

EDUCATION IN APPLIED ECONOMICS IN CENTRAL ASIA:
PROBLEMS AND OPPORTUNITIES

I. M. (Mac) Destler
March 17, 2000

This report is in response to USAID/CAR's request that I survey the state of economics, business, and public policy education in Central Asia. I am grateful to Gary Linden for suggesting the project, and to Gary, Mission Director Glenn Anders, Tom Morris, and Marcus Johnson for their advice and support. Many others provided help and assistance on specific countries, and they are recognized in the Appendices (A-E) which accompany this report. I must, however, thank Vivian Walker, Gavin Helf, Harriett Destler, and Steve Schmida for their overall advice and comments on earlier drafts.

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I. Introduction

This final report is in fulfillment of Purchase Order 115-0-00-00-00035-00 dated December 6, 1999, under which USAID/Central Asia called upon me to conduct an assessment of . . . university-level economic, business and public policy education possibilities in each of the five Central Asian Republics. From that date through early March 2000, I visited general and specialized institutions in each country, and consulted also with experts engaged in the educational reform process. What follows is a description of what I did, what I found, what conclusions I drew, and what steps USAID might take in this key area of national and regional development.

The premise of this study is that prosperous market economies depend on professionals--in business and in government--who know how markets operate and how to increase national productivity through private entrepreneurship and supportive government oversight. As James W. Fox put it in his recent report to USAID/Central Asia, The critical issue is not to produce a few economists with world-class capabilities . . . but to create a large number of people with basic understanding of economic principles and the capacity to apply them to local circumstances.² Professional education is an obvious means to the end, and probably the most effective means.

To learn about the situation on-the-ground, I paid over 50 visits to 47 degree-granting and training institutions in eleven urban areas: twelve (12) institutions in Kazakhstan, seven (7) each in Kyrgyzstan, Tajikistan and Turkmenistan, and fourteen (14) in Uzbekistan. To each I posed a broad range of questions: about students and faculty, tuition and salaries, subjects taught and jobs-for-graduates sought, libraries and computers, corruption and reform. In selecting these forty-seven from the much larger number of possibilities, I sought advice and assistance from USAID staff, USIS, Soros and Eurasia foundations, IREX, and others with expertise. Inevitably, though, my exposure to Central Asian higher education has been more broad than deep, and the conclusions are based on my qualitative judgement, subject to revision as more information comes to light.

In addition to this overall report, I have prepared (1) a summary of findings and recommendations and (2) attachments for each of the five countries. I also stand ready to answer questions and provide further information and assistance.

1. Professor, School of Public Affairs, University of Maryland; Fellow, Institute for International Economics.

2. USAID Economic Strategy in Central Asia, Draft, November 10, 1999, p. 7. In addition, he added, This may raise the level of public debate on economic issues and play a constructive role in better economic policies in the longer term.

II. Higher Education in Central Asia: Deterioration and Reform

In the course of my research, I met many committed Central Asian professionals and a number of true educational entrepreneurs. Their work offers grounds for hope, and provides USAID reformer allies to work with. But notwithstanding their efforts, the general state of higher education in Central Asia is abysmal. Universities are seriously underfunded, a product of severe cutbacks in public spending since the breakup of the Soviet Union. One result is that the level of most professors' basic salaries is extraordinarily low: as little as \$5-10/month at state universities in Tajikistan and Kyrgyzstan; less than \$100/month just about everywhere except the leading private universities in Kazakhstan.³ Another effect is that buildings are run down and poorly heated--the state universities in particular.

Corruption is widespread, including the selling of admissions and grades. It seems particularly severe in Turkmenistan, which has arbitrarily limited the size of entering university classes (inflating the under-the-table value of admissions), but in all countries students appear able, at many institutions, to buy good grades from professors or deans. This undercuts the credibility of degrees issued by these institutions. The problem, by all accounts, predates the collapse of the Soviet Union, but I encountered a widespread belief that it has worsened since independence. The situation seems particularly bad at the national universities that are supposed to be, and may once have been, the centers of academic quality.⁴

Two reforms have served to mitigate these effects. One is the licensing of private universities that charge tuition--in Kazakhstan, Kyrgyzstan, and Tajikistan, in descending order of their prevalence. The second is authorizing state universities (in all save Turkmenistan) to charge tuition also: to admit contract (paying) as well as budget (state-financed) students. These reforms give new energy and resources to higher education, and seem to reduce corruption by creating legitimate markets for higher education services. Both represent substantial change from the Soviet norm--that the state was responsible both for providing higher education and for funding it.

This combination of deterioration and reform has produced a melange of institutions, some quite entrepreneurial, that offer higher education in applied economics.

3. Apparent exceptions also are American University in Kyrgyzstan and Technological University, Dushanbe. (Salary numbers are based on information conveyed orally during interviews.)

4. An exception is the University of World Economy and Diplomacy (UWED), perhaps the best institution of higher education in Uzbekistan. It was founded in 1992, and is under the authority of the Ministry of Foreign Affairs, not the Ministry of Education.

III. Institutions with Economics/Business Programs: Four Basic Types

Most of the programs within the scope of this study are in business, management and finance. It is here that the major institutional and curriculum innovations have taken place. By contrast, this survey uncovered no true public policy (as opposed to public administration or management) programs in the region. There are institutions specializing in economic education: KIMEP in Kazakhstan is an innovative example; Tashkent State Economic University (TSEU) and Turkmen Institute of National Economy had their origins in Soviet times.. But as the following lists and examples will show, the interesting Central Asian education in applied economics is found mainly in business and/or management schools or programs.

