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Analysis of Incentives and Capacity for Poverty Reduction in Kyrgyzstan

Introduction

Kyrgyzstan, like other states of Central Asia, acquired sovereignty in 1991 without any national movement or struggle against Moscow's rule. Statehood is a novel concept whose pre-conditions were established under the Soviet rule. Since 1991 Kyrgyzstan's ruling elites have established formal attributes of statehood such as constitution, parliament, army, national currency and other emblems of sovereignty. However, more substantive markers of statehood such as territorial and border control, development and distribution of natural and human resources, effective tax collection regime, and viable armed and police forces are weakly developed. Ineffective governance structure and poor economic base undermine the implementation of new laws and socio-economic policies enacted by the government, including those recommended by international donors. President Askar Akaev's rather easily-cultivated democratic image has been tainted by recent events, particularly the handling of the crisis in Aksy in March 2002, in which police shot dead five protestors, and the controversial holding of a referendum on various constitutional amendments in February 2003, which have further weakened the parliament and political parties and brought in a greater concentration of power in the presidency. Kyrgyzstan under President Akaev is struggling to cling on to its image as a country committed to reforms and the construction of an open economic and political system in a region where authoritarianism has become the dominant trend. Kyrgyzstan's reformist image and apparent responsiveness to international donors is still a useful, albeit diminishing, asset in dealing with the international community.

As the first popularly elected president from outside of the Communist Party top hierarchy (*nomenklatura*) in 1990 in Central Asia, Akaev embraced political and economic liberalization and successfully promoted Kyrgyzstan as Central Asia's 'island of democracy.' This image was largely based on Western rather than domestic perception as Akaev was supported by Moscow as an interim candidate in order to keep two strong rival party candidates out of the fray. Since then, widespread irregularities in the 2000 presidential and parliamentary elections, arrests of opposition activists on politically-motivated corruption charges, and reprisals against independent media and harassment of journalists have cast doubt on Akaev's 'modernist' orientation and serious commitment to political reforms. The 'soft' authoritarianism of the Akaev leadership (compared with Uzbekistan and Kazakhstan), based on utilizing and reinforcing traditional symbols, particularly the culture of deference to authority, has enabled him to defuse socio-economic crisis manifested through the Aksy protests, co-opt or sideline powerful political rivals including clan or regional interests, and prevail over popular unrest. By manufacturing support for his Presidency and for the new Constitution through dubious means in the February 2003 referendum, Akaev

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has managed to ensure international donors that he is both popular and fully in control.

1. Territoriality

Although Akaev and his close associates have juggled to neutralise regional and clan-based challenges, the so-called divide between the North and the South is remains at the centre of political and developmental debate. The lack of a transparent political framework in which norms governing allocation of resources and power can be observed, both domestic observers and international donors have turned attention to the role of clan, regional and personal ties in determining distribution of power and spoils. Donor attention, in particular, has paradoxically reinforced a discourse on a North-South divide based on clan-regional loyalties. Government officials and state-controlled media often highlight the threat posed by regional divisions for obtaining international aid to preserve Kyrgyzstan's weak statehood. Economic and developmental disparities between the northern and southern regions have reinforced and deepened the historical and cultural differences between the two regions. Northern regions attracted much of Soviet-era industrial development, which also contributed to a greater russification of the local Kyrgyz, whereas the South was more agrarian, less-developed and regarded as more 'Muslim'. Economic transition has accentuated these divisions and a relatively open political climate has enlivened a discourse on the North-South divide which remains mediated by a host of personal, clan/genealogical and patronage-based ties. Stark political and developmental disparities between the capital Bishkek and the rest of the country on the one hand and between urban and rural areas within the regions on the other suggest that North-South divide is only a general rubric and not a clear fault-line.

Broadly speaking, Akaev enjoys much wider support in the more industrial and urban North. The older population and pensioners, particularly in the densely populated southern regions, have tended to rally around leaders of communist or nationalist ilk. The ageing former communist party boss Absamat Masaliev (1985-1990) has a wide following in the South along with other local, nationalist figures, such as Beknazarov. The widespread public protests in Aksy have shown how populist leadership (provided by Beknazarov) and the spark provided by symbolic events such as the protests over the transfer of Kyrgyz lands to China under the border demarcation agreement, can very quickly turn into a 'spontaneous' act of southern mobilization against the centre.¹ The historical salience of local clan or genealogy-based loyalties and networks mean that allegiance to the state is weak and contingent.

