

**THE IMPACT OF FOREIGN AID ON THE ECONOMIC GROWTH OF CENTRAL ASIAN COUNTRIES (analytical review)**

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This study explores the relationship between foreign financial aid and economic growth in Central Asian countries. Foreign aid is viewed as a critical resource for promoting long-term growth by addressing key challenges such as infrastructure, healthcare, and education. However, the effectiveness of aid remains contentious, with critics arguing that it may foster dependency, corruption, and inefficient use of resources. Central Asia, comprising countries like Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan, has received substantial foreign financial aid since gaining independence following the dissolution of the Soviet Union. While some scholars suggest that foreign aid has positively impacted the economic growth of Central Asian nations, others argue that it has had minimal or even negative effects. This study emphasizes the importance of evaluating not only the amount of aid but also its effectiveness, with a particular focus on the role of institutional quality in determining the success of aid in promoting sustainable economic development.

**Keywords:** foreign aid, economic growth, Central Asia, dependence, corruption.

**ВЛИЯНИЕ ИНОСТРАННЫХ ИНВЕСТИЦИЙ НА ЭКОНОМИЧЕСКИЙ РОСТ СТРАН ЦЕНТРАЛЬНОЙ АЗИИ (аналитический обзор)**

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В этом исследовании изучается взаимосвязь между иностранными инвестициями и экономическим ростом стран Центральной Азии. Иностранные инвестиции со стороны зарубежных государств рассматриваются как критически важный ресурс для содействия долгосрочному росту путем решения таких ключевых задач, как инфраструктура, здравоохранение и образование. Однако эффективность помощи остается спорной, поскольку критики утверждают, что она может способствовать зависимости, коррупции и неэффективному использованию средств. Центральная Азия, включающая в себя такие страны, как Казахстан, Кыргызстан, Узбекистан, Таджикистан и Туркменистан, получила значительную зарубежную финансовую помощь с момента обретения независимости после распада Советского Союза. В этом исследовании подчеркивается важность оценки не только количества помощи, но и ее эффективности, с особым акцентом на роль институционального качества в определении успеха помощи в содействии устойчивому экономическому развитию.

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**Ключевые слова:** иностранные инвестиции, экономический рост, Центральная Азия, зависимость, коррупция.

**ШЕТЕЛДІК ИНВЕСТИЦИЯЛАРДЫҢ ОРТАЛЫҚ АЗИЯ ЕЛДЕРІНІҢ ЭКОНОМИКАЛЫҚ ӨСУІНЕ ӘСЕРІ (аналитикалық шолу)**

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Бұл зерттеу шетелдік қаржылық көмек пен Орталық Азия елдерінің экономикалық өсуі арасындағы байланысты зерттейді. Шет мемлекеттердің қаржылық көмегі инфрақұрылым, денсаулық сақтау және білім беру сияқты негізгі міндеттерді шешу арқылы ұзақ мерзімді өсуге ықпал ететін маңызды ресурс ретінде қарастырылады. Алайда, көмектің тиімділігі даулы болып қала береді, өйткені сыншылар бұл тәуелділікке, сыбайлас жемқорлыққа және қаражатты тиімсіз пайдалануға ықпал етуі мүмкін деп санайды. Қазақстан, Қырғызстан, Өзбекстан, Тәжікстан және Түрікменстан сияқты елдерді қамтитын Орталық Азия Кеңес Одағы ыдырағаннан кейін тәуелсіздік алған сәттен бастап айтарлықтай шетелдік қаржылық көмек алды. Кейбір ғалымдар шетелдік көмек Орталық Азия елдерінің экономикасының өсуіне оң әсер етті деп болжаса, басқалары оның шамалы немесе тіпті теріс әсер еткенін айтады. Бұл зерттеу көмектің мөлшерін ғана емес, оның тиімділігін бағалаудың маңыздылығына баса назар аударады, бұл тұрақты экономикалық дамуға көмектесудің сәттілігін анықтаудағы институционалдық сапаның рөліне ерекше назар аударады.

**Түйін сөздер:** шетелдік көмек, экономикалық өсу, Орталық Азия, тәуелділік, жемқорлық.

**Introduction.** The importance of understanding the relationship between foreign investment and economic growth lies in shaping appropriate development policies. Financial assistance is considered a pivotal resource that adds to investment in the domestic country aimed at long-term growth. It targets priority areas such as infrastructure, healthcare, and education, which are essential for achieving sustainable economic growth. At the same time, foreign aid can ensure stability and act as a catalyst for implementing economic reforms during difficult times. Despite this, the issue of the effectiveness of foreign aid in promoting economic growth is widely debated; some authors who are against foreign aid propose the statement that it can create dependence and stimulate corruption. At the same time, it is possible that aid will not be used for the intended purpose and will not directly support economic policy due to the weak

institutional quality. This study examines foreign aid and economic growth in Central Asia.