The 47 institutions visited fall into four categories, with some inevitable overlap. The first, and most promising overall, consists of 15 public and private institutions that are both specialized and licensed to offer academic degrees, listed in rough order of quality and reform potential. (*Table I*)

The second type of institution is the university within which economic and business education is a component--frequently a priority, but nested in a broader curriculum. I visited 21 of these. They divide, in turn, into two types: comprehensive universities, and specialized universities. (*Table IIa/b*)

I. *Specialized, government-licensed economics/business/management schools & universities. (*denotes private)*

KAZAKHSTAN

*Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP)

*Adilet Law School#

*Kazak-American College, Ust-Kamenogorsk

*International Academy of Business (IAB, formerly Almaty School of Management)

*International Business School (IBS, formerly at KazGAU)

*Turan University (also teaches law)

*[Akmola] Institute of Management, in Astana
Kazakh State Academy of Management (KazGAU)

KYRGYZSTAN

Academy of Management under the President

*Academy of Finance and Management

TAJKISTAN

*Tajik Institute of Management (TIM), in Kairakkum

TURKMENISTAN

Turkmen State Institute of National Economy (TINE)

UZBEKISTAN

Tashkent State Economic University (TSEU)

International Management Training Center (IMTC),
Samarkand##

Tashkent Institute of Finance

#Not a business school, but visited (and listed here) as a model of a new, economically viable private institution providing educational quality.

##This is a TACIS-supported center that aspires to offer a master s degree program. It currently provides training and management consultation. Shareholders are the Samarkand Cooperative Institute (71%) and Samarkand State University (29%).

II. *Economics/business programs in universities:*

a. *General universities*

KAZAKHSTAN

Al-Farabi Kazakhstan State University (KazGU)
East Kazakhstan State University, Ust-Kamenogorsk
[Eurasia University, Astana]#

KYRGYZSTAN

*American University in Kyrgyzstan (AUK)
Kyrgyz-Russian Slavic University
*International University of Kyrgyzstan (MYK)
Osh State University
Kyrgyz State University

TAJIKISTAN

Tajik-Russian Slavonic University
Tajik State National University
Khojand State University

TURKMENISTAN

Magtymguly Turkmen State University (Texas A&M
Joint Business Program)

UZBEKISTAN

University of World Economy and Diplomacy
Samarkand State University
[Tashkent State University--not visited]

#Despite several communications, I was unable to schedule an appointment during my visit to Astana. I did talk with two of its faculty members at a meeting with IREX alumni, and one Peace Corps Volunteer teaching there.

b. *Technical or specialized universities*

KAZAKHSTAN

East Kazakhstan Technical
University, Ust-Kamenogorsk

TAJIKISTAN

*Technological University#
Tajik Technical University
Tajik State University of Law,
Business and Politics, in Khojand

TURKMENISTAN

Turkmen Agricultural University
Turkmen Polytechnical Institute

UZBEKISTAN

Tashkent State Technical
University, Faculty of Business
Management
Samarkand State Institute of
Foreign Languages##

#In form 50-50 government-private;
in practice mostly the latter.

##This institution, under a highly
entrepreneurial rector, does not
currently offer a business management
degree program but seeks to establish
one on the foundation of its language
programs. It currently houses a
business incubator operation.

A third type of institution is found in the countries that have lagged in licensing private universities: Uzbekistan and Turkmenistan. There is what economists would call a revealed market for business education and training programs not met by established (state) institutions. The evidence is that students (or their parents, or their employers) pay for business-education programs that seem honest (in offering a reform curriculum and demanding student performance) even though they are not (yet) authorized to issue academic degrees. In Turkmenistan, where the official economics institute seems singularly stagnant, and the Education Ministry weak vis-a-vis a dominant and willful Presidency, they may offer the main hope for reform. In Uzbekistan, the central government has been resistant to licensing private institutions but permissive toward them, and local governments have sometimes been strongly supportive, particularly in the cases of the Progress Center and the government of Karakalpakstan.

These institutions offer full-time, degree-like programs (or aspire to), but are also likely to run training programs for mid-career officials or employees of private industry. Some of them they also run English language programs, which can offer an economic (and student) base for the business education activities. I visited five of these schools. (*Table III*)

Finally, there are institutions that do not offer multi-year academic programs but are entirely devoted to mid-career training. In some cases, they may in fact grant a Master's degree for a one-year (or 14-month) program. But their target is government officials or private employees around thirty years of age who are already in clear professional tracks. The word upgrading is often used to describe their activity. They are normally outside the jurisdiction of education ministries. In several instances, they are the creatures of reform-minded Presidencies. I visited six of these institutions. (*Table IV*)

These categories are anything but water-tight. Turan University in Kazakhstan, listed as a business school (Category I), has a minority of students specializing in law. Technological University in Dushanbe (Category II) falls on the other side of the line, with 40% of its students taking economics/business courses. FIMI is innovative and yet-to-be-licensed, like the schools in Category III, but it differs from them in that it caters entirely to mid-career professionals. And many institutions offer the mid-career training that is the hallmark of

III. *Innovative (yet-to-be-licensed) programs:*

TURKMENISTAN

Interbank Center for Staff Training at the Central Bank of Turkmenistan#

*Economics and Business School (housed at Turkmen Polytechnic Institute)

UZBEKISTAN

* Progress Center Business School, Nukus

*International Business School Kelajak Ilmi at TSEU

*Samarkand International Business School at Samarkand State Architectural and Civil Engineering Institute

#This is authorized for training, but not yet for its plans to develop bachelor-level degree programs.