The weakness and vulnerability of the state, widespread socio-economic disaffection, drug trafficking, a large presence of youth without a gainful employment, and the establishment of US military bases provide a fertile ground for the appeal and activism of numerous trans-national Islamic groups. Prominent

¹ Beknazarov was arrested in January 2002 for inciting civil disturbances, which led to more public protests in his native town of Aksy for securing his release. He was released a few months later.

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among these is Hizb ut-Tahrir, which advocates a fundamental restructuring of state and societal institutions along a pristine vision of Islam, and has aggressively propagated its social restructuring agenda through mass distribution of leaflets. Kyrgyz government officials and police and security forces have vastly exaggerated its appeal and 'terrorist' aims, though information on its scale of operation or membership base is sketchy and distorted. The exaggeration of 'terrorist' threat is partly a carry-over of Soviet mindset in which any public expression of religion is seen as subversive. It is also a device of shifting popular attention away from the radical critique of social and political institutions offered by these groups and soliciting more US aid to combat 'terrorism.'

The weak record of the regime in providing for cohesive administration, national security, and in calming social unrest makes Kyrgyzstan one of the most vulnerable states in the region. Kyrgyzstan's apparent weakness and current instability, however, are a result of a relatively open economic and political system. It has the potential to herald the much-needed regime change and structural transformation, which could also empower forces of change elsewhere in the Central Asian region. Despite the political and social upheaval of recent years, Kyrgyzstan has developed the most effective and vibrant network of NGOs and civic activism for a Central Asian state. Therefore, sustained and informed international engagement in Kyrgyzstan is absolutely vital to enable it to steer through the impending phase of instability and help preserve its fragile statehood against possible incursions by militant groups and drug-traffickers from the neighbouring states.

2. Long-term Contextual Factors

2.1. History of State Formation

Kyrgyzstan is a multiethnic republic in which the Kyrgyz, a Turkic and formerly nomadic people composed of various clan and genealogy-based groupings, define themselves as the titular or the core nationality of the republic and form 65% of its population (1999 census). Uzbeks at 14% and Russians at 13% are the two largest minorities. Over the past decade, the number of Russians in Kyrgyzstan has declined to about 600,000 from roughly one million in the early 1990s due to emigration.

It was under the Soviet rule that different tribal and regional groups among the Kyrgyz were brought under a single territorial and ideological framework and defined as a distinct nationality. Kyrgyz are closely related to the Kazakhs as nomadic people, albeit with diverse ancestry or myths of origins and ethno-racial lineage. The 1924-25 national delimitation of Central Asia carried out by the Bolsheviks institutionalized the distinction between the Kazakhs and the Kyrgyz and laid the ground for formation of these separate ethno-national republics. The top-down modernization of Central Asia undertaken by the Soviet state led to an abolition of illiteracy as well as an eradication of numerous traditional practices, associated with Islam and nomadic way of life.

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Although Kyrgyzstan's statehood is a new phenomenon, state propaganda and new history textbooks written in a nationalist mode date Kyrgyz statehood to be over 2,000 years old. The epic Manas, referring to the mythical figure who united Kyrgyz against external aggressors, plays a crucial role in the modern-day cultural construction of Kyrgyz national identity and statehood. The epic Manas was codified into a written text during the Soviet period and has been utilized by the present leadership to invent a historical solidarity among the various Kyrgyz clans.²

2.2. Geo-strategic Factors

Nearly 90% territory of this landlocked mountainous state is situated at more than 1,500 metres above sea level. It has a 1,113 km long border with Kazakhstan, 1,374 km with Uzbekistan, 1,094 km with China and 972 km with Tajikistan. It is among the poorest and smallest of the five Central Asian states, encompassing about 200,000 square km. Its population of 4.9 million is the smallest among the Central Asian states.

The Tian Shan and Pamir mountain range forms a natural barrier between the northern (Chu valley) and southern regions (Fergana valley) and have hampered transportation links between them. The completion of the Bishkek-Osh Highway, aided by the World Bank, Japan and other international organizations, is of paramount importance in economically and politically linking the two regions together.