The Central Asian area is primarily comprised of five nations: Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan. These nations, which were republics of the Soviet Union, underwent significant changes following the USSR's dissolution in 1991. Throughout this period, they transitioned from a centrally planned economy to a market-based economy. Although the transition process provided new opportunities for growth and development, it caused these states to face numerous obstacles and challenges.

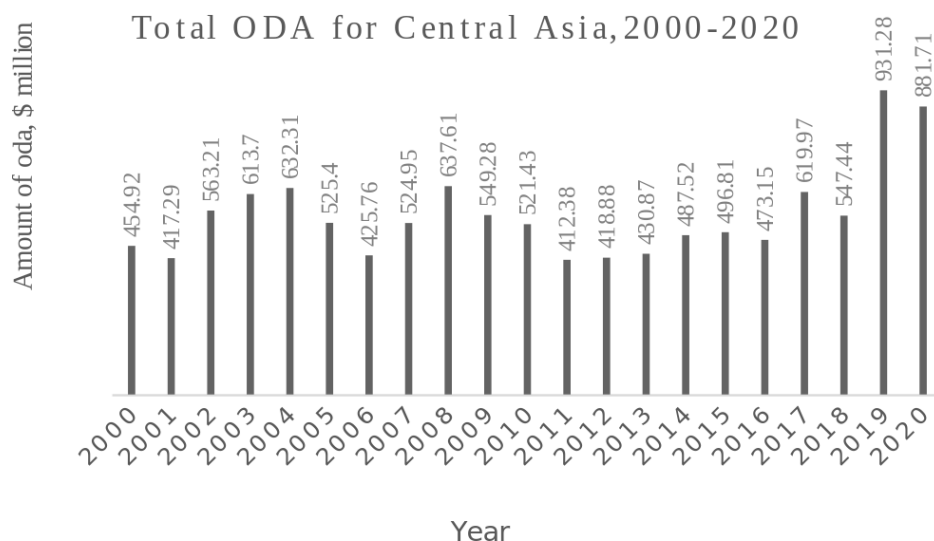
Eventually, after gaining independence, the Central Asian states started to receive a substantial amount of foreign aid. Most foreign assistance came from donors, international organizations such as the World Bank, International Monetary Fund, European Union, and developed nations, including

the United States, Japan, Germany, and other countries contributing financially. The funds were intended to reduce the poverty rate and achieve sustained growth.

Assessing the impact of international financial support on Central Asia is important, yet this topic remains under debate. Some scholars believe that foreign aid has a positive effect on growth, while other authors claim that it does not have any effect or even negatively impacts the economy. Proponents of aid state that it is essential for growth. However, opponents of aid argue that it promotes reliance on foreign funds and contributes to poor governance system or corruption when funds are wasted. It is essential to analyze the impact of foreign monetary assistance on economic expansion. Hence, it is important to analyze not solely the amount of money received but also the efficiency of aid and growth. Moreover, institutional quality is important because according to the conventional wisdom higher institutional quality is associated with the higher effectiveness of aid.

**Definition of Aid.** It's worthwhile to mention that aid encompasses different kinds of resources,

such as tangible goods, concessional loans, and nonrepayable financial grants. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) represents the largest provider of aid, consisting of 32 countries. The DAC defines aid as official development assistance (ODA), which is primarily governmental aid designed for developing countries' well-being and economic growth. This organization has established specific criteria for identifying the aid as ODA. First, it should come from the donor country's government agencies. The second criterion is that it should achieve economic growth and contain a 25% grant element or more. Every three years, DAC updates its list of ODA receipts based on the country's per capita income. The DAC countries expect recipient republics allocate development aid properly to mitigate some of the economic challenges. Military aid and increased donor security do not qualify as ODA. In some cases, aid for developing countries can be in the form of humanitarian assistance, which includes food and technical support such as projects or programs (OECD). For this thesis, foreign aid specifically refers to the ODA.