IV. *Training centers serving mid-career practitioners#*

KAZAKHSTAN

Academy of Civil Service under the President of the Republic of Kazakhstan

TURKMENISTAN

*Small and Medium Enterprise Development Agency

UZBEKISTAN

Academy of State and Social Construction Under the President of the Republic of Uzbekistan
Banking and Finance Academy of the Republic of Uzbekistan

*Regional Bank Training Center

*Ferghana International Management Institute (FIMI)

#This list is limited to institutions that do not have pre-career programs for university-age students.

Category IV. Two of a number that combine degree programs with short retraining courses for private industry, banks, and governments, are the International Business School in Almaty, which does substantial work with the World Bank Institute, and the Academy of Finance and Management in Bishkek, which has found a niche training government specialists dealing with business bankruptcies.

Nevertheless, the basic distinctions are useful. As a general rule, the government-licensed specialized institutions (I), and a few programs within the general and technical universities (II), offer the strongest partnership potential for USAID and others seeking to strengthen education in applied economics. In Uzbekistan and particularly in Turkmenistan, however, these are rare, and the strongest forces for reform are generally the innovative but unlicensed programs (III) and the mid-career training centers (IV).

IV. Problems

In addition to the chronic problems of underfunding, physical deterioration, and corruption alluded to earlier, economics and business programs face daunting difficulties.

Weak economies, weak business environments. Business and economics programs everywhere are undercut by the weakness of the national economies. This affects how much tuition they can charge, the working relationships they can develop with local and multinational business, and the jobs available for their graduates. There was an apparent tendency for course specializations targeted at producing future entrepreneurs to shrink relative to those useful for employment in government or banking--reflecting the poor private job market. The situation is made worse by unsupportive national economic policies (Turkmenistan, Uzbekistan), civil unrest (Tajikistan), excessive and corrupt regulation of business (everywhere) and spreading poverty (everywhere, particularly visible in Kyrgyzstan and Tajikistan).

Limited libraries, poor textbook availability. Teaching materials (textbooks, readings, locally-relevant cases) are in egregiously short supply almost everywhere. Teachers who visit the West on training programs often bring textbooks back with them, but the number of copies is usually too few for them to be broadly available to students. Some professors have written post-Soviet textbooks but lack funds to get them published. There is frequently a language problem, since most of the good material on economics/business is in English, which most students and professors cannot read. Compounding this is the post-independence emphasis on the five national languages and the extreme lack of appropriate publications in Turkmen, Uzbek, Tajik, Kyrgyz, or Kazakh. One unfortunate result has been to reinforce the old pattern of teaching--students spending up to 40 hours a week in the classroom listening to professors talk (presumably from outdated lecture notes), with little time reading, or thinking, or speaking for themselves.

Central Asian universities have been cut off from their old (Moscow-centered) life-support system, which brought teachers on the periphery up to date on substance, methods, etc. And despite multiple teacher training efforts by USAID, TACIS, the World Bank and other, nothing comparable has replaced it. (Potential exceptions are two institutions built on a new link to Moscow: Kyrgyz-Russian Slavic University and Tajik-Russian Slavonic University. They were created by inter-state agreements and offer degrees said to be recognized throughout the former Soviet Union. They have quickly risen to the top tier of universities in Bishkek and Dushanbe, respectively. One non-trivial reason is that Moscow funds professors' salaries, which have been several times higher than those at the old state universities.)⁵

Lack of regionally-relevant case materials. Business school teaching in the West relies heavily on the case method, which draws on real-life economic experience and puts students in hypothetical situations faced by business practitioners. Central Asian educators recognize this need, and have taken steps to remedy it--one example is the short cases developed by the International Management Training Center in Samarkand. (cite other examples--Turan? IAB?) But much, much more is needed.

Limited access to technology. Potentially, the revolution in information technology offers an answer to the textbook/materials problem. Through the world-wide-web, it offers a rapidly-expanding storehouse of materials at a fast-falling price. But most institutions are poorly connected. Few faculty members have regular access to computers or *email*, or the worldwide web. For students, matters are worse. Extreme examples are Khojand State University, with 8 PCS for 1010 economics students--or Osh State University, with 9 (12 more coming) for 500 business students, and the university's connection to the web several blocks away from where its faculty sits. Adilet, or Turan, or IBS do better. So does Technological University in Dushanbe, where students tout the fairness of having exams taken (and graded) on computers. Still, nowhere does access come close to US norms. This is mainly a problem of money, though it is exacerbated by weaknesses in regional telecommunications infrastructure and (in some countries) by government efforts at control.

Frequently-demoralized faculties. With all these problems, it comes as no surprise that faculty morale is seldom very high. With monthly salaries (in dollars) usually at double-digit levels, most must find other sources of income. Many honest professors therefore teach full-time at their home universities and part-time in others, leaving little time for research or curriculum reform. Of course, large numbers have had the one-time benefit of training visits to Europe or the United States, particularly in the fields of economics and business. But as a recent World Bank evaluation concludes, these have not led to effective institution-building: Local training capacity created by the WBI . . . in the CARs is largely fragmented and lacks

5. With the plunge of the ruble in 1998, these salaries dropped also, and the Kyrgyz-Russian Slavic University lost some professors to a new Turkish university.

sustainability.⁶ And with conditions as they are, it is no surprise that some of the brightest young faculty, after exposure to the West, leave the universities for better paying (and otherwise more rewarding) jobs with foreign governments, NGOs, or international agencies.

