

## MDGS IN CENTRAL ASIA AND THE SOUTHERN CAUCASUS

This is a summary of key issues on the Millennium Development Goals (MDGs) in Central Asia and the Caucasus. The background study prepared by ADB will discuss during a regional MDG forum on 19-20 July 2007 in Bishkek.<sup>1</sup> The Forum is jointly sponsored by the Government of Kyrgyzstan, the Asian Development Bank, UN-ESCAP, and UNDP<sup>2</sup>.

In 2004 the Asian Development Bank (ADB), United Nations Development Program (UNDP) and the United Nations – Economic and Social Commission for Asia and the Pacific (UN-ESCAP) engaged in a regional partnership to accelerate progress towards accelerating the achievements of the Millennium Development Goals (MDGs) in Asia and the Pacific. The partnership will support monitoring MDG progress, raising awareness and develop capacities and improving policies and institutions for achieving the MDGs. Major activities are regional reports, technical papers, MDG data base improvement, and dissemination and advocacy.<sup>3</sup>

In 2006 the three organizations decided to move the MDG agenda forward by preparing regional roadmaps for MDG achievements and discussing them in regional workshops for South Asia (November 2006 in Katmandu), Southeast Asia (March 2007 in Hanoi), and Central Asia and Southern Caucasus (July 2007 in Bishkek). This paper, written under the supervision of the ADB, provides the background for the Central Asia conference.

The analysis of this paper focuses on the countries of the Caucasus (Armenia, Azerbaijan, and Georgia), the Central Asian Countries (Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), Mongolia, and includes a special section on Afghanistan.

The objective of this report is to raise awareness about the MDGs, institutional issues, regional issues, and MDG 8; enabling participating countries to learn from each other and from neighboring countries. Linkages with neighboring countries and regions such as China, India, Iran, Pakistan, Siberia and Turkey will be briefly touched upon.

### ***Transition and the Initial MDG Environment***

Under the Soviet period the Central Asia and the Caucasus Region (CACAU) countries had relatively high achievements in the areas that are today covered by the MDGs. These were challenged by economic collapse after following the disintegration of the Soviet Union since the early 1990s. During the initial phase economies shrank significantly while adjusting to the new situation with the loss of markets and funding from the planned economic system. In many countries the drastic declines in gross domestic product and trade, the imposition of tough budget constraints, and the degrading economic and social infrastructure all contributed to a reduction in the well-being of their citizens. With marked declines in real wages, reduced access to health services, and declines in other determinants of human development, and the faltering social protection system, poverty became more widespread. Most countries started to grow again in the new millennium with the resource rich countries (Kazakhstan, Turkmenistan,

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<sup>1</sup> The conference will be attended by government and other stakeholder representatives from Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tadjikistan, Turkmenistan and Uzbekistan, as well as the Peoples Republic of China, Iran, Mongolia, and Russia as observers. Donors and development institutions will also participate in the conference.

<sup>2</sup> For information on the administrative arrangements for the Bishkek MDG Forum, please contact Mr. Eugene Gherman of UNESCAP at [gberman.unescap@un.org](mailto:gberman.unescap@un.org). For more information on the conference, please view the ESCAP MDG website (<http://www.mdgasiapacific.org/>) and the MDG page in the ADB poverty site (<http://www.adb.org/poverty/mdgs.asp>).

<sup>3</sup> For further information on the MDGs and the tripartite partnership see <http://www.adb.org/poverty/mdgs/adb-unesap-undp-partnership.asp> and <http://www.mdgasiapacific.org/>.

Azerbaijan) already achieving economic output levels higher than during the Soviet period. However, growth has often not been pro poor, and in the poorer economies (such as Kyrgyzstan and Tajikistan) income and social poverty remains widespread.

During transition many of the systems existing have undergone major reforms or stopped functioning. This is true for both the provision of utilities to the citizens as well as for social services. From the mid 1990s most of the countries in CACAUR started to reform the social systems with a focus on pension reform, and initiating reforms in the health and education systems. Users started to pay for utilities under newly established systems, but the systems are still weak and typically far from recovering cost. The initial equal income distribution has changed significantly alongside the transformation, and no longer contributes to lowering the poverty rates.

In the CACAUR countries targeting the poor is more difficult than in other parts of the world as there is a less clear profile of the poor. Poor are living in both rural and urban areas, with in general secondary town showing the highest rates of poverty. Likewise with the generally high education attainment, lower education attainment of individuals does not necessarily translate into higher poverty rates of that group.

