisis Fund* which Russia has been using since 2009. For low-income countries that are members of the *Anti-Crisis Fund* (Kyrgyzstan, Tajikistan), financial loans are issued with a grant component of approximately 45 per cent, which meets ODA criteria (such countries have up to 20 years to repay financial loans and 15 years to repay investment loans, with a 5-year grace period and an interest rate of 1 per cent). In August 2010, the *EurAsEC Anti-Crisis Fund* mechanism was used to extend a loan of \$70 m to the Government of Tajikistan to overcome the adverse effects of the global financial and economic crisis on the country's economy. The loan made it possible to meet the targets for funding the social sector (education, health and social security). The loan was also intended to finance measures aimed at reforming public finance management, making the budget system more stable, and improving the effective use of state resources.

An even larger loan was issued to Kyrgyzstan (\$106 m) through the *Anti-Crisis Fund* in 2010, but the decision was put on hold due to political differences over the future of the Russian integrated military base, even though Bishkek met the preliminary condition by paying part of its debt to Russia in the amount of \$14 m.

Over the past year, the practice of applying for investment loans through the *Anti-Crisis Fund* has become widespread. The main beneficiary should be Kyrgyzstan where three projects are to be implemented:

- 1) the restoration of the Bishkek-Osh Highway in partnership with the *Asian Development Bank* (\$50 m) – project agreed;
- 2) the creation of a distribution infrastructure for farm produce (\$50 m);

⁶³ At present, 280,000 students, or 28 per cent of the total number of students in Kyrgyzstan, attend Russian-language schools, and this number increases by 5,000–6,000 every year. (Oreshkin A. A Million Case. The Russian Government Finances International Projects in Kyrgyzstan // Rossiyskaya Gazeta. November 8, 2012. URL: <http://www.rg.ru/2012/11/08/granti.html> (in Russian).)

3) the supply of agricultural technology produced in *EurAsEC* countries (\$20 m).

Another major regional initiative launched by Russia is the *EurAsEC Interstate Targeted Programme Reclamation of the territories of EurAsEC Member States affected by Uranium Mining Industries*, which is valued at 1.15 bn roubles (\$38.5 m). Russia covers 75 per cent of the programme's costs, Kazakhstan covers 15 per cent, and Kyrgyzstan and Tajikistan cover 5 per cent each. The six-year programme will be implemented in Kyrgyzstan and Tajikistan between 2013 and 2018. The *Programme*, which began in 2013, provides for the rehabilitation of three facilities that pose a potential transboundary threat to the economies of the entire Central Asian region: two facilities in Kyrgyzstan (Min-Kush, a tailing dump in Tuyuk-Su and Kadji-Sai) and one in Tajikistan (Taboshar). Russia will help its partners with financial and human resources in addition to technologies.

3.3. Bilateral Aid

The most important forms of bilateral aid are major ***concessional loans and grants*** that the Russian Government regularly allocates to the poorest Central Asian countries in the form of direct budget support. They are sometimes comparable in size or larger than the total amount of Russian aid delivered through bilateral channels globally.

Russian loans and grants have more political strings attached than the financial aid provided by international financial institutions and other donor countries. In most cases, they constitute payment for major concessions on the part of the recipient countries' governments in addressing Russian priorities, above all concerning the interests of hard security.

The largest recipient of Russian loans and grants in the post-Soviet space is Kyrgyzstan. Specifically, in 2005, immediately after a government coup that toppled Askar Akayev and brought to power Kurmanbek Bakiyev, Kyrgyzstan received a \$189 m loan, while in 2009 it was given a loan of \$300 m on exceptionally preferential terms (40 years with a seven-year grace period at 0.75 per cent annual interest) and a \$150 m grant in exchange for President Bakiyev's promise to shut down the US base in Manas. In 2010 it received a \$20 m loan for social support and a \$30 m credit from Russia's *Rosselkhozbank*. In 2012 it was given a \$25 m grant from the Ministry of Finance on the condition that the Kyrgyz side would

provide reports on how the money was spent (\$10 m of the grant money was to go to healthcare, \$10 m to social protection and \$5 m to education).

There is also a strong political element behind the Russian Federation **debt write-offs** of Central Asian countries. This is because the debts are large enough for their write-off to be a matter of national importance and a subject of political bargaining for both sides.

A striking example is the signing in 2004 of an agreement on cancelling Tajikistan's \$242.5 m debt in exchange for the lease until 2049 of the Nurek optical-electronic facility that monitors outer space for a symbolic charge of \$0.30 cents a year. Similar schemes are used to write off Kyrgyzstan's debts to the Russian Federation. In particular, in 2009 the Bakiyev government signed agreements to cancel a 2005 loan in exchange for giving Russia a 48 per cent stake in the Dastan munitions plant that builds *VA-111 Shkval* submarine torpedoes for Russia and India. The agreement was scuttled by Kyrgyzstan and as a result the Russian State Duma did not ratify the deal.⁶⁴

Without a doubt, the biggest and most politically advantageous debt write-off was the intergovernmental agreement on the settlement of Kyrgyzstan's debt to Russia signed in September 2012 during President Putin's visit to Bishkek. It was part of a massive package of agreements on the terms for establishing an integrated military base on Kyrgyz territory. This agreement was accompanied by the promise of military aid in the amount of \$1.1 bn and investments in the construction of the *Kambaratinskaya Hydroelectric Power Station-1* and the *Verkhnenarynsky Cascade* (at an estimated cost of 89 bn roubles). The agreement, ratified by the Kyrgyz parliament in February 2013, and by the State Duma and the Federal Council of the Russian Federation in April 2013, would revise the terms for the repayment and servicing of two categories of Kyrgyzstan's debt to Russia. The first one is the debt under 2005 and 2009 loans for which Bishkek had paid only \$55.1 m as of October 1, 2012. The first debt is to be written off fully, while the interest on the balance is not to be paid or charged. The debt on the second loan is to be written off in equal instalments over 10 years starting from 16 March 2016. Beyond that debt no interest will be charged. Thus, a debt of \$599 m that Russia was to be repaid before 2018 will be written off.⁶⁵

⁶⁴ After Russia expressed an interest in the Dastan facility, the structures controlled by President Bakiyev's son, Maxim, started buying its shares. After a controlling stake was put together, Moscow, which had already announced it was writing off the debt, was offered 37 per cent of the shares as debt repayment and told to buy the remaining stake at market price.

⁶⁵ State Duma Forgives Kyrgyzstan \$599 Million Debt // RBC, April 16. URL: <http://www.top.rbc.ru/economics/16/04/2013/854209/shtml> (in Russian).

In addition to gaining geopolitical dividends, Russia uses debt write-offs to promote development while deriving commercial benefits. One example is the write-off of Tajikistan's debt of \$50 m in 2004, which was later reinvested in the building of the *Sangtuda 1 Hydroelectric Power Plant* in the form of Russian shares, bringing the Russian stake in the joint venture to 75 per cent. The power station – the biggest Russian investment project in the CIS – was launched in 2009. However, serious problems arose with the return on investment. At the end of the first quarter of 2013, the Tajik energy holding company *Barki Tochik OAKhK* owed \$73.4 m to *Sangtuda 1 Hydroelectric Power Plant*. The Tajik authorities have raised the issue of writing off this debt at the intergovernmental level and linked it to the problem of ratifying the treaty on the stationing of the 201st military base on the country's territory.

Mindful of the key role that education plays in the development of the poorest Central Asian countries, the Russian Federation **pays particular attention to assistance in national personnel training** and regards this as a key component in the policy of projecting its 'soft power'. Assistance is rendered both inside the Central Asian republics and by offering scholarships at Russian higher education institutions to their citizens. According to the Russian embassy in Uzbekistan, Russia offered 10,000 such scholarships in 2008–2012.⁶⁶

In particular, in Tajikistan there are the Russian-Tajik Slavonic University (RTSU), which opened in 1996 with 4,300 students; the Russian-Tajik Modern University for the Humanities (RTSGU), which has opened distance education offices in four cities: Pendzhikent, Isfara, Istaravshan and Shaidan; Lomonosov Moscow State University branches in Dushanbe (since 2009); and the National University of Science and Technology MISIS (Moscow State Institute of Steel and Alloys) (since 2012). Plans are in place to open a branch of the Moscow Power Engineering Institute and to establish a branch of Kazan State Technological University on the basis of Tajikistan Vocational School No.66 to train students in professions that are in demand in Russia. The quota for Tajik citizens enrolled at Russian higher education institutions at Russia's expense was 900 students in 2011 and topped 1,000 in 2012, not counting the quotas at regional higher education institutions.⁶⁷ At present, more than 4,700 Tajik students are studying in Russia.

⁶⁶ The Embassy of the Russian Federation in the Republic of Uzbekistan «On Russian Assistance to the Countries of Central Asia, including the Republic of Uzbekistan, in 2008–2012». Press release 51. May 15, 2013. URL: <http://www.russia.uz/index.php/2009-08-16-10-46-32/700---51> (in Russian).

⁶⁷ Russian Universities to Enrol 1,000 Tajik Students // RBC, January 10, 2012. URL: <http://www.top.rbc.ru/society/10/01/2012/632778.shtml> (in Russian).

Kyrgyzstan also has the Kyrgyz Russian Slavic University named after the first President of Russia B.N. Yeltsin, which opened in 1993 and now has a student body of about 12,000.

In addition to KRSU, Kyrgyzstan has a branch of the Voenmekh Baltic State Technical University; the Bishkek branch of the International Slavic Institute; the Kyrgyz-Russian Academy of Education; the Bishkek branch of the Russian State University of Trade and Economics; a branch of the Russian State Social University in Osh; the Bishkek, Karakol and Osh branches of the Moscow Institute of Business and Law; and a branch of Kazan National Research Technological University in Kant (since 2012).