Poor regional connections. The regional academic network is very weak. Deans who once looked to Moscow now look to America and Europe for faculty training and support and advice on curricula, not to Central Asian peers. Students study mainly in their home cities or regions (except for those fortunate enough to fly off to advanced industrial nations). Professors don't network very much across national lines, or even within nations. Few professors in Osh get to Bishkek during a given year: one reason is that the round-trip airfare, recently raised to \$53, is equal to several months' basic salary. But beyond this, the habit of cooperation seems underdeveloped. In Ashgabat, for example, there is little communication among the leaders of the three innovative business education programs.

Unsupportive governments. In general, ministries of education appear to act as barriers to higher education reform, not sources of support for it. There is wide variation within the region--in Turkmenistan, where reform has gone least far, the Ministry is particularly weak in the face of a Presidency that micromanages admissions and arbitrarily slashes the number of entering students.⁷ In Uzbekistan, the President speaks strongly about education and the new Minister of Higher Education is viewed as a force for reform, but promising private schools go unlicensed. Kyrgyzstan is home to an innovative institution (the American University of Kyrgyzstan) that has Presidential support, but a reformist Minister of Education was forced out after meeting resistance above and below. Kazakhstan has done better--it has licensed numerous private universities (including some that did not merit it, and are now being closed), and its President has personally endorsed Adilet Law School and the Kazak-American University in Ust-Kamenogorsk--and, of course, KIMEP.

Of course, the job of education ministries is anything but easy. They have modest and oft-shrinking budgets, deteriorating physical infrastructure, and faculties trained in the old ways. Priority may go--and perhaps should go--to shoring up primary and secondary education institutions. But there is also a rigidity about change expressed in reluctance to sanction constructive experiments within systems where some venerable, long-licensed institutions are deeply corrupt within.

6. Raj Chhikara, WBI Operations in the Central Asian Republics: A Strategic Review, World Bank Institute, June 1999 (processed), p. 11.

7. The President's office rejected the entire class of fifty freshman selected to enter the new business program at Turkmen State in September 1999, on grounds that the young people (chosen for English competence and general potential) lacked direct business experience--there were also complaints about faculty children on the list. As of February, there was still no freshman class, although a new group was reportedly nearing final approval.

So the problems are broad and deep. The good news is that change is taking place, programs are being developed, and there are real opportunities for USAID to catalyze this process.

V. Some Good News

With all the above difficulties, the reform challenge seems daunting. Fortunately, there are positive forces with which agents of change can align.

An emerging education market. The cloud of state poverty has yielded a silver lining: a revealed readiness of parents (and employers) to pay for university-level education, at least at the bachelor's level, particularly in fields likely to bring the student much-enhanced earning power. In all Central Asian nations save Turkmenistan, state institutions now charge tuition to around half their students, with annual rates for undergraduates ranging from \$100+ at Osh State to about \$500 at Bishkek's Academy of Management to \$1300 at Kazakh State and \$2000 at Kazak-American College.⁸ In all capitals save Ashgabat and Tashkent, Ministries of Education have licensed private universities, all of whose students pay (and/or receive financial aid). This new practice of charging money has brought new resources into education. It has presumably reduced corruption (by reducing the amount of free goods for which officials can exact a price).

Among the leading practitioners of this new educational economics are the new private institutions in Almaty: Adilet Law School, Turan (the first private university in Kazakhstan), and two respected business schools: the International Academy of Business (IAB, formed from the old Almaty School of Management) and the International Business School (IBS, formerly within the Kazakh State Academy of Management). Both Adilet and Turan have recently founded branches in Astana. Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP), a reform leader in its Master's of Economics and Business Administration, and recipient of major US and European aid, is privatizing and hopes to build a financially-sustainable future on income from paying undergraduates. American University in Kyrgyzstan (AUK) combines hefty tuition with financial aid for half its students; Technological University in Dushanbe supplements tuition with income from textiles and crafts that it produces. And in the north is Tajikistan's first licensed private university, the Tajik Institute of Management (TIM), a lead sponsor and participant in Students in Free Enterprise (SIFE) competitions.

These programs vary widely in size. Many are quite small: TIM has a total of 185 students, and IAB, reaching for quality, has less than 100 students each in its master's and bachelor's

8. KIMEP charges \$2750 for Master's tuition, but only 25% of students pay it. (These tuition figures, like the salary figures quoted earlier, are based on information provided orally in interviews.)

degree programs. KIMEP, however, has been awarding 200 Master's degrees a year. And Turan, with 3700 students, is the largest private university in Central Asia.

Educational entrepreneurship. As these examples suggest, Central Asia boasts a significant number of educational entrepreneurs, exemplified perhaps by Camilla Sharshekeeva, an English teacher from Kyrgyz State who has been the driving force behind AUK. But they are not limited to the more policy-advanced countries. In Uzbekistan, an experimental Faculty of Business Management is being maintained within Tashkent State Technical University, the unaccredited International Business School Kelajak Ilmi has been built at Tashkent State Economic University, FIMI has been organized in Ferghana, the International Management Training Center established at Samarkand, and, as impressive as any, the Progress Center Business School created by Lily Lagazidze at Nukus.