Coming from a similar starting point in the early 1990s by now the CACAUR countries are increasingly diverse in living conditions. Political approach to development; such as in Turkmenistan and to a lesser degree Uzbekistan, have been successful in maintaining more of the Soviet period systems protecting their citizens from the economic shock to a greater degree than in countries that embraced reforms right away. However, the sustainability of this approach broadly ignoring market forces in certain areas of the economy remains to be seen.

### ***Need for Redefining MDGs for the Region***

The governments of the CACAUR region have embraced the Millennium Declaration to accelerate and secure peace and democratization, show better results on development and poverty reduction, enhance environmental sustainability, and strengthen global partnership in the new Millennium. However, when the countries nationalized the MDGs in national MDG and poverty reduction strategies it became apparent that there is a need to redefine the MDGs in the CACAUR region.<sup>4</sup>

The debate to define the level of income poverty in the region has not been concluded. There is agreement that the international level of USD 1 is too low and either USD 2.15, or USD 4.30 vulnerability level, or national poverty lines are the most relevant when measuring income poverty.

In education the general attainment of primary education was achieved during the Soviet period. The achievement of general secondary education and increasing the percentage of young people with tertiary education are more relevant in the region with the quality and relevance of the education for the labor market other concerns. Gender equality in education is different from country to country, with Tajikistan, Azerbaijan, and Uzbekistan having lower attainment for girls than for boys, this is the reverse in other countries and especially in Mongolia.

In health the focus is not on tropical and communicable diseases except for tuberculosis, but on the general increased mortality rate and on child and mother health including nutrition, and on the faltering supply of clean drinking water in many areas. All this can be associated with the

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<sup>4</sup> While UNDP helped preparing national MDG reports for nearly all countries in the region, ADB and World Bank supported the formulation of poverty reduction strategies. MDG and poverty reduction strategies are closely interlinked.

lower standards of health care system compared to the Soviet period. However, access to improved sources of drinking water, is less of an issue than the quality of the drinking water. After many years of intensive farming in arid areas, and neglect of the drinking water systems the quality of water from improved sources mostly does not meet drinking water standards.

Slums are not as problematic as in other parts of the world, as CACAUR has few large cities, and the need for housing due to the climatic conditions in general prevents the establishment of temporary shelters. Likewise, the creation of national parks, and the forest cover are less relevant indicators in arid and sparsely populated countries that are farmed much less intensively than tropical countries. The economic downturn, has very positively affected the level of CO<sub>2</sub> production and air quality, as many of the heavy industries of the Soviet period were not economically viable under the new conditions. The main concerns regarding the sustainable environmental development are land management for pasture land and water management for irrigated agricultural land.

### ***Quantitative Information: International Standards and Administrative Data***

In some areas policy makers are faced with difficult decision making processes owing to the poor quality and availability of MDG relevant data. There are several factors contributing to this. During the Soviet period the statistical system was geared towards a planned economy focusing on administrative data relevant for that system. This method of extensive data generation partially broke down during the transition and partially lost its relevance. The statistical offices still have low capacity and resources to adapt to the new situation and survey data are only recently becoming more relevant in data generation. The changes in systems and the transition with the introduction of new currencies make the generation of time series extremely difficult.

This report as other reports on MDGs in the region will use all available data to give policymakers the best possible information. However, for a few years to come for most countries policy makers will still have to operate in a situation of incomplete information until the statistical systems have fully adapted to the new situation.

The area of MDGs in most urgent need of more reliable data is probably the Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS) indicator. Estimates on the prevalence of HIV/AIDS vary widely, and policymakers can only notice the presence of all risk factors for the spread of the disease, but have very little evidence of the status of the disease.

The 1990 baseline as proposed in the millennium declaration is unsuitable for the CACAUR region. In 1990 the social and infrastructure development indicators for transition countries were higher than other countries at comparable incomes. However, they were quickly eroded during transition, and only with the resumption of growth during the second half of the 1990s or for some countries in this millennium, those indicators have started improving again. The 1990 baseline thus hides the improvements since the indicators hit their lowest levels.

### ***Achieving MDGs in Central Asia and the Caucasus***

The CACAUR countries have drawn up detailed programs for growth and poverty reduction for the medium and long-term. Effective implementation of these programs is essential to achieve pro poor growth and effective poverty reduction. However, the linkages between programs and budgeting processes are still weak. Even for resource rich countries, implementing the programs while avoiding the resource curse will be a major challenge. The region has already achieved some MDGs particularly those related to carbon emissions, primary education and partly also drinking water and sanitation. Major problems remain in income poverty, access to

tertiary education, HIV/AIDS and forest coverage. It is worrisome that some countries such as Georgia, Kazakhstan, Kyrgyz Republic and Turkmenistan show regressing and slow trends (see table).