**Figure 1 - Total ODA for Central Asia, 2000-2020 [1]**

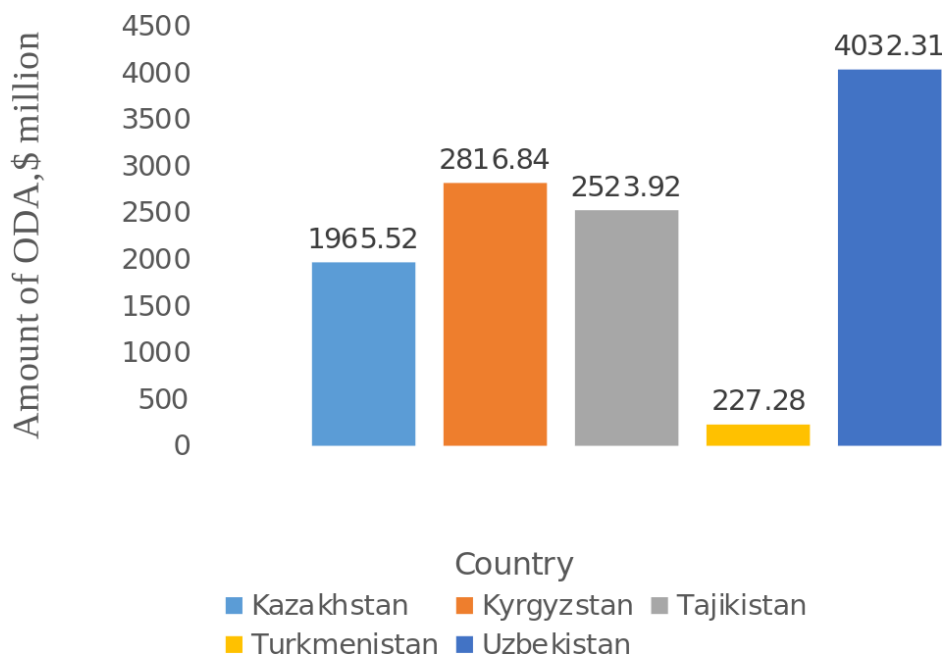
**Overview of Aid in Central Asia.** As previously mentioned, Central Asian countries began to receive foreign aid after the collapse of the USSR. However,

the countries did not receive the same level of aid, and its distribution varied among them both in terms of the amount received and the type

of aid. For some developed countries, providing foreign aid was a means of strengthening their involvement in the region. Foreign aid from donor countries to Central Asia mainly had a positive impact on the humanitarian, economic, and social sectors of the economy. The DAC members directed most of the foreign aid to the region. Notable China is not listed among these DAC members, although it has been and continues to be one of the main creditors for some Central Asian countries. Foreign aid, commonly referred to as ODA (Official Development Assistance), primarily involves the repayment of loans on concessional terms, such

as the net repayment of the principal and grant element, which includes at least 25%, estimated at a 10% discount rate (OECD, 2024). From 2000 to 2020, Central Asia received a total of \$11.57 billion in ODA from various bilateral donors. Figure 1 below shows the distribution of ODA throughout the region for the period 2000–2020.

From figure 1, in 2011, Central Asia received the least amount of the ODA, totalling \$412.38 million, and in 2019, the region received the highest amount, \$931.28 million. Figure 2 displays the amount of ODA receipts from 2000 to 2020.

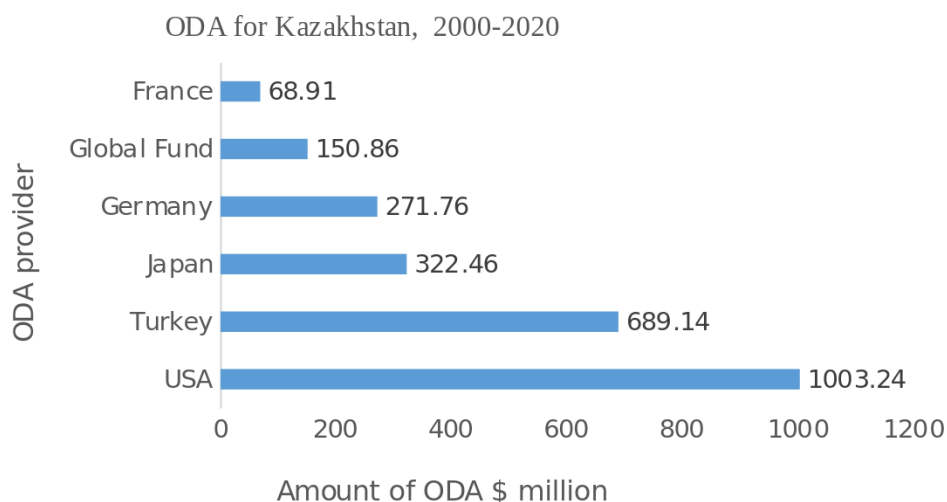


**Figure 2 - Net ODA classification by country [1]**

Uzbekistan leads in ODA receipts between 2000 and 2020, totaling \$4.3 billion. Following closely, Kyrgyzstan secures the second-highest amount with \$2.82 billion. Notably, Kyrgyzstan was the first among Central Asian countries to implement IMF policies. Tajikistan follows in third place, having received \$2.52 billion. Uzbekistan takes the fourth spot, with a net official ODA receipt of \$1.97 billion. Finally, Turkmenistan concludes the list among Central Asian recipients, having received \$227.8 million during the specified period.

**Country Specific Trends.** Even though Central Asian countries received different amounts of ODA from bilateral and multilateral organizations throughout the period of 2000–2020, most of these states had the same major donor. Next, the following subsection will describe the ODA distribution for every Central Asian entity. It will mention the prominent donors, the total amount of aid received, and the impact of such aid on socioeconomic development.