Even in Turkmenistan, there is entrepreneurial life. The joint Turkmen State-Texas A&M Bachelor of Business Administration program suffered a severe blow when the President's office vetoed all 50 of the students chosen to enter last September. But over at Turkmen Polytechnical Institute the entrepreneurial woman who heads the economics department has created an autonomous, self-financing Economics and Business School. And the Director of the Central Bank has plans to turn its Interbank Center for Staff Training, step by step, into a university that will admit and educate students based on merit.

The English connection. KIMEP, of course, has been a pioneer in offering its courses in English. And some of the most promising economics/business programs have actually grown out of English language programs. Business is the most popular major at the American University of Kyrgyzstan (AUK), which originated from an English program at the state university. The Progress Center Business School in Nukus, Uzbekistan, is built upon the foundation of an after-hours English program for primary and secondary school students, and this program is its source for both students and (at the margin) funding. The Kelajak Ilmi school in Tashkent and the Economics and Business School in Ashgabat also see English as a basic part of the curriculum. And the highly successful rector of the Samarkand State Institute of Foreign Languages has plans to open a business degree program this year in cooperation with Oklahoma State University.

With English becoming the language of international business, and many Central Asian business students aspiring to work for multinationals, this emphasis makes eminent substantive sense. It is also helpful for US programming. The Peace Corps in Uzbekistan, for example, has made business education its priority, but it finds its most severe constraint in the limited number of students who can benefit from courses taught in English.

The local connection. Though most of the strongest economics and business programs are in Almaty or national capitals, a number of them are outside. The Samarkand International Management Training Center is one example; others include the Tajik Institute of Management in Kairakkum and the Faculty of Business and Management at Osh State

University, Kyrgyzstan. And some have strong local political support. The Deputy Prime Minister of Karakalpakstan is considered the father of the Progress Center, and the Kazak-American College has strong backing from leaders in Ust-Kamenogorsk.

The CAMAN connection. Finally, though ties among professors and institutions are generally weak, there are significant bridge-building efforts. One is the new *Central Asian Journal* published at KIMEP at the beginning of 2000; another has been the summer faculty training courses conducted for several years by the same institution; a third is national and regional competitions of Students in Free Enterprise, with strong backing from such institutions as Turan University and the Tajik Institute of Management. Perhaps the most ambitious attempt to bring together educators in applied economics has been the Central Asian Foundation for Management Development.

CAMAN⁹ is an organization of about 50 institutions across Central Asia with interest in business education. By rough count, 40 members are actual providers of education--the rest are a smattering of firms, small foundations, and business development centers. CAMAN was established in 1994 on the model, and with the support, of the European Foundation for Management Development. Its leader and entrepreneurial force is its President, Assylbeck Kozhakhmetov. It is based at the International Academy of Business in Almaty, of which Kozhakhmetov is also President. Active members have included KIMEP, Turan, East-Kazakhstan Technical University, the Academy of Management in Bishkek, and the Institute of Management at the University of World Economy and Diplomacy, Tashkent.¹⁰ Full members pay \$400 a year in dues; associate members pay \$200. The revenue covers one-third of CAMAN's annual expenses, with grants covering the remainder.

CAMAN aims to be both promoter and standard-setter for business education in Central Asia--it has developed an accreditation system for MBA programs, for example, modeled on that of the European organization. It holds two meetings a year--a membership conference, and an educational training event. In 1999, the latter was a summer school for teachers that took place August 3-10 at Issyk-Kul, Kyrgyzstan. For its faculty, CAMAN drew upon a respected St. Petersburg management school. Of the 45 teachers who attended, 10 were from Uzbekistan, 7 from Kyrgyzstan, one from Tajikistan and the balance from Kazakhstan. A report on it--including participants' evaluations of the faculty and administration--appears in the 11/99 issue of [CAMAN Herald], a quarterly, Russian-language journal that

9. As exemplified also by KIMEP, acronyms for Central Asian organizations do not adhere slavishly to the initials in their official names.

10. Seventeen of the 47 institutions I visited are members. The lack of a stronger correlation reflects two facts: (1) that Kazakhstan is over-represented in CAMAN but under-represented in my research and (2) that some institutions with good business/management programs are not CAMAN members. Notable among the latter are the International Business School (IBS) in Almaty, the American University in Kyrgyzstan (AUK), the Tajik Institute of Management (TIM) and the Progress Center in Nukus.

features educational and management issues. Through the journal, and monthly communications with members, CAMAN also provides members with information on professional opportunities in the region and beyond.

Participation in the summer school reflected the tilt in CAMAN's membership--a recent list of 51 includes 28 from Kazakhstan, with 11 Uzbek, 7 Kyrgyz, 3 Tajik, and 2 Turkmen. Since its issuance, Tajik membership has dropped to two and Turkmen to zero. CAMAN leadership is well aware of the membership imbalance, and interested in ways to redress it. On the other hand, the organization has done very well recruiting Kazakh members from across the nation (half are outside Almaty), and fairly well in eastern Uzbekistan and northern Kyrgyzstan. Given resources, there is more CAMAN could do both to broaden its membership and to enrich the benefits thereof. What it has already done is not trivial.

To sum up, Central Asian higher education has deep troubles. It is not currently meeting the need to train the rising generation in the essentials of how a market economy works. But while this report has underscored problems, it has also pointed to strengths, and hence possibilities. There is enough interest in the region, and enough educational entrepreneurship, to offer a base on which to build a program for change.