With the crumbling of the protective shell of Soviet rule, Kyrgyzstan has found itself in a considerably weakened position vis-à-vis its three large neighbours, Kazakhstan, Uzbekistan and China. Kazakhstan's rich resource base and booming economy is increasingly attracting many Kyrgyz to seek temporary work, as the minimum wages in Kazakhstan are at least double those in Kyrgyzstan. Since the incursions by the Islamic guerrillas in its southern province of Batken in 1999 and 2000 (who were seeking passage to Tajikistan through Kyrgyz lands), Uzbekistan has introduced tight border control and visa regime, even installing landmines along the border. The strengthening of these border controls, along with the Uzbek ban on imports of goods and foodstuff, have especially hurt the poor people in the bordering areas in both republics who relied on small trade and bazaars as means of livelihood

China has become Kyrgyzstan's largest trading partner, which has partially filled in the niche left by the collapse of the integrated Soviet economy. Kyrgyzstan has signed a bilateral treaty with China offering cooperation in arresting Uighur separatists and raided some of the alleged 'terrorist' cells of Uighurs. Notwithstanding growing trade and security ties with China, ordinary Kyrgyz remain deeply anxious about safeguarding their identity as a 'small' nation against China's perceived policy 'creeping colonization' of bordering regions.

² John Anderson, *Kyrgyzstan: Central Asia's Island of Democracy?* Amsterdam, The Netherlands: Harwood Academic Publishers, 1999, p. 3.

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3. Medium-Term, Institutional Factors

3.1. Constitutionality, Legislation and Respect for the Rule of Law

In Kyrgyzstan, as in other post-Soviet states, attempts to institute a political system based on rule of law are driven by the necessity of securing membership and support of key international institutions. Formalistic understanding of law inherited from the Soviet period as well as traditions of patriarchy and status hierarchy embedded in the Kyrgyz society shape the native adaptations of Western democratic institutions and rule of law. Institutions such as parliament, political parties, and competitive elections are seen as exogenous and ill suited to local conditions. A substantive commitment to liberal-democratic philosophy and norms is lacking.

Power and authority are distributed and exercised along traditional markers despite the adoption of modern institutions and legal practices. This means institutions vested with formal power, such as the national parliament, regional legislatures and local self-governance bodies often lack real authority. Instead, authority is often derived from a person's status in the social hierarchy. Modern institutions of presidency, parliament, constitution, judiciary are infused with a traditional and patriarchal norms. Many of the traditional practices are deliberately being invented in the guise of resurrecting indigenous cultural practices and institutions.

A vast majority of government officials and deputies maintain that Kyrgyzstan has a fairly democratic constitutional and legal structure; the main problem lies in implementation. On the surface, the Constitution of 1993, as well as the amended Constitution of February 2003, guarantee basic rights, including freedom of association, religion, expression, and movement in accordance with international legal norms. Discrimination on the basis of sex, race, nationality, language, creed, and political conviction is prohibited. Kyrgyzstan is the only Central Asian state to adopt an independently elected institution of a People's Ombudsman in November 2002.

However, numerous clauses in the constitution subvert its apparent 'democratic' orientation and the development of effective parliamentarism, executive accountability and rule of law. A particular problem lies with the procedure of amending the constitution, including the frequency of changes made to the structure of the parliament. Kyrgyzstan has widely used Soviet-style referenda to bring about constitutional changes. A number of presidential decrees and a series of referenda in 1994, 1996, 1998, and February 2003 have de facto transformed the parliamentary republic instituted by the 1993 Constitution into a presidential system.

The regime has frequently resorted to the practice of bundling numerous unrelated issues in the referendum, asking voters to approve or reject the proposed changes in one package, rather than to vote on them individually. The

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February 2003 referendum bundled together two entirely separate questions, including a package of questions: (i) whether a package of new constitutional amendments (transferring some of the president's duties to the parliament, switching from a bicameral legislature to a unicameral one, and merging the Supreme and Arbitration courts—all separate issues) should be adopted, and (ii) whether President Akaev should stay in office for the remainder of his term, set to end in December 2005. Each referendum has yielded the desired outcome through an overwhelming margin. Independent local groups and NGOs and international observers such as the Office for Democratic Institutions and Human Rights (ODIHR), the Organization for Security and Co-operation in Europe (OSCE) have criticised the routine practices of administrative interferences, multiple voting and ballot stuffing.