In recent years, Russia has stepped up its policy of granting scholarships to Kyrgyz citizens. Whereas Russian higher education institutions had 569 Kyrgyz students enrolled in 2007–2013,⁶⁸ Prime Minister of the Russian Federation Dmitry Medvedev promised to increase the number of scholarships to 400 in 2013–2014.⁶⁹

The Russian Federation actively supports the Russian language and compatriots in the Central Asian republics through its embassies there and through the *Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation (Rossotrudnichestvo)*. This work is part of the *Federal Target Programme Russian Language in 2011–2015*, as well as the regional programmes for supporting compatriots run by the Sverdlovsk and Tyumen regions, the Altai Territory and the cities of Moscow and St. Petersburg. In 2012, a total of 700 Russian language teachers from Kyrgyzstan took advanced training courses at the KRSU, Russian Centres of Science and Culture and Russian higher education institutions. Fourteen schools have been connected to the Russian educational channel *Shkolnik TV*.⁷⁰

The Russian Federation is particularly active in providing **humanitarian aid** through bilateral channels. In particular, of the \$38 m made available in humanitarian relief to Kyrgyzstan in 2010, more than \$30 m consisted of grants provided through bilateral channels. In 2012, Russia also provided Tajikistan with more than \$3 m worth of foodstuffs, tents, heaters, mobile electric stations and emergency kits.⁷¹

⁶⁸ The Battle over Quotas // Rossiyskaya Gazeta, April 4, 2013. URL: <http://www.rg.ru/2013/04/04/studenty.html> (in Russian).

⁶⁹ Dmitry Medvedev: Russia Wants to See Kyrgyzstan as a Member of the Customs Union // RBC, April 23, 2013. URL: <http://www.top.rbc.ru/economics/23/04/2013/855300.shtml> (in Russian).

⁷⁰ Interview with A. Krutko, Russian Ambassador to the Republic of Kyrgyzstan. April 12, 2013. URL: <http://www.rus.kg/news/rusmir/10470-andrey-krutko-vy-vmeste-delaete-odno-vazhnoe-deloradi-kotorogo-mozhno-postupitsya-kakimi-to-lichnymi-ambiciyami-i-interesami.html>

⁷¹ UN Office for the Coordination of Humanitarian Affairs (UN OCHA). Regional Humanitarian Funding Update. Caucasus and Central Asia. Issue No.6 (January 1 – December 31, 2012). URL: <http://www.reliefweb.int/sites/reliefweb.int/files/resources/Regional%20humanitarian%20funding%20update%20-%20Caucasus%20and%20Central%20Asia%2C%20Issue%2006%20%281%20January%20-%2031%20December%202012%29%20EN.pdf>

In addition to the traditional types of aid according to ODA criteria, ***Russia provides substantial amounts of fuel and lubricants at reduced prices*** and also supports labour migrants.

Kyrgyzstan and Tajikistan import almost all their fuel and lubricants from Russia, which is why lifting export duties on fuel is a significant component of development assistance.

In Kyrgyzstan, duties on fuel and lubricants exported from Russia were abolished starting in 2011, which saved as much as \$335 m for the country's budget. In 2012, these savings reached \$480 m.⁷²

With regard to Tajikistan, Russia has also decided to abolish duties on petroleum products (one million tonnes per year) under agreements to extend the stationing of the 201st Base. An agreement to this effect was signed by the parties in February 2013, but has been put on hold because Dushanbe has voiced additional demands, including for increased military aid.

Support for migrants. Since remittances from Russia account for a significant part of the GDPs of Kyrgyzstan and Tajikistan, the conditions of migrants in Russia have far-reaching political and socioeconomic implications for the Central Asian nations. In 2013, the Russian Government decided to extend work permits for Tajik labour migrants to three years (for other countries it varies from 3 months to one year) and allow more time for registration (15 days compared with 7 days for other categories of foreigners).

Moreover, Russia provides assistance to potential labour migrants travelling to the Russian Federation for work. One such project was implemented in Tajikistan at the initiative of the Federal Migration Service of the Russian Federation jointly with the Migration Service under the Government of the Republic of Tajikistan and the Ministry of Education of the Republic of Tajikistan, with financial support from the *Russkiy Mir Foundation* on the basis of RTSU and Tajikistan Vocational School No. 66 in Dushanbe. The participants in the project were taught Russian as well as the basics of Russian culture, migration legislation and worker occupations.

Assistance in combating drug trafficking. Since 2011, the Russian Federation has been helping the most vulnerable Central Asian countries in strengthening their ability to combat drug trafficking. *Decree No. 282-r* of the Russian Government dated 25 February 2011 launched a programme of financial, material, technical and organisational assistance to the State Service on Drug Control of

⁷² Russian Embassy in Kyrgyzstan. Humanitarian aid to Kyrgyzstan. Fact sheet. URL: <http://www.kyrgyz.mid.ru/gum.html> (in Russian).

the Kyrgyz Republic (SSDC),⁷³ with \$7 m being allocated for a period of three years in 2011.⁷⁴

In April 2012, an additional \$30 m was committed, with \$6.5 m used for a new building of the SSDC. The effectiveness of the programme is highlighted by the number of joint operations (which has increased five-fold) as a result of which 35 channels used to deliver Afghan drugs to Russian regions were eliminated.

In October 2012, Russia decided to allocate \$5.4 m for two years to finance various kinds of technical assistance to the Drug Control Agency under the President of the Republic of Tajikistan for the purchase of special vehicles and fuel and also to boost motivation among staff. In addition, Russia has been financing the training of Drug Control Agency personnel (including accommodation and stipend) since 2011 at the Siberian Law Institute of the Federal Drug Control Service of the Russian Federation in Krasnoyarsk. The quota for 2013 is 10 students.

Meanwhile, the Federal Drug Control Service long ago reached the conclusion that police measures alone are not enough to solve the problem of drug trafficking in Central Asia and proposed a project that may become the biggest Russian regional initiative in the IDA sphere in the post-Soviet period.

On April 17, 2013, the *Government Commission on Developing and Implementing Anti-Drug Programmes*, which promotes Russia's interests in Central Asia, under the Director of the Federal Drug Control Service of the Russian Federation Victor Ivanov, decided to establish a *Russian Corporation for Cooperation with Central Asia* on the basis of *Vnesheconombank* as an open joint-stock company with state participation in order to implement mutually beneficial projects. The federal budget is to allocate two billion roubles for this purpose, with 51 per cent of the shares being owned by the state and 49 per cent being handed over to Russian business structures, such as *RusHydro*, *RUSNANO*, *Rosneft* and others. The proposal has been sent to the Ministry of Finance and the Ministry of Economic Development for consideration. According to Victor Ivanov's concept, the new structure will buy up the shares of Central Asian hydroelectric stations, poultry farms and industrial assembly facilities and should create about 30,000 jobs in the very first year. In the medium-term, the programme should reduce the production and transit of Afghan drugs by more than 25 per cent, which would save about 1.3 per cent of the GDP

⁷³ The State Service on Drug Control in Kyrgyzstan was abolished in 2009 by Decree of then President Bakiyev and was re-established in 2010 after another government coup.

⁷⁴ Russia and Kyrgyzstan Sign Anti-Drug Cooperation Agreement // RIA Novosti, September 27, 2011. URL: http://www.ria.ru/beznarko_danger/20110927/444586483.html#ixzz2RVmVlu59 (in Russian).

that Russia loses each year due to drug trafficking and reduce drug-related crime and other types of crime in Russia by about 32–33 per cent.

This programme, like the Russian policy for assisting the development of Central Asian nations in general, can only succeed if some shortcomings in the system of aid management are eliminated. These shortcomings merit special attention.

3.4. Key Constraints

The following factors impede the full realisation of Russia's potential as a donor in Central Asia.

Lack of strategic planning. The *Concept of Russia's Participation in International Development Assistance* adopted in 2007 is still the only doctrinal document devoted to IDA. Its adoption was undoubtedly a milestone as far as staking Russia's claim to a new role in the global aid architecture and the distribution of roles between individual government bodies. However, the concept is a framework and 'inclusive' document whose authors chose to list the whole range of goals and objectives, mention all the regions and sectors, and provide an exhaustive list of instruments and forms of aid delivery. The hierarchy of priorities is tentative so that the document cannot be used as a guide for action in any specific area.

Many 'traditional' donors (the European Union, the United Kingdom, Switzerland and others) interact with Central Asian countries in the IDA sphere in accordance with regional and country multi-year programmes. These programmes are clearly 'tied' to the specific national interests of donors and the country context. They also reflect the more pressing needs of the recipient countries for development and identify a small number of priority sectors, as well as the desired results of the programmes that are used as criteria for their efficiency. By contrast, the Russian Federation, over the six years since the concept was adopted, has failed to introduce medium- and long-term planning of its donor activity in this high-priority region. Decisions on the allocation of funding are still made ad hoc and are politically motivated.

There is still little coordination between the various government bodies involved in the process of aid delivery. Arguably, since 2007 the process of forming a national system of participation in IDA has not resulted in the parties involved gaining an awareness of their role and area of responsibility. This theme is obviously underrepresented at Russian diplomatic missions on the ground at all levels:

from matters of personnel to information and analytical aspects. The reason is not a lack of professionalism, but a lack of directives from the centre and a lack of focus on IDA as such.⁷⁵

The absence of multi-year programmes creates the impression of a lack of coherence in aid delivery and is fraught with certain image risks. Russian aid to Central Asian countries, with the exception of non-core contributions to international organisations, is too unpredictable and subject to changes in the political landscape. This raises doubts among the population in the partner countries as to whether the Russian Federation is truly interested in taking part in the region's affairs in the long-term. Public opinion in Tajikistan and Kyrgyzstan often perceives the Russian initiatives, particularly the granting of concessional loans and the debts relief, as being motivated by strictly selfish goals and as an encroachment on national sovereignty. Changing these stereotypes about Russian aid is a pressing task that needs to be addressed as soon as possible.