**Aid in Kazakhstan.**



**Figure 3 - Main ODA providers for Kazakhstan, 2000-2020 [1]**

The USA is the largest ODA provider for Kazakhstan, offering \$1 billion from 2000–2020. Like other donor countries, the USA targets specific areas within Kazakhstan for its funds, including the social sector, judiciary, and civil society. Additionally, it supports trade opportunities and aids in the development of low-cost energy. Among Central Asian countries, Kazakhstan allocates a sufficient budget to its energy sector, with the US Agency for International Development (USAID) actively supporting and promoting green energy policies [2].

From 2000 to 2020, Kazakhstan received the highest amount of Official Development Assistance (ODA) from Turkey. The Turkish Cooperation and Coordination Agency's (TIKA) is an important aid provider focusing on agricultural and livestock areas. In addition, TIKA supports the improvement of social life standards through employment and vocational training programs. Also, the agency supports the conservation of the same historical and cultural identities [3]. This organization in Kazakhstan also aims to improve the road infrastructure.

In 1997, Japan started to come up with Eurasian diplomacy, establishing a political corporation with Kazakhstan and subsequently providing investment in the energy sector. One of the highlighted projects between Kazakhstan and Japan was the Silk Road Energy Mission. The "Central Asia plus Japan" dialogue guided the project's operation. The

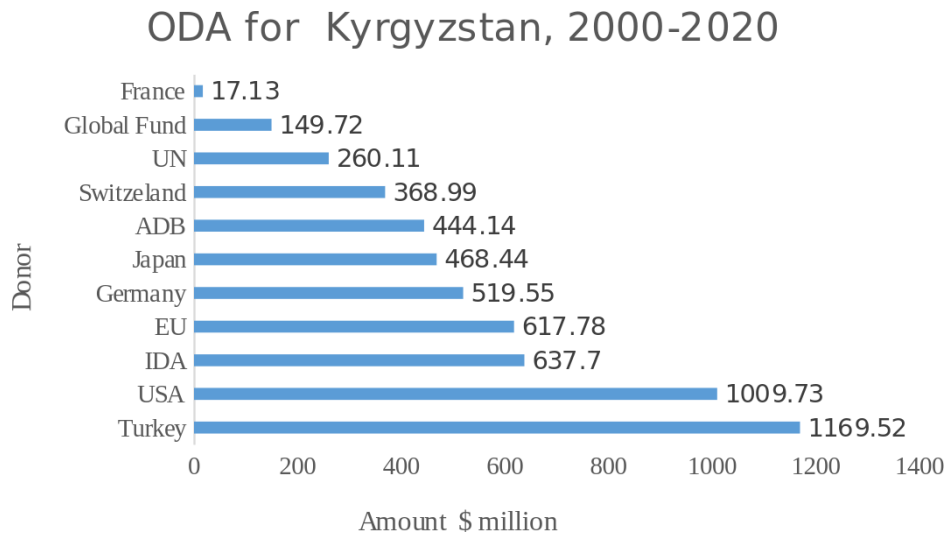
aim of this project, accepted in 2006, was to enhance and promote atomic energy safety and nuclear security. In essence, these two countries share mutual benefits, particularly in the field of nuclear energy. While Japan possesses advanced technology, it lacks some of its natural resources, leading it to seek a high supply of uranium for its growing nuclear energy sector. Kazakhstan, with the second-largest uranium reserves, provides Japan with this resource. Cooperation agreements between these countries primarily include investments in the nuclear power industries, uranium mines, and technology exchange [4].

Germany is the third country to strongly support Kazakhstan. During the specified period, this country provided Kazakhstan with \$271.76 million. The GIZ organization directed the aid. Germany wants to allocate its Official Development Assistance (ODA) to Kazakhstan for education and sustainable economic development. This country, like the United States, also allocates its ODA for training and employment purposes. Additionally, Germany is concerned regarding environmental challenges, public safety, and disaster prevention [5].

**Aid in the Kyrgyz Republic.** Among Central Asian countries, Kyrgyzstan was the first to adapt the IMF policies, which contributed to receiving significant ODA since its independence. Countries like Japan, Turkey, Germany, Switzerland, and international organizations like the Asian

Development Bank (Japan), the International Development Assassination (IDA), and the United Nations (UN) are the main aid providers for the

Kyrgyz Republic. Figure 4 shows the main ODA providers in Kyrgyzstan from 2000–2020.



**Figure 4- Main providers of ODA for Kyrgyzstan, 2000-2020 [1]**

Although Russia is not included in the chart as the country was not listed in the OECD database, it's noteworthy that the Russia began providing financial assistance to Kyrgyzstan once they became part of the Eurasian Economic Union (EEU). In 2015, Russia and the Kyrgyzstan established a development fund containing \$1 billion. The main aim of the Russia-Kyrgyz fund was to enhance the economic corporation between these countries and modernize the Kyrgyz economy. According to the Development aid report (2018) out of the \$1 billion, \$5000 million were allocated from the Russian Federal Bank to the National Bank of Kyrgyzstan. It should be mentioned that these ODA from the Russian fund was not given for free; Kyrgyzstan will need to repay the loan later. Top of Form.