3.2. The Economy

3.2.1. Resource Base

In contrast to some of its neighbours, Kyrgyzstan is not blessed with natural resources, although it possesses some gold deposits and a reasonably fertile land. The major gold mine in Kumtor (which provided 40% of its industrial revenue during 1996-2000) in the North is expected to cease production by 2010. The second largest gold deposit in Jerooy has moderate grade ore but lacks infrastructure for development. Its hydro-energy sector, once highly profitable, has stagnated due to reduced domestic consumption as a result of industrial decline. Ineffective management and irregular demand for energy from neighbouring Uzbekistan and Kazakhstan make it an unreliable source of revenue. The efforts to develop tourist industry by projecting itself as the 'Switzerland of the region' have not made much headway due to its relatively remote location, poor infrastructure and lack of investment.

3.2.2. Macroeconomic Indicators and Sectors

As early as July 1992, Kyrgyzstan adopted an advanced marketization plan developed with the assistance of the International Monetary Fund (IMF) and the World Bank (WB), which consisted of transferring a significant portion of the economy from state-based control to market relations. Some of the fundamental economic reforms launched since then include extensive privatization, price liberalization, free floating exchange rate, tax and fiscal reforms, an open trade regime which qualified it for full membership of the World Trade Organization (WTO) in 1998. The National Bank of the Kyrgyz Republic (NBKR) is nominally independent of the government and maintains a free float for the currency. It has intervened in the market only to ease short-term volatility or to boost its international reserves. Kyrgyzstan is seeking to emulate Kazakhstan, which has the most reformed and stable banking system in the CIS. Kyrgyzstan has adopted 56 programmes on economic reforms in the last 10 years, the highest for any Central Asian state.³

³ Author's interview with Rafik Hasanov, Member of the Secretariat on Foreign Investment and an Economic Advisor to the President, 15 April 2003, Bishkek.

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Kyrgyzstan's GDP in 2002 was \$1.6 billion, showing a 5.3% annual growth. Although GDP has maintained a growth rate of above 5% since 1998, it is still 24% below the level of 1991 in real terms. Its GDP growth is sustained entirely by increases in agricultural production whereas declining industrial production (mainly gold mining and manufacturing) has slowed it down. GDP growth was at 8% in 1996-97, 3% in 1998-99 (lowered due to the impact of the Russian financial crisis), and 5% in 2000-01.⁴ Although the GDP contracted somewhat in 2002, it is expected to grow by 5% during 2003-06.

There is considerable disparity in the development across the North and the South as well as within these regions. Bishkek and the surrounding Chu oblast attract almost 70% of all investments and offer substantially higher salaries. The remote and mountainous oblast of Narin in the Northeast is the least-developed one with the highest per capita levels of poverty. The southern oblasts of Osh and Jalal-Abad, along with Talas in the North have been particularly hard hit due to reduction of agricultural subsidies and industrial decline.

Kyrgyzstan's consolidated budget deficit is 1% of GDP, or some 5.6% of GDP in real terms if extra-budgetary spending under the Public Investment Programme (PIP) is included. Revenues from gold mining in Kumtor have been the most important source of keeping budget deficit low. However, the anticipated closure of Kumtor gold production by 2010 enhances the pressure on the government to diversify its exports and to attract Foreign Direct Investment (FDI).

With decline in industry and manufacturing, agricultural has become the backbone of the economy, providing for 35% of the GDP and employing over half the population. Agriculture and agro-processing account for nearly half of Kyrgyz GDP in a given year and have sustained one of the highest levels of growth in a former Soviet region. Private farms account for about 40% of agricultural production, while the state sector contributes only 5% of total agricultural output, with collective farms contributing the rest. Kyrgyzstan was the first Central Asian state to permit the purchase and sale of land. However, a moratorium on private land ownership was introduced in 1998 amidst populist fears that such a measure will benefit other ethnic groups (Russians and Uzbeks) but hurt ethnic Kyrgyz who have no indigenous farming tradition. The government has made some progress in introducing land reforms by partly lifting the moratorium put in 1998. The revised law prohibits the sale of land to legal entities and foreign corporations, and restricts the area that can be sold to 50 hectares. In early 2003 only 6% of the land in the country was privately-owned, and presumably much of that is not being used for agriculture.