Insufficient use of aid potential through bilateral channels. The Russian Federation still counts on aid to be provided through multi-lateral organisations and direct budget support mechanisms. Such an important instrument as project financing, which accounts for a large proportion of aid in developed countries, is hardly used at all. This is also a direct result of the fact that the Russian Federation has not finished building its national IDA system. The functions of project implementation could be assumed by *Rossotrudnichestvo* as well as non-governmental organisations; however, a major breakthrough in this area is unlikely. A massive increase in the budget of *Rossotrudnichestvo* by 4.5 times to 9 billion roubles is amply justified, but the weak capacity of personnel and a certain estrangement from the IDA theme in its classical sense continue to be a cause for concern.

Compounding the situation is the absence of a pool of specialists who understand the principles of project cycle and could be useful to *Rossotrudnichestvo*. Today, most IDA specialists are people who have gained some understanding of the subject by being involved in the corresponding activities of international organisations. For now, Russia does not offer targeted training for IDA specialists. Given that demand is uncertain, higher education institutions have been asking the government to indicate how many specialists they need, but a customer has yet to be found under this scheme.

The situation with the delegation of responsibility for the implementation of development assistance projects by non-governmental organisations also gives little cause for optimism.

⁷⁵ Bartenev V., Yatsenko Y. Development Assistance as Leverage for Russia's Footprint in Kyrgyzstan and Tajikistan. December 17, 2012. URL: http://www.russiancouncil.ru/en/inner/?id_4=1241#top (in Russian).

The representation of Russian NGOs in Central Asia is woefully inadequate compared with the diverse non-profit organisations from Western countries. The low level of activity of these players and the absence of provisions in Russian legislation that allow the allocation of federal budget funds directly to NGOs to implement IDA projects abroad have created major obstacles for building a truly effective national system of aid and for Russia to become more competitive as a donor.

In developed countries national NGOs handle 10–15 per cent of all the money earmarked for IDA – in the healthcare sector, for example, the figure is up to 25 per cent. Meanwhile, the advantages of NGOs as aid project operators are unquestioned: IDA funds help to develop national NGOs, thus boosting civil society capacity; national NGOs seek to promote the values, interests and culture of the state in partner countries; the rendering of aid promotes national technologies and approaches used to tackle development problems; and the fees from consultancy services by Russian experts, which, when financed by international organisations, never reach Russia, go to pay wages and taxes in the donor country where national NGOs are financed.⁷⁶

Inefficient information and analytical support of donor activities. The Russian authorities do not pay enough attention to positioning Russia as a donor in Central Asia. There is still no profile for the Russian Federation on the website devoted to the activities of international donor organisations in Kyrgyzstan.⁷⁷ The quality of information on Russian aid on the page of the State Committee on Investments and State Property Management of the Republic of Tajikistan monitoring all the donor activities in the country is admittedly unsatisfactory. Information on aid to Sub-Saharan countries and a bare list of activities under the support programme for compatriots cannot replace the comprehensive and visually attractive profile, such as those provided by other development partners. The Russian Federation fails to provide timely information on its aid to partner countries (the 'Russian Federation' column in the report on foreign aid to Tajikistan in 2011 is blank), although this data is submitted to the *OECD*.

As a result of all the above circumstances, Russia increasingly finds itself excluded from the club of donors active in Central Asia, although it is a donor *de facto* and *de jure*, and is unable to demonstrate its full potential or promote its experts. Russia even

⁷⁶ Memorandum on the Participation of Russian NGOs in International Development Assistance Programmes, Including Possible Direct Financing of NGOs on Development Assistance Projects in CIS Countries. URL: <http://www.g20civil.com/documents/197/382>

⁷⁷ The resource on the activities of international donor organisations in the Republic of Kyrgyzstan. URL: <http://www.donors.kg> (in Russian).

fails to capitalise on the fact that some of the *UN* agencies in Kyrgyzstan and Tajikistan are headed by highly qualified Russian specialists, which would benefit both Russia and the structures it is co-financing.⁷⁸

Furthermore, the Russian agencies responsible for IDA practically ignore the systemic monitoring of the activities of their colleagues in Russian government bodies and other donors in Kyrgyzstan and Tajikistan. The fragmented nature of information impedes the adoption of strategically valid decisions and the identification of Russia's competitive advantages. 'Work on mistakes' or identifying 'the best and worst practices' take place very rarely and the evaluation of Russian programmes is often not financed at all. Finally, Russia is clearly losing out to other donors in promoting its initiatives through the media. Only a few journalists are well versed in this topic. Therefore, the incomplete and fragmentary information on the Russian initiatives provided by officials (ministries, agencies, embassies) is often presented in the media in a way that downplays Russia's role as a donor. Following the reprinting of materials on Russian IDA, the forums and comment sections contain mainly negative comments by vigilant taxpayers. Meanwhile, the volume of Russian aid to Kyrgyzstan and Tajikistan is justified. So too is its commitment to developing these countries, which are not only the main suppliers of labour migrants to Russia, but also channels for the spread of trans-boundary threats such as drug-related crime and extremism. They are justified on security and humanitarian grounds,⁷⁹ a fact that needs to be stressed in the information and communication strategy.

The aforementioned shortcomings may be rectified in the medium-term (two to four years) only if Russia clarifies the interests and priorities of its engagement in development assistance to Central Asian states, adopts some managerial measures aimed at increasing the 'return' on its efforts, and solves the problem of interagency coordination.

⁷⁸ Bartenev V., Yatsenko Y. Development Assistance as Leverage for Russia's Footprint in Kyrgyzstan and Tajikistan. December 17, 2012. URL: http://www.russiancouncil.ru/inner/?id_4=1184#top (in Russian).

⁷⁹ Ibid.

4. RUSSIAN AID TO CENTRAL ASIAN STATES: THE DESIRED FUTURE

4.1. Clarification of Interests

Delivering foreign aid, on the one hand, is part of the Russia's responsibility as an important member of key international organisations (the *UN*, above all its *Security Council*, the *G8*, etc.) for the state of affairs around the world. At the present stage, the status of a country in international structures and its participation in elite international clubs correlate directly with the amount of its international aid. **Therefore foreign aid, even if one sets aside the moral aspects of the problem, is a way of bolstering Russia's status as a great power.** On the other hand, providing foreign aid in the overall context of international relations can be seen as a form of promoting the interests of the Russian state through 'soft power', which is particularly relevant to the part of the world where Russia has special interests.⁸⁰

Addressing a meeting to mark the anniversary of *Rossotrudnichestvo*, Minister of Foreign Affairs of the Russian Federation Sergei Lavrov stressed the need for a "close nexus between 'soft power' and economic instruments of influence."⁸¹ The mechanism of development aid is an obvious form of such a nexus, which is particularly relevant for Central Asia.

Russia is closely linked with the Central Asian nations because it has common borders and transboundary security problems (terrorism, religious extremism, crime, drug trafficking), a shared Soviet and even pre-Soviet history, as well as migration flows. **It would therefore be proper to speak of Russia's interests in delivering assistance to the Central Asian countries that may be realised through this aid as an instrument of Russia's 'soft power' (aid can be seen through the prism of Russia's moral obligation to the former republics of the Soviet Union, but in terms of international relations it is above all associated with 'soft power').**

We shall now list the specific groups of Russia's interests in providing aid to Central Asia which can mainly be promoted through bilateral aid projects as well as through regional international organisations such as *EurAsEC*, the *EurAsEC Customs Union*, etc.

⁸⁰ See: Concept of the Foreign Policy of the Russian Federation. Signed by President Putin on February 12, 2013. URL: http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D

⁸¹ Speech by Russian Minister of Foreign Affairs Sergei Lavrov at a meeting of the heads of Russian research and cultural centres and representatives of the Federal Agency for CIS Affairs, Compatriots Abroad and International Cooperation (*Rossotrudnichestvo*). Moscow, September 3, 2012. URL: http://www.mid.ru/brp_4.nsf/0/47E841E7BC37D79844257A6E00413D0D (in Russian).

Geopolitical interests. The following geopolitical interests of Russia in Central Asia should be highlighted:

- maintaining its general geopolitical influence in the region, which helps Russia to preserve its status as a great power and control the post-Soviet space;
- preventing other great powers from establishing control over the region (especially in the light of China's increased activities to this end) or complications in Moscow's relations with other global players over regional problems.

For example, Minister of Foreign Affairs of the Russian Federation Sergei Lavrov has noted that the projection of Russia's "soft power in the post-Soviet space need not be detrimental to the development of relations with European Union countries and the United States."⁸²

Security interests. Russian security interests include:

- preventing the instability in Afghanistan from 'spilling over' to post-Soviet Central Asia (especially after the withdrawal of the International Security Assistance Force in 2014);
- promoting of strategic integration processes within *Collective Security Treaty Organization*, maintaining security guarantees for Central Asian states that are members of the *Collective Security Treaty* (Kazakhstan, Kyrgyzstan, Tajikistan);
- creating anti-terrorist and anti-drug 'safety belts' around Afghanistan, counteracting new and non-traditional security threats (terrorism, Islamic extremism, drug trafficking, organised crime, uncontrolled migration, corruption and the decay of state structures, which leads to the emergence of failed states);
- preventing conflicts in the Persian Gulf and South Asia (over Iran's nuclear programme, the India-Pakistan confrontation) from spilling over to Central Asia and minimising their potential damage to the region;
- preventing various internal state conflicts (ethnic, regional, sub-ethnic) from erupting into armed confrontations. Preventing violent regime change, especially in *CSTO* member states;
- preventing territorial interstate conflicts in the region; definitive determination of the status of the Caspian Sea in the interests of all the nations in the region, while giving priority to Russian interests, notably in matters of hydrocarbons transportation.