Between 2000-2020, Turkey provided the Kyrgyzstan a total \$1169.52 million. The Turkish Cooperation and Coordination Agency (TIKA) contributed significant amount of foreign aid to Kyrgyzstan, funding over 760 distinct projects. TIKA wants its money in Kyrgyzstan to be allocated for the education, infrastructure, and some portion for the humanitarian purposes [6].

USAID is considered one of the largest ODA

providers for Kyrgyzstan. During the mentioned period, the United States allocated \$1009.73 million to Kyrgyzstan. USAID primarily focuses on improving the governance of the country. Additionally, the USA aims to develop and promote the business environment and agriculture. Besides these priorities, the USA also endeavours to positively contribute to various sectors of the country, including education, healthcare, and human rights [7].

USAID is considered one of the largest ODA providers for Kyrgyzstan. During the mentioned period, the United States allocated to the Kyrgyzstan \$1.01 billion. USAID primarily focuses on improving the governance of the country. Additionally, it promotes the business environment and agriculture. In addition, the USA endeavors to make positive contributions to various sectors, including human rights, education, and healthcare [7].

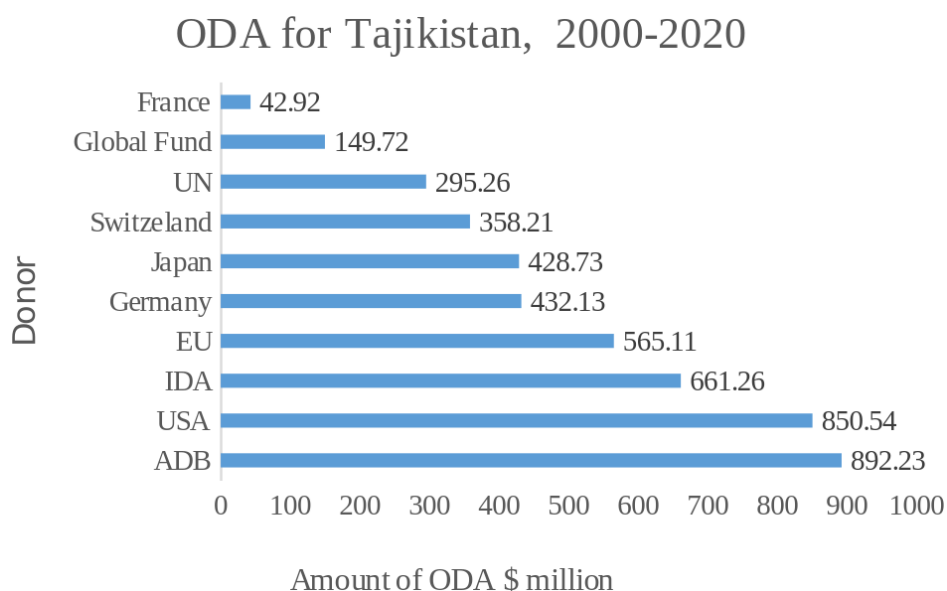
The Asian Development Bank (ADB) is a major multilateral organization providing funds for Kyrgyzstan development. Between 2000 and 2020, it allocated a total of \$444.14 million. Mainly ADB's support primarily focuses on road's rehabilitation

projects like Bishkek-Osh and the Bishkek - Torugart routes, which connects the country's north and south and link it with China [6]. Beside the road improvement in Kyrgyzstan, ADB invests in various sectors such as education, governmental structures, and the civil society. It also plays a significant role in promoting water supply initiatives to facilitate hydropower expansion. Notably, ADB undertook the rehabilitation of Kyrgyzstan largest and most important power station of this country as part of its project [7].

Alongside with other international ODA

providers, IDA stands out as a major donor for Kyrgyzstan. From the period of 2000-2020 this organization provided \$637.7 million in comprising both loans and grants. IDA allocates its ODA towards the energy, agriculture, and transportation initiatives [7].

**Aid in Tajikistan.** Like other Central Asian countries, Tajikistan has also started to receive a significant amount of ODA since its independence. Figure 5 illustrates the primary ODA allocation for this country.