### MDG Achievement in Central Asia and the Caucasus

	Afghanistan	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Mongolia	Tajikistan	Turkmenistan	Uzbekistan
Percentage of Population Below USD 2.15	N	R	E	R	R	E	S	E	R	R
Percentage of Children Severely or Moderately Underweight	O	A	N	A	A	E	R	N	N	N
Percentage of Population Below National Poverty Rate	N	O	E	S	A	R	S	E	N	S
Gross Primary Enrolment Rate	E	S	R	R	A	A	A	A	R	A
Education, Primary Completion Rate	O	E	A	S	E	E	A	A	N	A
Gross Secondary Enrolment Rate	S	S	O	S	O	O	E	R	R	O
Ratio of Girls to Boys in Primary Education	S	A	A	R	A	A	A	S	N	A
Ratio of Girls to Boys in Tertiary Education	O	S	A	A	R	R	O	R	N	S
Child Mortality Rate	R	E	E	S	E	E	O	E	A	E
Maternal Mortality Rate per 100 000 Live Births	O	O	E	R	O	R	O	O	O	R
Incidence of TB per 100 000 People	A	R	A	A	R	A	A	A	R	A
HIV/AIDS Prevalence Rate	N	A	N	R	R	A	A	R	N	R
Forested Land Area as Percentage of total Land Area	A	R	S	S	R	R	R	S	S	A
Protected Land Area as Percentage of Total Land Area	S	A	A	A	A	A	A	A	S	A
Carbon dioxide Emissions, Metric Tons per Capita	A	R	A	A	R	A	A	A	R	A
Population Without Access to Improved Drinking Water	S	A	O	S	E	R	S	O	N	O
Population Without Access to Improved Sanitation	N	S	N	N	N	A	O	S	N	R

#### Methodology:

The following classification of achievements for the MDG indicators have been used:

**Achieved: if the indicator is achieved.**

**(E) Early Achievers: if the MDG target is not yet achieved but is estimated to be achieved at least within two thirds of the remaining period from the last measurement until the target year (2015 for most countries and 2020 for Afghanistan). The estimation used the time gap approach comparing the actual achievements with the necessary achievements for reaching the respective goals.**

**(O) On track: if the target is estimated to be achieved from two thirds of the time remaining to one and one third of the time remaining until the target year.**

**(S) Slow: if the time gap for achieving is more than one third of the time remaining after the target year.**

**(R) Regressing: if the indicator is moving in the wrong direction.**

**(N) No Data: if there is fewer than two measurement points.**

For indicators that require increasing or decreasing only the categories Achieved, Regressing, Slow or No Data are used (Forested Land Area as Percentage of Land Area, Protected Area as Percentage of Land Area, and Carbon Dioxide Emissions in Metric Tons per Capita). Slow refers to the situation where the indicator did not change over the observed period. For these indicators the comparison is made from the base year to the current year. For indicators that require halting of the disease only the categories Achieved, Regressing, or No Data are used (Prevalence of TB per 100 000, and HIV/AIDS Prevalence Rate). For these indicators the rates of the last two data points are used.

Cut off values are used that indicate achievement of the indicator and eliminate statistical uncertainties especially when dealing with rates close to zero or hundred percent. If the cut-off value is reached for the purposes of this publication the indicator is considered achieved.

To generate the table, the year of the lowest GDP has been used as the base year for all countries except Afghanistan to eliminate the effect of the economic downturn after the fall of the Soviet Union (Armenia 1993, Azerbaijan 1995, Georgia 1994, Kazakhstan 1995, Kyrgyz Republic 1995, Mongolia 1993, Tajikistan 1997, Turkmenistan 1997; Uzbekistan 1995). The target year for all countries except Afghanistan is 2015. For Afghanistan the base year used here is 1990 and the target year the target year for the MDG strategy 2020. If data are not available for the base year the next following year has been used. Only in cases with only two data points have years before the year with the lowest GDP been used to calculate progress.

Regional cooperation has been recognized as important mechanism to stimulate growth and several organizations were established. However, the effects of this still remain to make impact on the ground. Likewise, those countries that became members of the World Trade Organization (WTO) still have no significant benefits from membership as long as neighboring countries are not members. Many CACAUR countries have large sections of the population

migrating to find work, and several countries rely to a significant degree on remittances from migrant workers. However, so far these have not translated into growth of domestic economies.