⁸² Studneva Y. The Ministry of Foreign Affairs and the Public Chamber Discuss 'Soft Power' Resources'. December 13, 2011. URL: <http://www.interaffairs.ru/read.php?item=8129> (in Russian).

Russia's geoeconomic and geocultural interests in the region include:

- promoting all projects aimed at reintegrating the post-Soviet space around Russia and maintaining components of military, political, economic and cultural unity that have survived since Soviet times;
- promoting the process of Eurasian integration in the economic sphere;
- preserving and expanding markets, sources of raw materials and profits from joint transport projects;
- optimal use of cheap labour force from the region and its integration into the Russian society;
- supporting the Russian-speaking population in the region;
- promoting the socioeconomic development of the region in the context of the development of the post-Soviet space as a whole.

Interests connected with global politics in general:

- development of strategic cooperation with China under the *SCO* framework;
- maintaining cooperation on a limited range of issues with other key external players (India, the United States, EU nations, Turkey, Iran). Such issues include countering new and non-traditional security threats (primarily terrorism, Islamic extremism and drug trafficking, organised crime, uncontrolled migration, corruption and the decay of state structures), development (optimising the water and energy sectors, agriculture development, addressing environmental problems, development of healthcare and education).

At the same time, such cooperation – neither in the case of China or India (with which Russia has more common ground on strategic issues than with other countries), nor even more so in the case of Western powers – should not lead to a weakening of Russia's positions in the region, the development of 'alternative' integration models, or the emergence of new geopolitical and geoeconomic 'ties' in the region other than the traditional ties with Russia. Such alternative 'ties' include the numerous projects of transport corridors and economic integration oriented towards the East (China), South (India, Pakistan and Iran) and the West (across the Caspian towards Turkey and EU nations).

Getting Central Asian nations to orientate their economic cooperation towards the north has been a traditional priority for Russia since the 19th century.

A key problem is not only defining Russia's interests in matters of foreign aid, but **identifying the optimal forms for promoting its interests through such aid**. It should be noted that Russia's interests as a donor in the region lie primarily within the realm of geopolitics and security, which is partly due to the weakness of Russia's position on international markets and in international economic policy. Traditionally, when providing aid, Moscow proceeds from hard geopolitical considerations (an example is conditioning aid to Kyrgyzstan on the closure of the *NATO* base at Manas Airport). This trend can be described as the 'securitisation of aid'. In this respect, Russia's aid policy is in some ways similar to that of the United States, especially after the start of the global war on terror, and during the Cold War period. In the case of the United States, perhaps the priority of security considerations stems from the region's remoteness and lack of strong economic ties.

Most European nations, on the contrary, prioritise development considerations when providing aid (which can be described as the 'developmentalisation of aid').⁸³ The reason for this is both strong economic ties between Europe and Central Asia (Europe is the main buyer of commodities from the region) and the European Union's traditional specialisation in economic and human security affairs within *NATO* in contrast to the United States. In this sense, one could say there is **an objective trend of securitisation of aid on the part of Russia (as well as the United States) in contrast to the trend of developmentalisation of aid in the practice of some European nations**.

The practice of securitisation of aid (i.e. linking it to 'hard security', or moreover geopolitical rivalry) may sometimes contradict the underlying premise of using aid as an instrument to project 'soft power'. In this case, Russian aid may be perceived by the international community only as an instrument of 'hard power', i.e. economic pressure on certain governments. This form of pressure does not contradict international practice or international law and is a legitimate foreign policy instrument. However, it is not perceived around the world as development aid.

Consequently, Moscow must maintain an extremely delicate balance in Central Asia: while promoting its own interests through aid, it should not cross the boundary beyond which aid appears as direct geopolitical pressure. To this end, it is

⁸³ For more on the concept of securitisation, see: Buzan B. *People, States and Fear: the National Security Problem in International Relations*. Chapel Hill: University of North Carolina Press, 1983; Buzan B. *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era*. 2nd ed. Boulder: L. Rienner, 1991; Buzan B., Waever O., Wilde J. de. *Security: A New Framework for Analysis*. Boulder: L. Rienner, 1998; Buzan B., Waever O. *Regions and Powers: The Structure of International Security*. Cambridge and New York: Cambridge University Press, 2003.

necessary to strengthen the coordination of actions between the Ministry of Foreign Affairs of the Russian Federation and the financial and economic agencies involved in the process of providing aid.

Based on the link between development aid and the promotion of Russia's national interests through 'soft power' proposed in this report, Central Asia is the region where the provision of aid is most consistent with our national interests. It is in this region where development problems are most closely linked with various non-traditional transboundary threats to Russia. Therefore, Russia's primary interest in matters of development aid is to concentrate this aid in Central Asia and re-direct aid to this region from other regions where international organisations (especially within the UN system) generally direct it (above all to Africa). Russia must strictly adhere to the 'Central Asia first' principle in all international aid projects to which it contributes financially. For now it should be noted that the degree of involvement of a number of structures financed by Russia, including the *World Bank*,⁸⁴ in addressing Central Asian problems is not comparable with the level of their involvement in addressing Africa's problems, for example.

However, Russia's interests in providing development aid as stated above may only remain on paper unless specific mechanisms for their implementation are put in place. In order to utilise Russian development assistance (Russia plans to spend about \$500 m on IDA per year)⁸⁵ more efficiently, it would be preferable for Russia to draw up its own national development aid programme, which should include the contributions to international organisations in which Russia is a member (above all, UN institutions). An institutional body that would coordinate such activities is also needed.

Thus, through the more effective use of the available resources directed towards IDA, Russia can form another channel of effective influence on the Central Asian elite. Even if only half of the \$500 m that Russia spends on development aid goes to Central Asia, this would be a huge sum by regional standards that would greatly bolster Russian influence. To be sure, a mere increase in the volume of aid will not solve the problem; the money must be used effectively both in terms of assisting Central Asian societies and promoting Russia's interests.

⁸⁴ The World Bank has sizeable projects, mainly in Kyrgyzstan, but is not as well represented in the other countries of the region.

⁸⁵ See remarks by A. Bokarev to news agencies at a briefing at the Ministry of Finance of the Russian Federation. URL: <http://www.minfin.ru/ru/press/speech/index.php?id4=13764> (in Russian).

4.2. Priorities

Above all, country priorities must be formulated for Russian aid to the Central Asian region. **In the context of Central Asia, Kyrgyzstan and Tajikistan are the most promising targets of the policy for strengthening influence through development aid.** These countries not only have economies that are heavily dependent on migration (with the bulk of labour migration going to Russia), but also depend entirely on international (including Russian) development aid. Kyrgyzstan and Tajikistan are members of *EurAsEC* and are obvious candidates for membership of the *Customs Union* and the *Eurasian Economic Union*. They are also members of the *CSTO*. In addition, Russia has military bases on their territories. It should be noted though that both countries have a very high level of corruption. Therefore, the use of Russian aid must be thoroughly monitored, especially in Kyrgyzstan, where there is very little government control of how aid money is spent.

It is important to coordinate the main areas of Russian aid (especially within Eurasian structures) with Kazakhstan in order to make aid more effective. The ruling elite in Kazakhstan is very familiar with the situation in its neighbouring countries. Moreover, such interaction could be another driving factor for Eurasian integration. Kazakhstan has virtually no need for Russian aid, being rich in oil and other natural resources, but it can play a major role in providing aid to its neighbours.

Turkmenistan is also clearly rich in natural resources, plus it has traditionally pursued an isolationist policy, which is an obstacle to Russian aid to the country. As the most populous nation in the region, Uzbekistan, seeks to become a regional leader and therefore cannot be a major recipient of Russian aid. It is important to note that Russian influence in Turkmenistan and Uzbekistan at present is not so great as to make its development aid an effective instrument of projecting Russia's 'soft power' on Central Asia.

Let's consider the sectors which are the most promising in terms of aid.

1. Security sector reform and enhancing the efficiency of government institutions. Counteracting transboundary challenges and threats calls for greater coherence among law enforcement and military structures in Central Asian nations (particularly in combating drug trafficking and terrorism). Moreover, Russia is already providing *CSTO* member states with massive military assistance (supplying arms at reduced prices, etc.) and in support for security sector reform (training personnel, etc.). It would be in Russia's interests

to officially recognise this aid as development aid. The overall enhancement of the effectiveness of the state apparatus in Central Asian nations would also serve Russia's security interests while at the same time laying the institutional basis for the development of these countries.

2. Economic assistance. Transport and energy transport projects are traditional priorities for international donors in Central Asia. Development aid in this area may help implement certain geopolitical interests, since building transport links for a land-locked region simultaneously offers mechanisms of control over their economies.