VI. Recommendations

When hopes for a quick Central Asian transition to advanced-industrial-nation living standards were stronger, there was an argument for low priority to higher education. The populations were literate. Independence and deregulation would unleash new entrepreneurial energy. And educational reform has but gradual impact, as the new generation first learns, then rises. If economic reform would initially yield rapid results without it, dynamic new economies would emerge which would, in turn, generate pressure for new educational programs to meet new market needs.

But with such hopes now in remission, the case grows stronger for aid to higher education in applied economics. The rising generation needs *understanding* of what a market economy entails, so as to broaden the constituency for thoroughgoing reform. It needs the entrepreneurial *attitudes* and technical *skills* to make it work, so that reform can be exploited to the maximum. There are individuals and institutions today that are working to make education market-relevant in Central Asia. A well-conceived, carefully targeted program of aid can reinforce their efforts, connect them better to one another, and build a community for ongoing change.

There are problems that aid cannot address--the generally abysmal salaries of university teachers, for example, or the plethora of unheated and decaying buildings. Nor does money

by itself necessarily make things better.¹¹ Furthermore, USAID is only one of many donors involved in this sphere: the World Bank, the Open Society Institute (Soros Foundation), TACIS, the Eurasia Foundation (funded principally by USAID), and the Asian Development Bank are among those who have provided substantial support. USIA and its counterparts are also deeply involved in higher education. Within the sphere of economics and business education, the World Bank Institute, TACIS, and Eurasia have been particularly active.

In a world of deep institutional problems, resource scarcity, and multiple donors, what should USAID do? This report suggests top priority to measures that can strengthen applied economics education and market consciousness *across the region* by building up the professional community and enhancing the resources available to it. In addition, useful steps can also be taken to help selected institutions, strengthen faculties, and press for improved national education policies.

A. Region-Wide Initiatives

A Central Asian Reservoir of Information and Expertise. Individual economics and business programs have strikingly similar needs: textbooks and related readings, case studies relevant to their countries and Central Asia as a whole. They also need to know what other schools are doing: how curricula are being reshaped, how students are being taught and tested, what syllabi are being used for courses in microeconomics, macroeconomics, finance and credit, management, marketing, etc. Understandably, they tend to look to America and Europe for models. But while connections with advanced industrial nations are valuable, they are expensive and hard to sustain. Moreover, the rich and voluminous case literature used in business education abroad is insufficient to prepare students for business realities in Central Asia. Institutions here need to pool their resources to deliver an ever-better, ever-more-relevant educational product.

Fortunately, what the situation demands modern technology makes conceivable. *USAID should sponsor and underwrite creation of a Central Asian Economics and Business Educational Resource Center.* It should be based in Almaty, which has the strongest group of applied economics programs. It would have partner institutions throughout the region, including a few that would act as focal points in their respective nations and would serve on an advisory committee. And it would be, in particular, a *virtual center*, developing a website--or a set of linked websites--where curricula, textbooks, articles, case studies, and other material of professional interest would be made available to participants, as well as

11. One cannot assume that universities or higher education ministries will use new money wisely, or even honestly. Witness the words of one Central Asian interviewed: The previous Minister built a very nice house on a small salary. If you want the current minister to build a nice house, please give a grant to the Ministry of Education.

information about new publications, conferences, useful websites around the world, etc. Materials would be available in Russian and English.¹²

Individual institutions would subscribe not by paying a fee, but by committing themselves to the sharing of educational materials--they would give as well as get. The Center would also have resources to develop new materials: for example, to underwrite articles and case studies and publish them on the website. At the most wired institutions, students would be able to access the website and pull down readings and cases for course use. At others, faculty would be the predominant users. The basic goal would be to leapfrog the problem of antiquated reading lists, expensive textbooks, small libraries, etc., by exploiting information technology whose availability is increasing and cost is plummeting.¹³

There would be problems. All institutions will, at the outset, view regional cooperation as second best to relationships with American or European partners. Some institutions will no doubt be reluctant to share their expertise. Those most in need of the resource will likely be least able, technologically, to tap it. So the Center--or USAID separately, perhaps in cooperation with other funders--might also fund computers and webtime at selected institutions, particularly those outside the national capitals.¹⁴ The need would be to provide sufficient money to the Center to make it a vibrant operation and its resources something that no self-respecting faculty of economics or business would want to do without.

Stronger Connections Among Central Asian Institutions. The Center would be the capstone of a broader USAID effort to build links among applied economics educators in the region. The existing regional organization--CAMAN--should be an integral part of this effort. *CAMAN should be given the opportunity to house the proposed Center, though other Almaty institutions should be invited to bid also; at minimum the Center should have some cooperative association with CAMAN, and not become a rival.*¹⁵ USAID should also be receptive to other funding proposals from CAMAN aimed at expanding membership, and increasing the benefits thereof by enhancing its programs and institutional capabilities.

12. Those institutions that wished also to post materials in Uzbek, Tajik, etc., would be free to do so, but since the Center's goal would be to develop a regionally-accessible resource, it would not normally subsidize development of materials in the national languages.

13. Staffing would include one local substantive expert and one computer/web expert. Advisers from the west and Russia would be engaged on a TDY basis, with follow-up via email and the web.

14. The Eurasia Foundation, already quite active in support of business and economics education, might be encouraged to make grants for this purpose--as it already has to some degree.

15. It would be good if the International Business School, not currently a CAMAN member, could play an important role. KIMEP and Turan, as the strongest and largest business programs in Almaty, respectively, should also be prominently involved.