While the region has achieved full primary enrollment since many years, achievement of general secondary education, making tertiary education more affordable for the poor and relevant for labor market needs, are of higher concerns for the region. Particularly investing in labor market relevant education including more focused vocational training and adult learning and retraining are seen as vehicles to stimulate growth, in combination of efforts by governments to improve the business environment for small and medium enterprises.

Special attention needs to be given also to the non-income poverty indicators in the health, social protection and environment sectors. Particularly mother and child health is worsening, and HIV/AIDS, tuberculosis and hidden hunger in early childhood development are emerging as new concerns.

Since independence, the governments in the region have processed a number of policies relevant to improvement of municipal and social services, including enhanced poverty alleviation, decentralization, cost recovery, and private sector participation. The governments have also stressed the importance of the rural sector as a significant contributor to the economy. But sector reforms need to be continued and linked to the public administration reform and budgeting processes. The reforms need to be realistic and well sequenced to be efficient. Decentralization in particular is seen as the most efficient means of improving delivery of social services, and access to utilities. In these areas there is a chance to learn from the experiences of Eastern Europe which has undergone similar reform processes already.

As the general education reform is progressing, governments turn attention to important but long-neglected preschool-age children. For example, Kazakhstan made one-year preschool education compulsory and free in early 2000 as its financial situation improved. Before independence, CACAUR countries had comprehensive child care and kindergarten systems often financed and managed by state enterprises. Disappearance of these enterprises left a huge vacuum of early child care and education: the state had no financial capacity, and parents were poor and inexperienced in child care. Therefore, now the majority of children enter primary school unprepared. As a result, the first grade has to serve as preschool, adding burden to already crowded basic education curriculum. Child mortality worsened or stagnated, and micronutrient deficiencies that could cause irreversible cognitive damage became prevalent to alarming degrees. However, reestablishing the state run system would not be the solution, as the government would not be able to sustain, nor is such inflexible system desirable.

There is also an urgent need to upgrade and expand the municipal services. CACAUR countries are suffering from poor municipal services, including water and sanitation, power and heating. Consumers incur significant time costs and inconvenience in coping with these poor services; many collect water from rivers, irrigation channels, and wells.

### ***Special Focus on Afghanistan***

Afghanistan is emerging from a prolonged period of upheaval and civil war. As the CACAUR countries, attainment of MDGs was significant before the war. However, today Afghanistan is the poorest countries in the region and still needs to rebuild a functioning government system. After the rule of the Taliban, educational attainment has dropped significantly especially for girls. Municipal services are hardly existent and will need a complete rebuild. However, there is a chance for regional cooperation especially with the countries that share the common languages which are Tajikistan and Iran, but also with Pakistan.

## ***Regional Dimensions and Aligning to Country Needs***

The infrastructure in the Soviet period was planned to serve one country and after the breakup of the Soviet Union the CACAUR countries struggled to adjust their infrastructure to the new situation. While most of the adjustment has been done, now is the time to start thinking about the regional dimension of infrastructure development, opening transport corridors to improve regional trade as well as reaping in the benefits of regional migration such as the movement of cotton pickers to Kazakhstan, and opening corridors to India and China.

While public funding for the social sector is still available – albeit at a smaller scale – donor support has diminished and focuses more and more on infrastructure and growth-related sectors, as the initially reform friendly; policy changes in the social sectors have been substantially reduced over the recent years. At the same time, champions for social policy in the Governments are becoming less influential. The combination of these developments is challenging the achievement of MDGs.

There is great potential to address cross-border environmental poverty especially in Central Asia. All countries critically depend on good water and land management, which in the past has been lacking and led to the Aral Sea ecological disaster, that also affects several countries. There is also the potential to initiate cross border cooperation in power generation and distribution including the neighbors to the south and east. Enhanced regional trade through regional transport networks (both rail and road) linking to the neighboring countries and reducing cross-border impediments and enhancing in-country transport efficiency are also important.

Donor assistance should be aligned with national development strategies such as the national poverty reduction and development and the national MDG strategies. Donors should support the relevant government strategies as well as promote regional cooperation. However, the capacity to absorb aid is a severe restriction to development in most countries, already resulting in less development assistance being provided to CACAUR countries and donors moving towards the provision of infrastructure which has less immediate effects for the achievement of the MDGs.

For the resource rich countries (Azerbaijan and Kazakhstan) the donor role still needs to be redefined especially for the international financial institutions. Value-added approaches to support key government objectives particularly in developing a healthy and vibrant private sector environment will increasingly become important.