Russia has long been resting on its laurels on this matter, confident in the stability of the Soviet-era system of transporting Central Asian commodities (the *Northern Route*). Some attention was paid only to energy transit projects. Yet even there, only one serious transportation project via Russian territory has actually been implemented (and it was largely financed by Western companies): **the *Caspian Pipeline Consortium (CPC)* project from Kazakhstan.** As a result, **the policy of controlling the oil and gas transportation routes from Central Asia long pursued by Russia has basically run its course.** Kazakhstan, in addition to transporting oil via Russia, now has – and is actively utilising – the Chinese route and transporting oil via the Caspian to Azerbaijan (with a further link to the Baku–Tbilisi–Ceyhan route via a tanker fleet). Turkmenistan uses the Chinese route and two gas pipelines to Iran as an alternative to the Russian route. **As a result, *Gazprom's* positions in the region have been undermined and it has actually lost its transit monopoly.**

The exclusive link of Central Asian countries to the *Northern Route* has also been diminished in the transport sector. International organizations are actively using development aid to promote eastern, western (via the Caspian Sea) and southern routes to transport commodities. In fact, we are witnessing the demise of the northern transport link of the Central Asian region that was established in the 19th century and used throughout the Soviet period, which is bound to progressively weaken Russian influence. In order to counter the negative trends described above, new projects are needed to modernise transport and communication lines leading northward. For now, following the collapse of the project to build the Caspian gas pipeline and the project to modernise the *Central Asia – Centre gas pipeline system*, such initiatives are only being considered in the electric power industry sector, which is clearly not enough.

The crisis in the implementation of the traditional energy priority of Russia's economic policy in the region requires re-

orientation from oil and gas projects to other sectors, which should affect the provision of aid. One alternative is the development of hydro energy and international electricity supply routes.

The second strategic priority for international aid in the region is the water and energy sector, which is also pivotal for the development of irrigated farming and the electric power industry. In this respect, it is important for Russia to be fully involved (through investment, human resources, technology, etc.) in the development of the infrastructure that ensures the energy security of Tajikistan and Kyrgyzstan. It is necessary to build small and medium-sized hydroelectric power plants, develop power grids and other infrastructure, and introduce energy-saving technologies.

Projects to transmit Central Asian electricity to the south (such as *CASA-1000*), despite interest from certain Russian corporations, raise some doubts because the priority in terms of Russia's national interests is the reintegration of the post-Soviet space, including a unified power grid.

Since water and energy projects are very costly, implementing them solely at Russia's expense does not appear to make economic sense. Several Western aid programmes in this sector are under way in the region. **In this respect, initiating a partnership on water and energy problems in Central Asia with European and other donors takes on particular importance.** This above all includes programmes to optimise the consumption of water resources and harmonise the interests of the power industry and agriculture in terms of the water release from dams. However, this partnership should in no way lead to the creation of structures in the water and energy sector that contradict Russian interests in reintegrating the power grids of post-Soviet nations as part of the consolidation of the Eurasian space around Russia.

An effective solution to the water and energy problems in Central Asia is hampered by the political differences between the downstream countries (notably Uzbekistan) and upstream countries (Tajikistan, Kyrgyzstan). The former countries are interested in water being released from dams in the summer when crop fields have to be irrigated, while the latter want water to be released in the winter during the heating season. The disagreements between these countries have created an insuperable obstacle for the construction of major hydroelectric power stations in Tajikistan (*Rogunskaya Hydropower Station*) and the corresponding Russian investments. One way to solve this problem would be for all the countries in the region to sign and ratify an international agreement on the transboundary use of water resources (the *Helsinki Convention*, etc.). Russian aid

should aim, among other things, to find a legal solution to the aforementioned set of problems.

3. Managing migration flows. As noted above, labour migration has currently emerged as the main economic mechanism linking Russia with the economies of some Central Asian countries, notably Tajikistan and Kyrgyzstan. Consequently, aid in developing mechanisms to manage migration flows would be mutually beneficial (this would include the training of managerial personnel, the training of migrants coming to Russia, effective sanitary and epidemiological control, information exchange, assistance in creating databases and effective unified institutions, since there are currently a host of agencies responsible for migration in Central Asian countries).

Unfortunately, the awareness that large-scale labour and educational migration is a key area of social and humanitarian cooperation has yet to sink in to the Russian public consciousness. Government officials, scientists and NGOs tend to either argue that there is no alternative to labour migration if the Russian economy is to continue functioning, or reject the rationale of immigration, regarding it as a threat to national security. However, nobody has approached the issue from the viewpoint of the practicality of foreign policy and stressed that migration is a potential instrument for the government's 'soft power' and its influence abroad.⁸⁶

However, for now the process of migration is poorly managed inside Russia. That is why there is a danger that, instead of being used as a resource for Russia's influence on the Central Asian elite, migration will become a key threat to the security of Russia itself. There is absolutely no consensus among the government bodies of the new independent states in the assessment of temporary labour migration. The Russian authorities do not know how many migrants from Central Asia the country needs. There is no consensus on this issue in society, which is increasingly opposed to immigration, or among the politicians or government agencies.

The flow of both migrant workers and students from Central Asia is closely linked with the use of the Russian language. Consequently, it is necessary to link these flows with the spread of the Russian language. All migrants who come to Russia for temporary employment must have a certain level of command of the Russian language. Upon returning to their own countries, they should spread the Russian language and culture. The positive experience of European programmes for the joint development of host nations along with the countries of migrants' origin could be useful here. **One good idea is to train potential migrants in Central Asia before they come to**

⁸⁶ Chernyavsky S. Russia's 'Soft Power' in Central Asia. Analytical report of the International Relations Institute. Moscow, Moscow University of International Relations, 2012 (in Russian).

Russia. This may be a key area of Russian development aid to the Central Asian states that would meet the interests both of Russia and the countries of the region.

In accordance with mutual agreements between Russia and Central Asian nations, an effective procedure for bringing temporary labour migrants to the Russian market could be developed so that this process would begin in the countries of origin (professional training, studying Russian, choosing the future job, obtaining a Russian work permit, etc.). Much broader opportunities need to be offered for professional retraining (including obtaining a second higher education degree) at the most successful professional (secondary and higher) education institutions, and government support measures must be proposed for employment in Russia on a rotational basis.⁸⁷

In the future, given that the pool of Russian-speaking migrants is being depleted, it will become a priority to intensify efforts to integrate non-Russian speaking labour migrants from Central Asian countries into Russian society, for example, through language and culture study programmes. Over time, these people may form a 'bridge' between Russia and Central Asia and become a resource for Moscow's influence on the Central Asian elite. Therefore, everything must be done to ensure that they become conduits for Russian interests in the region and not a source of various problems inside Russia.

4. Assistance to 'the Russian world'.⁸⁸ Improvements must be made to the mechanisms for assistance to the Russian-speaking diaspora and the representatives of the bilingual ethnic-Russian culture (who are particularly numerous in Kazakhstan and Northern Kyrgyzstan), as well as generally among urban residents and the middle class in Central Asian nations. An obvious example would be France's policy of supporting the Francophone world, especially in Africa, which includes active development assistance.

The post-Soviet period is marked by the long-term trend of the shrinking Russian-speaking population in Central Asia. This is due to natural causes, emigration, reuniting with family members who have emigrated earlier, as well as due to the policy of the ethnicisation of society and the government pursued by regional elites. Most Russian speakers in the region today are either retirees or those who have not left the country but have been to various degrees integrated into the societies of the countries where they live. Their prospects in life, given the mandatory command of the official language

⁸⁷ Ibid.

⁸⁸ 'Russian world' implies a civilised community based on the social and cultural values and experience of ethnic Russians and Russian citizens (including in Central Asia).

of their country of residence, would directly depend on the quality of their human capital.

The table below contains data on the number of ethnic Russians, Russian speakers and Orthodox believers in five Central Asian states. (The figures in Table 9 should be taken with a grain of salt because they are based on expert assessments and the extrapolation of data from old censuses or the authors' estimates – *note by A.A. Kazantsev.*)

Table 9

**Estimated Number of Ethnic Russians, Russian Speakers
and Orthodox Christians in Central Asian States**

Country	Number of Russians (not including representatives of other Slavic peoples), %	Number of Russian speakers or bilingual people, % (estimate by author or other experts)	Number of Orthodox believers (Russian Orthodox Church), %
Kazakhstan	23,7 (1999, census)	95 (2001, expert estimate)	44 (The assessment de facto includes all those who identify themselves as non-Muslims)
Uzbekistan	5,5 (1996, estimate)	14,2	9
Kyrgyzstan	12,5 (1999, census)	More than 40–50 (personal estimate)	20
Tajikistan	1,1 (2000, census)	2–10 (author's estimate)	No more than 1
Turkmenistan	4 (2003)	12	9

Source: CIA site, experts estimate. URL: http://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_cas.html

Since the 19th century, the Russian language and culture have linked Central Asia not only with Russia, but with world culture. Thus, Russian-speaking and bilingual inhabitants of Central Asia (among whom there are many members of the middle class) possess a substantial **cultural capital** (by the standards of the region), which must be supported and parlayed into social and economic capital. **In this sense, the priority in supporting Russian speakers who have stayed in Central Asian countries must be to increase their educational and social capital. And they need to be used as purveyors of Russian business interests and to implement**

other projects in the region.⁸⁹ One model in this respect is South Korea's policy of using the potential of diasporas in Central Asia.

The concept of working with Russian-speaking citizens from Central Asia must also be changed. "After the collapse of the USSR, Russia has paid special attention to the rights of compatriots who have found themselves in newly independent states."⁹⁰ This approach was well justified, for example, in Baltic countries that are EU members (or were formerly candidates for EU membership) and therefore were, according to their official doctrines, rule of law democratic states or were on their way to becoming such. "However, this policy has not been very effective in Central Asia because the political regimes of these states and the social atmosphere do not provide enough room for the deployment of pro-Russian NGOs there. For now, we have no positive examples of the use of diasporas abroad to promote Russian interests. Obviously, the shrinking diasporas of compatriots must be used more carefully, taking into account the specifics of the host country."⁹¹

In the light of the above mentioned facts, it is clear that the emphasis on supporting the rights of compatriots in Central Asia should be shifted to the support of the compatriots themselves, increasing their social, cultural and educational capital, and helping them to implement various projects, etc. A key priority of the Russian government in supporting Russian speakers who have stayed in Central Asia (as well as members of the Central Asian middle class who have command of Russian) may be student migration. **This gives added relevance to the efforts of *Rossotrudnichestvo* in supporting such migration (in particular by granting scholarships).**

4.3. Improving Management and Interagency Coordination: The Role of Rossotrudnichestvo

At present, the main agency that administers Russian development aid is the Ministry of Finance of the Russian Federation. It is responsible for Russian contributions to international organisations and development aid programmes, among other things. **However, it must be kept in mind that promoting Russia's foreign policy interests is not and cannot by definition be among the func-**

⁸⁹ Speech by Y. Yatsenko, President of the Eurasian Heritage Foundation, at the seminar of the Russian Council for International Affairs 'Russia's interests in the Context of Security and Development in Central Asia and Afghanistan', 2011.