Another way to promote ties is for bachelor s level graduates of some institutions to attend master s programs elsewhere, especially across national boundaries. *USAID should therefore fund fellowships (perhaps 10-20 to start) for graduates of other institutions to enter the KIMEP masters programs in economics, business administration, and public administration.* A majority of recipients should come from schools outside Kazakhstan. Some should specifically be allocated to fledgling, currently unlicensed programs (Category III in Part III of this Report) such as the Progress Center Business School in Nukus and the Economics and Business School housed at the Turkmen Polytechnical Institute. Recipients might be required to return to these institutions after they earn their master s degrees to teach and aid in curriculum development for a specified period (perhaps two years) or to engage otherwise in home-country professional activity that promotes development of market economies.

An Enlivened Intellectual Climate. A further means of building a strong professional community in applied economics is to support business and economics-centered activities and competitions. Some already exist: Junior Achievement and Students in Free Enterprise (SIFE) are active in the region, and modest amounts of money could increase their visibility and multiply participation. For example, *USAID might make a commitment to send five winners of the Central Asian SIFE competition to the United States for the world championship in each of the next five years.*¹⁶

Intellectual activity could also be rewarded--and publicized. *USAID could fund competitions and prizes for best essays* analyzing national and regional economic and business problems--and policy choices for dealing with them. There could be a contest for bachelor s level students, one for master s level students, and one or several for junior and senior scholars. The panels that judged the competitions would need to combine, initially, professionals from the region and expatriate experts.¹⁷

In connection with such competitions, or as a separate activity, USAID could follow Jim Fox s recommendation to fund *economic research focusing particularly on obtaining basic facts* about the effects of policy and institutional conditions on the way in which economic actors operate. Much is poorly known about how Central Asian economies actually work--why, for example, small businesses have not grown faster or become more prevalent. Economics students could interview some of the few who succeed and the many who fail--

16. This would also be a way for USAID to connect to institutions--TIM in Tajikistan, Turan in Kazakhstan--that have been particularly active in SIFE.

17. The official sponsors of competitions should, if possible, be regional professional organizations rather than USAID, though USAID funding would of course be publicized.

emerging with important, if not always happy, stories to tell professors and policymakers. This might pay substantial dividends at low cost.¹⁸

Another promising area of activity is *promotion of broad dialogue on economic policy*. The countries of the region badly need serious, professional, public debate about economic conditions and what government might do about them. *Universities, academies, and institutes should be invited to submit funding proposals for conferences, working groups, etc., centered on prominent societal problems that economic analysis can illuminate.*

Finally, there is a need to *encourage good economic journalism*. In particular, grants might be made to support--or distribute--magazines on economic topics that seek broad regional audiences. *AKIPress*, published in Bishkek, is one example that should be encouraged.

B. Support for Institutions and Faculty Members

USAID should complement these region-wide initiatives with selective support of innovative, entrepreneurial institutions in each country. There is need to strike a balance: to build and reinforce excellence, but to avoid helping individual institutions in ways that undercut and demoralize other worthy programs. As a general rule, institutions given special help should be *private or at least semi-autonomous*. They should have *good and dedicated faculties*. They should have *demonstrated market appeal to both students and employers*. They should be *well-regarded by national governments*. They should *do a significant portion of their teaching in English*, or aspire to do so. And they should be *honest*, and committed to remaining so.

The country appendices to this report offer detail on institutional strengths and weaknesses. What follows is a brief discussion, by country, of applied economics programs that deserve particular consideration.

Kazakhstan. This is clearly the country in which applied economic education is the most developed. The most prominent and successful institution has been KIMEP, and USAID support there should continue.¹⁹ However, USAID should pay more attention than it has to the market impact of that support on the competitive strength of other good institutions, particular the International Academy of Business and the International Business School

18. Fox, USAID Economic Strategy in Central Asia, p. 7.

19. USAID should also encourage the prospective collaboration of KIMEP and Adilet, with the former teaching economics to law students and the latter giving law courses to economics and business students. And KIMEP's plans to multiply its undergraduate population will pose a challenge to IBS with its relatively large bachelor's program, and to Turan as well.

(IBS).²⁰ *USAID/CAR should monitor the competitive balance in Almaty's business education marketplace, and look for ways to help other good institutions maintain their quality and viability.* One way of balancing matters might be for IAB and IBS to play particularly strong roles in the proposed Central Asian Resource Center and other region-wide initiatives.

SIFE and student essay competitions might be led by Turan, the private institution with the largest undergraduate body. And they should certainly invite participation of students at Kazakh State Academy of Management (KazGAU), which will soon be home to a major business education and training program funded by Japan International Cooperation Agency. Finally, if USAID wishes to nurture programs outside of Almaty, among those that deserve consideration are the Akmola Institute of Management in Astana, Turan University's new branch there, and Kazak-American College in Ust-Kamenogorsk.

Kyrgyzstan. The most promising institution overall is American University in Kyrgyzstan, primarily an undergraduate college with a large proportion of business majors and aspirations to expand master's level education. It is already receiving very substantial assistance from the Soros Foundation and a USIS grant supporting a cooperating relationship with Indiana University. USAID should consider specific support to its business program, together with efforts to connect it to the regional business education network.

The best present focal point for regional collaboration is the Academy of Management under the President, a post-independence state institution with master's programs in business and public administration and a recently-established undergraduate business program. Their interest in launching a new Master's in economics deserves a serious look. In southern Kyrgyzstan, Osh State University has a dynamic business school dean who would likely put aid to good use; in addition, the Academy of Management has established a branch there. Other Bishkek institutions with significant strengths (all established since independence) are Slavic University, the Academy of Finance and Management, and International University of Kyrgyzstan (MYK).