**Figure 5 - Main ODA providers Tajikistan 2000-2020 [1]**

From Figure 5, it's evident that ADB was Tajikistan's primary ODA provider between 2000 and 2020, contributing a total of \$892.23 million. It began its collaboration with Tajikistan in 1998. Initially, this country used ADB's funds for road construction. From 2005 to 2013, this organization facilitated the implementation of Dushanbe-Kyrgyz Board Rehabilitation Project Phase 2. The ADB allocated \$51.7 million for this project to improve and resurface the roads and enhance the drainage systems, bridges, and walls [8]. This organization had a significant and positive impact on the country's regional corporations and trade. Moreover, the ADB projects led to the rehabilitation of three hydropower plants in

Tajikistan. In 2008, it allocated \$54.8 million for the "Nurek 500 Kilovolt Switchyard Reconstruction Project [9]. Additionally, the ADB directed its funds to enhance the country's business environment, social protection, tax policy, and finance system, while also promoting employment through private partnerships, vocational training, and food security promotion [10].

From 2000 to 2020, USAID was Tajikistan's second-highest ODA provider. Primarily, USAID focuses on enhancing food security, nutrition, and education while also aiming to improve institutional quality. USAID strives to improve institutional quality by enhancing government accountability, credibility, and oversight of basic

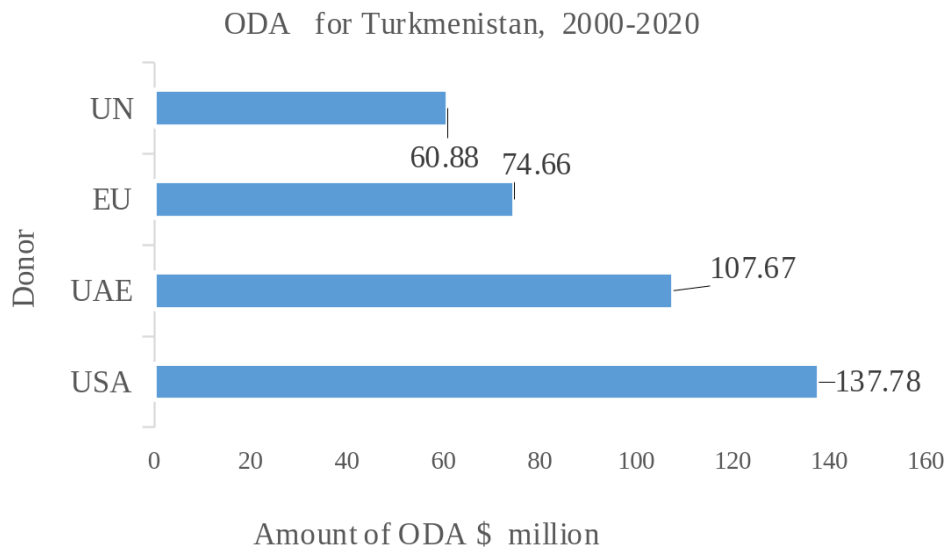
services. Moreover, it provides training and access to information for migrant workers and civil society members. Additionally, this organization places high value on human rights and tries to inform Tajikistan’s citizens about their rights [11].

Tajikistan joined the International Development Association organization in 1994, a year before joining the World Bank. The IDA directed its funds towards mitigating climate risk and addressing natural disasters. Additionally, this organization assists Tajikistan with electricity exports and economic diversification [12].

The European Union (EU) also aids Tajikistan. Primarily, the EU focuses on three targets: rural development, education, and health. In Tajikistan,

the EU’s primary goal is to reduce poverty in remote and rural areas by fostering inclusive economic activities in agriculture and other sectors, thereby creating wealth and job opportunities. Furthermore, like other international organizations, the EU values sustainability and encourages the efficient use of natural resources, as well as the enhancement of resilience to severe weather conditions. Thanks to EU aid, Tajikistan greatly benefits, particularly from projects promoting education, regional trade, and enhancing the private sector and regional trade [13].

**Aid in Turkmenistan.** Among the central Asian countries, Turkmenistan received the least amount of ODA. Figure 6 shows the primary ODA providers in this country for the period 2000–2020.



**Figure 6 - Main ODA providers for Turkmenistan, 2000-2020 [1]**

USAID is one of the largest ODA providers for Turkmenistan, with a total of \$137.78 million. Like other Central Asian states, this organization focuses on developing the health sector and youth initiatives in Turkmenistan. Moreover, USAID assists local entrepreneurs by creating different job opportunities and enhancing their competitiveness to increase revenue. To foster citizens’ trust in governmental organizations, USAID promotes and encourages the use of e-governance technologies, which positively impact information awareness and service delivery [14].

Another large donor for Turkmenistan is the United Arab Emirates (UAE), which granted \$107.67 million. This country is one of Turkmenistan’s largest business partners, focusing on development corporations. Infrastructure and road construction are areas of particular interest for both states, including UAE and Turkmenistan. Additionally, they prioritize areas such as science, education, culture, and heritage as crucial components for developing and strengthening their relationship.