⁹⁰ Chernyavsky S. Russia's 'Soft Power' in Central Asia. Analytical report of the International Relations Institute. Moscow, Moscow University of International Relations, 2012 (in Russian).

⁹¹ Ibid.

tions of the Ministry of Finance. Due to the intersection of financial and foreign policy problems in development affairs, a situation arises where the strictly financial approach of the Ministry of Finance to the issue is not conducive to promoting Russia's foreign policy interests through the mechanisms of development aid. At present, the Ministry of Finance is primarily interested in having exhaustive reports on the transfer of money. It is therefore easier for it to transfer money to multilateral organisations to finance international development programmes. The Ministry of Finance does not have the ability to scrutinise the corresponding programmes for compliance with the goals of promoting Russia's foreign policy interests. Nor does it have mechanisms for choosing the aid instruments that would best contribute to the implementation of Russian priorities. Indeed, such priorities have yet to be formulated.

The result is that Russian aid to Central Asia is being delivered on an ad hoc basis. Even its overall volume is unknown because there is no coordinating structure. Needless to say, the policy for cooperation with international organisations must be adhered to and developed, since this is how Russia maintains its status as a great power and a responsible member of the international community. However, foreign aid must also be used as a mechanism for promoting Russia's national interests, most notably in Central Asia. The Ministry of Finance does not, by definition, have the resources to address this task. Therefore, it needs the assistance of other agencies, above all the Ministry of Foreign Affairs.

In addition to Russian economic agencies, aid to Central Asian countries is a matter of particular interest to military and security bodies, above all the drug control service. Obviously, the problem of drug trafficking cannot be resolved without rendering economic assistance to the Central Asian nations that are most actively involved in drug smuggling via the *Northern Route* from Afghanistan to Russia.

International regional organisations to which Russia is the main contributor financially are closely involved in the process of providing aid to Central Asian states. They include above all the *CSTO* (which provides assistance in training personnel and selling weapons at reduced prices or even free of charge) as well as Eurasian economic structures (which provide economic aid).

Finally, delivering aid to compatriots and coordinating Russia's foreign policy interests in providing aid, especially in the post-Soviet space, is obviously a function of the Ministry of

Foreign Affairs of the Russian Federation (through *Rossotrudnchestvo*). Until recently, *Rossotrudnchestvo* was unable to assume the role of development aid coordinator. The proposed invigoration of the agency's work may rectify the situation.

Rossotrudnchestvo is emerging as Russia's key 'soft power' instrument in the modern world. *Rossotrudnchestvo* was formed in 2008 by decree of the President of the Russian Federation, but a similar institution has existed since the Soviet times. During the time when *Rossotrudnchestvo* was headed by Farid Mukhametshin, the key areas of its work were promoting youth cooperation and creating a system and mechanism for the development of Russian people-to-people diplomacy through foreign missions, in particular *Russian Centres of Science and Culture*.⁹²

The key role of *Rossotrudnchestvo* in the future projection of Russian 'soft power' was highlighted in the opening remarks made by President of the Russian Federation Vladimir Putin to participants and guests at a conference of *Rossotrudnchestvo* representative offices and staff on 3 September 2012. The President of the Russian Federation noted that “*Rossotrudnchestvo* and its representative offices abroad are making a substantial contribution to the development of relations with our international partners in the cultural, scientific, economic and information fields... This work is an important component in our country's foreign policy that is being implemented by the Russian Ministry of Foreign Affairs together with other agencies.”⁹³ The President of the Russian Federation also said: “Today, when many states are using a policy of 'soft power' to promote their national interests, *Rossotrudnchestvo* and its representative offices have an increased role and responsibility in creating an objective image of our country abroad and strengthening its authority and influence.”⁹⁴

The meeting was also addressed by Prime Minister of the Russian Federation Dmitry Medvedev who, among other things, said: “The strengthening of our country's positions around the world and the promotion of our national interests through humanitarian means are some of the government's key priorities. Today, the humanitarian dimension is coming to the forefront internationally. And indeed, *Rossotrudnchestvo*, having been created four years ago, must become a key instrument of 'soft power'. The influence a state wields depends in many ways on its ability to promote and export its na-

⁹² Studneva Y. The Ministry of Foreign Affairs and the Public Chamber Discuss 'soft power' Resources // International Affairs. December 13, 2011. URL: <http://interaffairs.ru/read.php?item=8129>

⁹³ Putin V.V. *Rossotrudnchestvo* has a Substantial Impact on Relations with International Partners // United Russia party official site. September 3, 2012. URL: <http://www.er.ru/news/2012/9/3/putin-rossotrudnchestvo-sushestvenno-vliyaet-na-otnosheniya-s-mezhdunarodnymi-partnerami> (in Russian).

⁹⁴ Ibid.

tional cultural values and language. We are essentially talking about a special resource of international leadership directly linked with human potential.”⁹⁵ These statements by the heads of state and government show that they support the link between foreign aid and Russia’s ‘soft power’ advocated in this report.

Minister of Foreign Affairs of the Russian Federation Sergei Lavrov has also stressed the need to turn *Rossotrudnichestvo* into a key instrument for projecting Russia’s ‘soft power’. “Undoubtedly, there is still much that needs to be done... to make more effective use of the entire range of ‘soft power’ instruments through *Rossotrudnichestvo*.”⁹⁶ **And the Minister of Foreign Affairs stressed the need for a nexus between ‘soft power’ and instruments of economic influence (for example, development assistance, which is particularly relevant for Central Asia):** “What we regard today as our concrete objectives follows from the presidential decree of May 7, 2012 ‘*On Measures to Implement the Russian Federation Foreign Policy*’. We are in favour of the agency also being entrusted with powers in matters of international development aid. This *Concept* was approved by the Russian Government long ago. For years we have been advocating the creation of a corresponding mechanism to implement this *Concept*. This is so that the significant aid – including free and preferential assistance – that we provide to various countries in accordance with international standards, above all the CIS states, is more vividly presented to the world public opinion and so that we can use it more effectively in our foreign policy... We expect that the functions of international development aid will be transferred to *Rossotrudnichestvo* not only with regard to CIS countries, as these are powers that it already has. It is important, first of all, that they be backed up with real resources and, second of all, that other regions that are targets of our aid efforts be coordinated from a single centre.”⁹⁷ The idea proposed by Sergei Lavrov was finally implemented in the spring of 2013. *Presidential Decree No.476* dated May 8, 2013 granted *Rossotrudnichestvo* the functions to render government services and manage state property in matters of bilateral international development aid.⁹⁸

⁹⁵ URL: <http://www.archive.government.ru/stens/20531>

⁹⁶ Speech by Minister of Foreign Affairs of the Russian Federation Sergei Lavrov at a meeting of the heads of Russian science and culture centres and representatives of the Federal Agency for the Affairs of the CIS, Compatriots Living Abroad and International Humanitarian Cooperation (*Rossotrudnichestvo*). Moscow, September 3, 2012. URL: http://www.mid.ru/brp_4.nsf/0/47E841E7BC37D79844257A6E00413D0D (in Russian).

⁹⁷ Ibid.

⁹⁸ Decree of the President of the Russian Federation No. 476 dated May 8, 2013 ‘On the Federal Agency for the Affairs of the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation’. URL: <http://www.base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=146145> (in Russian).

The key area of *Rossotrudnichestvo*'s work is the post-Soviet space, particularly Central Asia. One of the agency's tasks is to develop cooperation in education, which is particularly relevant in the context of Central Asia because of the considerable educational migration from Central Asia to Russia and because Russian education is the most competitive in this market. The Russian Federation grants 10,000 government scholarships to foreigners each year. Sergei Lavrov proposed doubling this figure, allocating quotas for compatriots and applicants from CIS countries.⁹⁹

According to plans announced by the Ministry of Foreign Affairs of the Russian Federation, *Rossotrudnichestvo* will also work on the development of Russian language education abroad, another highly relevant area for Central Asia, which has traditionally been connected to world culture through the Russian language and the Russian educational system. Speaking about this matter, the Minister of Foreign Affairs of the Russian Federation said: "I believe that we should actively support *Rossotrudnichestvo*, which together with the Ministry of Education and Science, has been appointed as the state administrator of the *Federal Target Programme 'Russian Language'* in 2011–2015. In accordance with the president's instructions, a draft *State Concept for the Support of the Russian Language Abroad by the Russian Federation* has been developed."¹⁰⁰

The key resource of *Rossotrudnichestvo* is its network of representative offices abroad, above all the *Russian Centres of Science and Culture (RCSC)*. *Rossotrudnichestvo* has the second largest network of offices after the foreign missions of the Ministry of Foreign Affairs of the Russian Federation in terms of the total number and the size of staff, spanning 74 countries. There are 62 RCSCs in 55 countries. Nineteen countries have 24 representative offices that operate as part of embassies.¹⁰¹ However, the staff of all the representative offices of the agency and the RCSCs abroad is just 600 (185 persons seconded from Russia and 415 local staff).¹⁰²

These figures are small in comparison with what other states spend on 'soft power'. In particular, the United Kingdom's *British Council* has offices in 215 cities, mostly world capitals. These offices employ more than 7,000 people and have a budget of \$1 bn. The *Goethe Institute*

⁹⁹ Sergei Lavrov's speech on September 3, 2012. See above.