Tajikistan. Here civic unrest has compounded the standard array of problems, but there are surprising signs of educational life. Most successful, it appears, has been the quasi-private Technological University, a young institution which has, by its account, been able to draw on business earnings to pay decent faculty salaries and computerize more than most. The Tajik Institute of Management, in Kairakkum, has successfully launched a bachelor's program and offers considerable future promise. Among the general universities in Dushanbe, the Slavonic University is the most impressive--its access to Russian resources has allowed it to build a relatively strong faculty and student body. Tajik State National University is poor and

20. One reason why IAB has had difficulty expanding its MBA offerings, for example, is that aid to KIMEP allows that institution to provide generous financial aid to most of its MBA students.

deeply troubled, but has an entrepreneurial dean of economics and management and houses centers for academic publication and business training, respectively. And the state technical university is working to connect economics and engineering expertise.

Turkmenistan. Here the state institutions' inherent weaknesses are exacerbated by arbitrary government decisions about how many students will attend university and who those students will be. And Turkmenistan is alone in the region in neither licensing private institutions nor allowing state universities to charge tuition. The Interbank Center for Staff Training at the Central Bank of Turkmenistan, however, could prove successful in its aim of building an undergraduate program: it deserves USAID support, specifically for its current effort to strengthen its faculty in accounting. The Economics and Business School (housed at Turkmen Polytechnic Institute) is another entrepreneurial enterprise that merits watching and judicious assistance. So might be the International School of Business Management at Turkmen State University, in the (currently unlikely) event that it can establish the authority to admit qualified undergraduates.

Uzbekistan. The best current institution is probably the University of World Economy and Diplomacy under the Foreign Ministry. It is new and relatively well-funded, offering a Bachelor's in international economic relations and a Master's of Business Administration. A promising experimental program is the three-year Bachelor of Business Management degree (founded with the help of a Malaysian firm) at Tashkent State Technical University: freshmen at universities across the nation compete each year for 100 openings: it operates with a small core staff supplemented by Peace Corps volunteers, and modest help could offer significant returns. In Samarkand, the TACIS-funded International Management Training Center connects several economics and business programs there, and is a logical cooperating partner for the Resource Center proposed here. The Tashkent State Economic University (TSEU) is a mixed bag. Its leadership is well-connected at home and abroad, and it is viewed by the Education Ministry as the natural pace-setter in economics educational reform, but it is not well funded and seems home to substantial corruption within.

The most interesting challenge is posed by the unaccredited business schools. The government has not licensed private universities, but several are operating anyway, with some success. The Progress Center Business School in Nukus merits support. The International Business School *Kelajak Ilmi* housed at TSEU deserves serious consideration.

Strengthening faculty. Central Asian universities need faculty members that understand market economies, can bring students to share that understanding, and are decently rewarded. They need to have, within them, a rising cohort of young teacher-practitioner-scholars who exemplify the new approach and lead in its development and implementation. Visiting foreign professors can help; so can Peace Corps Volunteers. But the core must be home-grown.

Aid organizations (WBI, TACIS, USAID) have done much to expose senior faculty to market economics. The Muskie program is one of a number that have provided opportunities for talented younger university teachers. Often, however, they return to experience frustration inside academia and new opportunities outside it that are more rewarding professionally--and economically. The universities' loss may be the broader societies' gain, but higher education suffers nonetheless.

USAID could profitably focus its training activities in applied economics education on younger faculty. It could, in particular, *invite institutional applications to train teachers in Central Asia and beyond that: (1) committed the trainees to return to their schools to teach for a fixed period; and (2) committed their institutions to provide decent pay and an open, attractive work environment.* These could be limited to institutions selected for special attention, or they could be open, in principle, to all economics and business programs.

C. Policy Reform

Last but assuredly not least is the thorny issue of national policies toward higher education. With money in short supply, it is hard to motivate old faculties or to recruit and train new ones. Assuming that public resources will remain severely limited, national governments must encourage more private resources to flow into education. This is particularly appropriate in fields of study where successful students can anticipate ample market rewards after commencement.

Marketization. Governments can *encourage further marketization of higher education* by (1) *licensing more private universities;* and (2) *allowing more paying customers at state universities.* This gets money into education on top of the table, undercutting the practice of those who control admissions selling free slots at universities to the highest bidders. And it encourages innovative educators to develop programs for tomorrow's needs, not yesterday's. It also, of course, can encourage the unscrupulous, and bad institutions have certainly been licensed in Kazakhstan, the country that has led in privatization. But the answer is an expeditious and merit based review process conducted by forward-looking professionals.

In Turkmenistan, policy on this dimension is so negative that it makes significant USAID investments in economics education highly problematic. In that country, and in Uzbekistan, *USAID should explore the possibility of linking assistance to innovative private institutions to their licensing by government authorities.*

Freedom of Choice. Finally, universities need to open up their curricula, gradually introducing more student choice *within* as well as *among* specializations. Everyone who opts for finance, or management, or marketing, should not be required to take the same identical program. And as text materials and readings become available, Central Asian universities

need to reduce, sharply and steadily, the amount of time their students spend in the classroom. There are better ways to learn, and certainly better roads to creativity, than for students to listen hour after hour to professors who themselves are spending too much time in class, repeating old knowledge, and not enough time out in the world gathering new knowledge.