In total, the European Union provided \$74.66

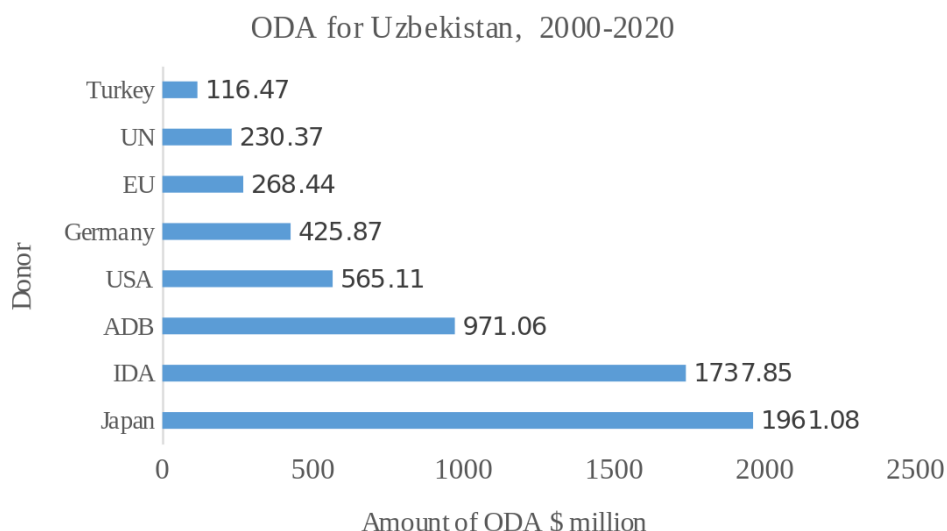


million to Turkmenistan from 2000 to 2020. This organization prioritizes its funds for expenditure on public administrations and finances. Additionally, the EU supports the country's private sector and agriculture, especially in rural and remote areas. Moreover, this organization focuses on improving the education system, addressing water and environmental problems, and enhancing law enforcement. Finally, the EU endeavours to mitigate political issues such as border management and

assists in the training of border guards [15].

The United Nations Development Program (UNDP) operates prominently in Turkmenistan, concentrating on achieving economic prosperity. Primarily, this organization collaborates with partners to address social issues such as human development, environmental sustainability, and energy [16].

#### Aid in Uzbekistan.



**Figure 7- Main ODA providers for Uzbekistan, 2000-2020 [1]**

Japan emerges as the largest aid provider for Uzbekistan for the period of 2000-2020. Japan International Cooperation Agency (JICA) executes a variety kind of initiatives including grants, concessional loans, and the technical assistance. This organization allocates ODA towards railroad projects, power generation, healthcare, agriculture, and other sectors. A notable JICA program in Uzbekistan is the "Country Assistance Policy to Uzbekistan" established in 2012. It aims to stimulate economic growth by addressing inequality and improving the economic infrastructure [17]. Top of Form

In total Uzbekistan received \$1.74 billion from IDA, an agency under the World Bank. The main aim of the provided ODA from the World Bank was intended reducing poverty, achieving sustainable economic development, improving the energy sector, and advancing market reforms.

Overall, 28 projects of the World Bank are being implemented in Uzbekistan aiming to rehabilitate irrigation and drainage system, improve the utility infrastructure while fostering the economic growth of the country [18].

For the period of the 2000-2020 ADB provided to the Uzbekistan total amount of the ODA \$7.6 million. Some part of this fund was directed towards the development particularly for the electricity generation projects. Under the Central Asian Regional Economic Cooperation (CAREC) project, ADB in Uzbekistan supports road and railroad projects. Additionally, ADB aided in providing access to clean water supply for over 3 million people. Through the "Water Supply and Sanitation Services Investment Program," more than 4,800 new households gained access to clean water, and over 170,000 people were provided with improved sewage services. ADB also assisted the agricultural

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sector, benefiting over 3.2 million individuals with water provision for agriculture and promoting crop variety expansion and private sector engagement in horticultural supply chains. Top of Form

Central Asian countries have benefited from the donor activities from both DAC countries and international organizations. Major donors for this region include Turkey, Japan, USA, and Germany while multilateral organization such as ADB, USAID, IDA, and the EU also play a significant role. The aim of DAC countries' assistance is mainly directed towards the improvement of democracy and governance institutions. In Uzbekistan and Kazakhstan, the focus of most aid is on improving the energy sector while in Tajikistan and Turkmenistan a major portion of ODA is directed towards transportation and the storage sector.

**The Role of Specific ODA Providers to Central Asia.** Russia and China are considered major actors of the “Eurasian” and “Shanghai spirits” for the economic development in Central Asia. These countries are not part of the OECD, still these countries provide a significant amount of ODA to the region.

**Chinese Aid to Central Asia.** Even though China is not a part of the DAC ODA providers, still it provides enough money to the Central Asia through the programs like Belt and Road Initiative; It is worth mentioning that China has a different definition and categorization of the aid, which is broader than the one outlined by OECD. For example, for China FDI, commercial loans are also considered as parts of the foreign aid. Chinese aid is complex, and its statistics is released through the governmental agencies. This country government set certain rules based on which it provides it financial assistance to the rest of the world. The following are eight principles based on which this Chinese aid should be operated [19].