¹⁰⁰ Ibid.

¹⁰¹ Prospects for Expanding the Network of Russian Science and Culture Centres and Development of the Russian School Abroad Concept. Theses of Konstantin Kosachev's speech at a meeting of ambassadors and permanent representatives of the Russian Federation on July 11, 2012. July 13, 2012. URL: http://www.rs.gov.ru/sites/rs.gov.ru/files/soveshchanie_poslov.pdf (in Russian).

¹⁰² Studneva Y. *Rossotrudnichestvo: 'soft power' Gaining Weight* // International Affairs. September 6, 2012. URL: <http://www.interaffairs.ru/read.php?item=8751> (in Russian).

(Germany) has about 130 representative offices in 90 countries, a staff of about 1,000 and a budget of more than \$400 m. France supports 120 associations in 146 countries, has 800 centres and a budget of \$1 bn. There are branches of the *Confucius Institute* and *Confucius Classrooms* in 850 cities across the world and the figure is to increase to 1,500 by 2015. The United States spends up to 1 per cent of its GDP, i.e. about \$40 bn, on projecting its 'soft power'.¹⁰³

The capabilities of *Rossotrudnichestvo* are limited compared with the similar agencies of other great powers even in the post-Soviet space, including Central Asia. For example, Kyrgyzstan has 100 foreign and 2 Russian NGOs. The situation is even worse in such Central Asian states as Turkmenistan and Uzbekistan.

In this connection, President Putin has tasked *Rossotrudnichestvo* with increasing its cultural and educational presence in the world several times over and by ten times in places where Russia is spoken or studied, including Central Asia.¹⁰⁴ As Konstantin Kosachev noted, the main task of *Rossotrudnichestvo* is to unite and consolidate the 'Russian world', which is much larger than the 30 million compatriots living outside Russia and includes all those who are interested in Russia, its traditions and current state. This number is approximately 300 million. But even that circle can be expanded to include those who have been in one way or another connected with Russia – those who have studied, worked or lived in the country.¹⁰⁵ The expanded interpretation of the 'Russian world' is to be welcomed of course. However, one cannot help but fear that such a broad interpretation may 'dilute' the already limited resources of *Rossotrudnichestvo* instead of concentrating them in such key regions as Central Asia.

Rossotrudnichestvo is planning to open representative offices in 104 countries and have about 150 missions under its jurisdiction by 2020. The humanitarian, cultural, educational and scientific presence will be most actively expanded in CIS countries, including Central Asia, where between 20 and 30 million Russian compatriots live. The concentration of all study programmes in a single place, at *Rossotrudnichestvo*, could be highly effective. Russia offers a total of 210,000 scholarships to compatriots living overseas (*Rossotrudnichestvo* provides just 600 scholarships). Due to a lack of coordination and poor administration, students enrolled at Russian higher education institutions were still waiting for confirmation of their admission in early September 2012, the start of the academic year.¹⁰⁶

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

In the short-term, *Rosstrudnichestvo* faces the task of developing its network of *RCSCs*. The key area is the post-Soviet space, including Central Asia. In accordance with the plan to expand the network of representative offices in 2014, given the necessary budget financing, *RCSCs* are to be opened in Kyrgyzstan (the city of Osh) and Tajikistan (the city of Khujand). However, it is also a cause for concern in this case that more centres are being opened in the European part of the post-Soviet space (three new centres in Ukraine and three in Belarus) than in Central Asia. Meanwhile, the scale of labour migration from these countries to Russia is much less than that of Central Asia and the population there is much more familiar with the Russian language and culture. It should not be forgotten that the study of Russian language and culture in Central Asia has significant practical value. It not only increases Russian influence, but facilitates the integration of labour migrants into Russian society. It should be noted that there are plans to open *RCSCs* as far away as the United Arab Emirates, Iran, Macedonia, Croatia, Nicaragua, Mali, Algeria, Kenya, Guinea, Sudan, Romania and Turkey, among others. However, additional *RCSCs* in Central Asia would arguably do much more to promote Russian interests than the opening of *RCSCs* in, for example, Guinea or Sudan.

Another obvious focus of *Rosstrudnichestvo* efforts in the near term is the development of Russian schools abroad, which is particularly relevant for certain Central Asian countries. A draft concept called *Russian School Abroad* has been prepared by *Rosstrudnichestvo* together with the Ministry of Foreign Affairs and the Ministry of Education and Science, as well as other Russian agencies and the scientific community according to the instructions of the President of the Russian Federation. The concept is aimed at forming and supporting standard models of Russian educational institutions overseas that will use Russian educational programmes.¹⁰⁷

The positive dynamics seen in recent months gives hope that all the priorities mentioned in this section will get stronger ideological support and will be further developed in the new version of the *Concept of Russia's Participation in International Development Assistance*, which *Rosstrudnichestvo* is to submit before the end of 2013, and in the doctrine of the use of 'soft power' that is to be developed.

¹⁰⁷ Ibid.

CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

1. On the whole, Central Asian countries are highly unstable, which makes it necessary to assist them in order to minimise transboundary threats to security. Failing that, the level of instability in the region may increase substantially. Tajikistan and Kyrgyzstan are on the brink of becoming 'failed states'. Internal instability is exacerbated by the existence of clan and tribal structures in all Central Asian nations. Central Asian countries are underdeveloped politically, which contributes to corruption.

2. Central Asian economies depend on the export of commodities. The region is witnessing the processes of 'demodernisation'. All this inevitably results in low living standards (Kazakhstan is to some extent an exception). At present, all Central Asian countries are reporting rapid population growth, with the demographic explosion more characteristic of the poorest countries. This dramatically lowers the ability of the countries in the region to deal with their problems without external assistance.

3. The corrupt nature of the regimes makes foreign aid less effective.

4. The national institutions in the region are very inefficient. This means that all Central Asian nations are highly vulnerable to transboundary risks, above all new threats to security – particularly terrorism and Islamic extremism. These threats emanate from neighbouring Afghanistan. The statehood of some Central Asian nations is under threat.

5. Today Russia is the world's biggest national market for Afghan heroin. Drug trafficking to Russia passes through Central Asia, mainly via the Tajikistan–Kyrgyzstan–Kazakhstan–Russia route. The problem of drug trafficking cannot be solved without Russian aid. And Russia is the biggest world player interested in combating Afghan heroin.

6. Labour migration is a key area of Russia's economic cooperation with Tajikistan and Kyrgyzstan, and to a lesser extent with Uzbekistan. Migration flows are poorly controlled. This also makes Russian assistance to the countries in the region a necessity in order to raise the quality of the labour force arriving to Russia and control migration flows. In the event of major destabilisation in the region, it would automatically affect Russia because it would trigger a new mass influx of migrants.

7. The New Big Game is the reason why many external players use aid not only to promote development and ensure global security, but to further their own national interests through various geopoliti-

cal and geoeconomic projects. Foreign aid is a means of projecting Russian 'soft power' on Central Asia.

8. The risks and uncertainties of the situation in Central Asia are high, which should be taken into account when providing foreign aid.

9. Despite the instability of socioeconomic, political and institutional development and the existence of various internal and external threats to security, Central Asia holds a place on the periphery of the global IDA architecture. However, if the amount of aid is compared on a per capita basis, the interest of international donors, especially to the poorest countries – Kyrgyzstan and Tajikistan – turns out to be fairly high.

10. The density of the donor presence in the region is comparatively low; the number of significant partners is limited. The key players among the traditional donors are the United States, Japan, Germany, Switzerland and the United Kingdom, as well as the European Union as a collective donor; and among multilateral organisations the *Asian Development Bank*, the *World Bank*, the *IDB* and the *Global Fund*. Over the past five years, there has been little change in the structure of the distribution of the proportions in the overall pool between major donors and the distribution of their aid between different sectors, channels and forms. Barring any major humanitarian disasters or political crises, radical changes are unlikely.

11. A key trend in the regional IDA structure that reflects a sustained global trend is the increasing role of non-traditional donors, above all China and Turkey, which are already leading providers of aid to Kyrgyzstan and Tajikistan and have the greatest interest in strengthening their political influence in the region, in addition to Persian Gulf countries.

12. At the same time, Central Asia is not yet a priority destination of donor activities for the majority of players. It is unlikely that the involvement of other players will significantly increase.

13. With the exception of China, all the players implement both country and regional programmes; the majority of donors proceed on the basis of multi-year indicative programmes for a period of many years, which makes financing much more predictable and bolsters their image as reliable long-term partners.

14. All the major donors (with the exception of Russia) operating in Central Asia seek, through their aid, to promote the development of energy resource supply systems via routes bypassing the Russian Federation.

15. The traditional donors channel much of their aid to programmes and projects in the social sectors and in agriculture, actively involving NGOs, whereas China gives priority to the develop-

ment of infrastructure and support for the real sector of the economy, working mainly through state companies and banks and making wide use of 'tied' aid.

16. Unlike the European Union and individual European countries, the United States pays much attention to security issues in its aid strategy for Central Asian republics. However, this difference may become less important in the short-term (due to the withdrawal of the coalition forces from Afghanistan).

17. The regulatory aspects of democracy promotion that are invariably present in aid strategies in the region pursued by European countries and the United States are secondary and give way to pragmatic considerations, especially in matters of trade and security. This situation is unlikely to change any time soon.