Despite its steady growth, agriculture remains an unstable sector due to the vagaries of climate, poor transportation network, obsolete technology, and

⁴ United States Agency for International Development (USAID). 2002. Kyrgyzstan. <http://www.usaid.gov/pubs/cbj2002/ee/kg/>.

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increasing pressures on land. Arable land is concentrated in the Fergana regions, mainly Osh and Jalal-Abad, which have a high density of population (over two thirds of the population resides in roughly one third of the territory). Agriculture in these regions has faced serious problems due to water-shortages and disruption in supplies of seeds, fertilizers from Uzbekistan (since Uzbekistan introduced strict border controls), insufficient liquidity for agricultural products and lack of credit to small farmers. A government survey in 2003 noted that only about 5% of the land is arable. It noted that formerly arable land has shrunk because of a lack of investment, deterioration of irrigation and drainage systems resulting in salinization.⁵ The agricultural sector needs subsidies, modern technical equipment and a credit allocation system if it is to sustain long-term growth.

The United Nations Development Programme (UNDP) is involved in a project of allocating short-term credit to farmers in the southern regions as part of its broader programme on alleviating poverty. According to Atyrkul Aleshova of the Institute for Regional Studies in Bishkek, not only is the credit offered at an extremely high percentage, the procedure for getting it is highly bureaucratized.⁶ Almost a month can go by in acquiring documentation. Secondly, insufficient understanding of how credit works results in poor people spending the amount for buying consumer items and medication rather than goods and equipment needed for farming. Third, by singularly targeting the poor and their short-term needs, the programme has neglected the development of support medium-level business, which alone can provide long-term employment to the poor. Finally, lack of information on what goods to supply to other parts, as well as lack of technological infrastructure prevents the *aiyl okmotu* (village councils) from exchanging goods with neighbouring regions.

Industry currently accounts for a little over 20% of GDP, which marks a sharp decline from 47% in the early 1990s, before the beginning of reforms. Industrial production has continued to fall, mainly due to slump in manufacturing, drop in production at the Kumtor gold mine, and the collapse of the integrated Soviet economy. Kyrgyzstan is facing the challenge of restructuring its Soviet-inherited industrial sector to meet the demands of a small, open economy and establish a niche for its goods in the international markets.

The service sector accounts for the fastest growing share in GDP, currently nearly a third, largely due to the rise of small private enterprises in retail trade and catering sector as well as the growth of bazaars. The US military bases along with the continued expansion of the agricultural sector are estimated to have led to a 4% growth in services in 2002. The growth of the service is closely associated with the proliferation of informal or 'grey' economy and decline of industries and state sector.

⁵ RFE/RL Newswire, 16 July 2003

⁶ Author's interview with Atyrkul Aleshova, 17 April 2003, Bishkek.

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3.2.3. Informal Economy

Deputy Prime minister Djoomart Otorbaev estimates 'informal' or shadow economy to be 50% or even higher and sees its progressive legalization as an essential step in promoting economic growth.⁷ Legalization of the informal economy hinges closely on the extent of state deregulation as well as acquisition of private domestic and foreign investment.

Small and medium size enterprises (SME) produce about 40% of the GDP. Nearly 80% of the operating economic entities were in private hands in 2000, of which 90% consisted of small businesses. Given the small capacity of the domestic market to provide goods opportunities, SMEs can ensure a more competitive climate.

The flourishing of the informal economy with economic transition has spawned illegal practices. Privatization is often accompanied by the thriving of criminal and economic mafia networks. In 2000, the Interior Ministry filed 2,267 cases dealing with financial crimes worth about \$15 million of which only 11 to 12% were returned to the state budget.⁸ The inconsistent implementation of reforms, including failure to create an appropriate control mechanism is among the key factors contributing to the rise of economic crimes. Illicit drug trade forms a major portion of the informal economy. About \$30 million is estimated to bypass the state budget annually from smuggling.⁹

3.2.4. Tax and Revenue Collection

Kyrgyzstan has one of the least efficient revenue-collection records in Central Asia. Taxes comprised only 18% of the GDP in 2002, which was an improvement from previous figures of 16.1% of GDP in 2001. The proliferation of the informal sector compounds the problem of tax collection and its progressive legalization is deemed crucial in increasing tax collection. Some of the measures under consideration for legalizing it are: creation of a patent system whereby 'informal' businesses to pay a fixed sum in a year which will insure them from further checks during the rest of the year (especially relevant for catering and entertainment business, retail trade), devising mechanism to keep track of non-cash income, and regulating the widespread practice of mutual payment and reverse financing between enterprises.