1. The aid provided by the Chinese government is based on the mutual benefits it has to the donor and the recipient. It is presented as a mutual exchange rather one-side charity.

2. The Chinese government does not place any

conditions to the recipient country as they respect other country rules of law.

3. The aid is low-interest or free-interest loans that have the flexible repayment period.

4. The Chinese aid does not create the dependency but rather enables the recipient countries to achieve economic gains.

5. The Chinese assistance supports projects that require little spending but generate faster profits. This is because the success of such projects creates revenue for the recipient country and acquires capital.

6. The aid includes Chinese domestic machinery and if they fail to meet the agreed standard, China can replace them for free.

7. The Chinese government also enforces a high level of technical assistance to the recipient country and provides the recipient with its experts.

8. The Chinese experts sent for assistance to the recipient countries are expected to work under the same standards as local specialists.

One of the papers devoted to the analysis of Chinese aid and its role in Central Asia was written by Kashin and Korolev [20]. The authors of this article underline the change in the vector of Chinese aid: from being based on ideological driven agendas during the Cold war to more economically focused objectives that mainly directed to the interests of China as a whole.

Kashin and Korolev [20] also note that the in the past China provided financial assistance to strengthen the position of Beijing role in the world and overcome the international isolation. In addition, aid from China has become one of the main tools to establish contacts with the other countries.

Kashin and Korolev provide the critical assessment of the Chinese aid. According to the authors despite the positive effect of Chinese aid to the region, there might be some strategic motivation behind it. They mention that even though Chinese aid in Central Asia promotes stability and development, to some extent it is increasing its power to influence the region. The authors state that

the aid from China to Central Asia is mostly aimed at infrastructure projects. One such example is the “Silk Road Economic Belt”. They argue that such projects not only support the economic development of the region but also provides opportunity to China to utilize its industrial capacity.

Authors mention that despite Chinese aid having its positive effects, still some people believe that it raises concerns regarding becoming dependent on it. For several years the inflow of Chinese capital to Central Asia was directed toward infrastructure development which further boosted the local economies and positively impacted the trade relationships [20].

The frame of China aid to Central Asia is based on the principles of the mutual benefits of both parties. Mostly, a large amount of Chinese aid in Central Asia is used for the economic infrastructure mainly the construction of roads and extractive industries. Up to 2016, China has granted Central Asia nearly \$30 billion dollars of concessional loans, most of this amount was allocated to Kazakhstan and Turkmenistan [20].

Another paper about Chinese aid to the Central Asia was published by the Nargiz Kassenova [21]. The study emphasizes the significance and role of China’s foreign aid to the region. According to her study China’s development assistance for the region also involves providing buses, tractors, military supplies, and other kind of the equipment. Additionally, China provides governmental scholarships to Central Asian students and training programs for civil workers and military personnel.

Moreover, with both studies by Kassenova and Kashin and Korolev, China’s strategic use of its aid in Central Asia is questioned due to the diverse objectives behind China’s assistance. While Kashin and Korolev argue that there has been a change to more economic variants from ideologically driven agendas, they cannot deny the strategic motivation on China’s part. While the second article claims that the country’s aid is used to build strong social ties to

the Central Asia. Both studies explain mention about the goals of China’s foreign aid within this region, showcasing its economic aims in a broader sense.

**Russian Aid to Central Asia.** Economically Russia has a dominant influence in the energy sector, particularly in countries like Kazakhstan and Uzbekistan. Additionally, Russia is interested in some sectors like agriculture, construction, telecommunication, and mining. Traditionally Russian aid to CA mainly focuses on region’s low-income countries including Tajikistan and Kyrgyzstan. In 2010, Russian bilateral aid to Kyrgyzstan amounted \$25million. Russia provides its aid through the frameworks such as the CIS and the Economic Community. According to the author in recent years Russia forgave a significant amount of aid for Kyrgyzstan and Tajikistan for securing the military cooperation which in total amounted the \$489 million [22].

**Conclusion.** Understanding the complex relationship between foreign aid and economic growth is crucial for shaping effective development policies, particularly in regions like Central Asia. While foreign aid has the potential to drive long-term economic development by addressing critical areas such as infrastructure, healthcare, and education, its effectiveness remains a subject of debate. In Central Asia, foreign assistance has played a significant role in the post-Soviet transition period, with funds aimed at reducing poverty and promoting sustained growth. However, concerns about aid dependency, corruption, and inefficient use of funds persist. The impact of foreign aid ultimately hinges on factors such as institutional quality, which plays a pivotal role in determining the success of financial support in fostering economic growth. Thus, a thorough evaluation of both the quantity and the effectiveness of aid is essential to understanding its true impact on the economic development of the region.

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