18. A reduction in American and European aid to the region due to budget constraints opens up additional opportunities for the Russian Federation to serve as a donor in Central Asia, while the rapid growth in China's donor activities makes it imperative for Russia to take advantage of these opportunities. Chinese credit expansion builds up enormous debts for the Central Asian governments that they will be unable to repay. China will probably use the debts for geopolitical purposes that run counter to the interests of Russian foreign policy.

19. Russian assistance to Central Asian countries covers a wide range of areas and uses various traditional and non-traditional means, although the bulk of these means are not listed as official development assistance.

20. The key obstacles preventing Russia from strengthening its potential as a donor in Central Asia are: 1) a lack of strategic planning (the adoption of ad hoc decisions and a heavy dependence of aid on political feasibility); 2) the insufficient use of potential aid through bilateral channels (the process of building a national institutional system for participation in IDA has yet to be completed. Russian NGOs are underrepresented in the region and Russian legislation does not allow the disbursement of budget money directly to NGOs to implement IDA projects); 3) inefficient information and communication support for donor activities (both inside and outside the Russian Federation).

21. Russia's main interest in development aid is to concentrate this aid in Central Asia and redeploy it to this region from other traditional regions of the world (especially those favoured by the *United Nations*).

22. The fact that Russia has a complicated pattern of foreign policy interests in Central Asia should be taken into account. These

include: geopolitical interests, security interests, geoeconomic and geocultural interests.

23. Kyrgyzstan and Tajikistan are the most promising targets of the policy for strengthening Russian influence through development aid in Central Asia.

24. The most promising areas of aid in terms of promoting Russia's interests are: the reform of the security sector, the enhancement of state institutions, economic aid (especially in matters of transport, energy and hydro energy), assistance in building international power transmission routes, water and energy sector management, migration flow management, and assistance to the 'Russian world'.

25. The current interagency coordination of foreign aid is obviously inadequate. The situation may improve as *Rossotrudnichestvo* emerges as the key agency for coordinating foreign aid.

B. Recommendations

The need to maintain positive dynamics of the Eurasian integration and minimise risks arising from the structural vulnerability of the poorest Central Asian states (in connection with the change in the strategic situation after the withdrawal of *NATO* forces from Afghanistan in 2014) requires adjustments to the Russian policy of development aid in the region. All the changes must be aimed at increasing the 'returns' on efforts made, with such returns to be assessed partly from the point of view of the interests of the Russian Federation in foreign policy and national security. To achieve this goal, a wide range of strategic and instrumental measures need to be taken. To increase the 'returns' it is necessary:

1. *To strengthen Russia's potential for delivering aid through bilateral channels by accelerating the creation of a full-fledged national IDA agency based on Rossotrudnichestvo.* This would lend a new quality to Russian donor activity in Central Asia and increase the effect and coordination of the efforts being made.

2. *To entrust Rossotrudnichestvo with the task of formulating a national aid strategy for the Central Asian region that should consider aid as an instrument for projecting Russia's 'soft power'.* For now, *Rossotrudnichestvo* has been responsible primarily for aid in culture and education, which limits its impact in economic aid and aid in the security sector reform. However, if vested with certain powers to coordinate foreign aid, especially in the post-Soviet space, the agency will be capable of playing a key role in Russia's participation in IDA.

3. *To complement the Strategy with a multi-year development assistance programme to Central Asian countries for the medium-term (2014–2020) by borrowing the successful experience of the European Union and such notable donors to the region as the United Kingdom and Switzerland.* The medium-term programme must clearly state both regional and country priorities, the expected results and the criteria for the effectiveness of the programmes being planned.

4. *To redistribute the finances Russia allocates for IDA on a global scale in favour of the poorest and most vulnerable countries in the region, i.e. Kyrgyzstan and Tajikistan.* The most cost-effective way to do this would be to reduce the amount of aid to countries whose underdevelopment does not pose a direct threat to Russia's national interests (the countries of tropical Africa, Latin America and Southeast Asia). Both the flows of 'pure' bilateral aid and target financing through international organisations, including contributions to the *World Bank* trust funds, can be restructured without increasing the overall amount of aid (approximately \$500 m). This option for the geographical reformatting of the flows of Russian IDA is preferable, considering the signs of a slowdown in Russia's economic growth.

5. *To consider implementing a strategy and medium-term programme of aid to Central Asian countries through an interagency commission that should be supervised by Rossotrudnichestvo (in collaboration with the relevant departments of the Foreign Ministry of Foreign Affairs of the Russian Federation, particularly for Central Asia, and in collaboration with the Third Department of CIS States).* The interagency commission should include representatives of the Russian presidential administration, the Ministry of Finance, the Ministry of Economic Development, the Ministry of Education and certain security structures, above all the Federal Drug Control Service, as well as the Federal Migration Service. The need for such an approach is dictated by the 'fragility' of the poorest countries in the region and the fact that many problems lie at the junction of security and development.

6. *To entrust the interagency commission with responsibility for launching effective mechanisms of interaction with the regional international organisations through which Russia promotes its interests in Central Asia (Eurasian integration structures and the CSTO), as well as the representatives of business and civil society and established multilateral donors such as the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, and the Islamic Development Bank.*

7. *To strengthen the IDA potential of Rossotrudnichestvo, especially with respect to projects, by drafting a government order to*

organise advanced training courses for the agency's staff at leading national higher education institutions that deal with development aid as well as introducing MA training programmes for development specialists. This would help to solve the chronic shortage of skilled personnel, which continues to slow the institutionalisation of Russia's participation in IDA.

8. *To consider introducing amendments to legislation that would involve Russian non-governmental organisations in the areas of healthcare, education, social support, environmental protection, human rights, etc., and to implement development aid projects.* The involvement of NGOs would make it possible not only to diversify aid channels, but would offer greater opportunities for Russia to project 'soft power', both on Central Asia and other regions.

9. *To expand the practice of granting cheap financial and investment loans at below-market prices to the poorest countries in Central Asia through the mechanisms of the EurAsEC Anti-Crisis Fund.* The loans can be financed using the money allocated for loans to the poorest countries (established in proportion to the per capita GNI of the participating nation, and therefore fairly limited) and – if necessary – through the partial redistribution of Russian allocations to the *Anti-Crisis Fund* in accordance with the model tested when a loan was extended to the government of Belarus. It is equally important to devise a mechanism for offering grants to low-income countries for the most significant social projects aimed at maintaining the quality of education, healthcare and social protection.

10. *To shift the emphasis from humanitarian aid to development aid projects to create new jobs in Central Asia.* It is extremely important for Russia to preserve its leadership in matters of humanitarian assistance that it has attained in recent years by strengthening its constructive interaction with the *WFP* and *WHO* as well as by increasing its potential in the direct food and medical supplies through bilateral channels. Humanitarian aid is important for creating a favourable image of Russia in the eyes of the population of Central Asian nations as a partner that is ready to come to the rescue in times of trouble and should remain one of the instruments for projecting 'soft power'.

11. *To prioritise participation in trilateral cooperation projects involving Kazakhstan, which is rapidly increasing its development aid capacity.* Involving Kazakhstan in development projects would not only make them more effective, but would be an additional factor for consolidating the Eurasian space.

12. *In humanitarian matters: in the medium-term to increase the number of quotas granted to citizens of Central Asia – above all*

from Tajikistan and Kyrgyzstan – to study at Russian higher and vocational education institutions by three to five times. It is necessary to conduct a comprehensive review of the results of the activities of Slavonic Universities in Dushanbe and Bishkek and the branches of Russian higher education establishments in Central Asia and consider opening new representative offices based on the results of the review.

13. *To improve the quality of data collection and information support for IDA policies so that recipient countries, other donor countries and people in the Russian Federation have a complete picture of all the initiatives being implemented by Russia, including the debts reliefs, direct investments, assistance to migrants, reductions in customs duties, help to compatriots, etc. As shown in the report, large amounts of Russian aid are poorly recorded in the context of development aid (aid through the Ministry of Finance is primarily taken into account).*

It is advisable to consider *launching a single electronic information resource* (such as the US website *foreignassistance.gov*) that could collect all the information on Russian aid programmes and projects through various channels. In addition, Russian ministries and agencies should pay particular attention to providing information to the government structures of Central Asian nations that are responsible for gathering data on foreign aid (such as the State Committee on Investments and State Property Management of the Republic of Tajikistan). The information should be made available in full and in a timely manner so that the volume of Russian aid provided over a ten-year period does not turn out in 'local' reports to be significantly less than the volume of aid provided in a single calendar year, not only in actuality but in the data officially reported to the *OECD*.

It is necessary to stress the role of Russian aid for strengthening internal security (by lowering the risk of the spread of extremism and drug trafficking), reducing the flow of migrants from Central Asian republics, etc.

14. *Aid to Afghanistan, which primarily aims to create new jobs, needs to be intensified. Such aid would pave the way for the transition to an alternative path of development and shift the economy's orientation from the production of opiates to other sources of revenue. An unquestioned priority in this area should be the restoration of the industrial facilities built by the Soviet Union as well as investing in the mining and hydropower industries and the construction of railways.*

15. *As President of the G8, Russia should initiate activities aimed at preventing conflicts and combating state fragility at the interna-*

tional level. If approved, such an initiative would attract additional financial resources from major donors to the most vulnerable Central Asian republics and contribute to the development of a new agenda on development problems after 2015.

The organisational measures proposed in this section may dramatically increase the effectiveness of the Russian development aid policy even in the short-term. Then, over the next two to four years, it would be necessary to intensify aid and focus it in the areas indicated in this report.

If Russia is able to bring order to – and increase – the assistance it provides to Central Asia within the next five years, it will enhance its influence in, and bring stability to, the region. If not, we can expect the growth of new transborder threats to security and the weakening of Russian influence, primarily due to the increased influence of China.

Russian International Affairs Council