The hydroelectricity/energy sector is one of the most erratic sources of revenue generation and is in need of serious restructuring. It is estimated to have lost 40% of its revenues in 2001 due to 'stealing' and 'leakage.' Its unreliability is partly a result of fluctuating irrigation requirements in neighbouring Uzbekistan and Kazakhstan. When these needs can be satisfied through rainfall, as they

⁷ Author's interview with Djoomart Otorbaev, 15 April 2003, Bishkek. Kyrgyzstan's National Statistical Committee had earlier estimated it to be only 13%. But this estimate did not take into account service and private agricultural sectors, where informal economy is most vibrant.

⁸ *Radio Free Europe/Radio Liberty (RFE/RL) Kyrgyz News*, 23 January 2001.

⁹ Eurasianet report on Kyrgyzstan. 19 May 2003.

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were in 2002, the output of hydroelectricity in Kyrgyzstan falls. Kyrgyzstan's electricity production fell by 13% last year.

A corollary to the ineffective collection of revenues is the existence of a large number of taxes—some official and several others unofficially-imposed. These have contributed to tax evasion and underreporting of income. Taxes are considerably higher in comparison with income. Service sector and private business are required to pay almost a third toward tax payment, consisting of VAT (value-added tax) at 25%, excise tax is 10-11% and other unspecified local taxes. Tax on profit is currently quite high at 30% and is seen as a punishment, rather than incentive, to successful business. The government is debating the introduction of several new tax measures, including an extension of VAT recommended by the IMF, to cover large agricultural producers' sales in the domestic market. The imposition of VAT on collective farms and cooperatives is a matter of concern among all small and medium farmers. Furthermore, a legal entity or enterprise not charging VAT is also required to pay it under the current proposal, which is being debated in the parliament. Although its stated aim is to bring the shadow economy under government regulation, it would be very difficult to administer VAT and prevent another layer of corruption under present conditions.

Much tax revenue is lost due to corruption endemic at all levels. According to the World Business Environment Survey (WBES) data, the highest proportion of bribes spent on government "services" (almost 54%) was spent to avoid excessive taxation.¹⁰ The Tax and Customs code remains ambiguous and unclear, despite having undergone frequent changes. So far it has been ineffective in preventing the diversion of investment in illegal business. Tax and Custom officers do not share statistical data or information. Overall, there is a need for introducing comprehensive rather than piecemeal reforms and streamline tax collection.

3.2.5. Foreign Investment

Foreign Direct Investment (FDI) in Kyrgyzstan has fallen sharply since the end of construction at the Kumtor gold mine, which is financed by the Canadian company Cameco. Annual average inflows of FDI were equivalent to about 4.6% of GDP between 1995 and 1999 during the Kumtor construction. In 2002 FDI amounted to \$110 million, an 18% increase over the previous year. This is because FDI had shrunk further fall due to the instability caused by incursions in Batken in 1999 and 2000. Revenues from the Jerooy and other gold deposit under optimum conditions are not likely to exceed a quarter of those from Kumtor. Overall, poor infrastructure, compounded by bureaucratic greed has deterred Western investors, although Kyrgyzstan has good mineral potential.

¹⁰ Cited in Pauline Jones Luong, "Political Obstacles to Economic Reform in Uzbekistan, Kyrgyzstan, and Tajikistan: Strategies to Move Ahead," paper presented at the World Bank's Lucerne Conference of the CIS-7 Initiative, January 20-22, 2003.

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Kyrgyzstan is desperate to attract FDI because the state's ability to invest has exhausted its potential. There are virtually no big business interests with substantial internal capital who can invest on a larger scale. Akaev has established a Secretariat on Foreign Investment, consisting of a western-trained group of economists and technocrats headed by the Deputy Prime minister Djoomart Otorbaev to work on attracting FDI. The government has taken a number of progressive steps to ease investment climate. A recent presidential decree has put moratorium on acts that obstruct the procuring of FDI. Rafik Hasanov, a presidential advisor on foreign investment, emphasised that Kyrgyzstan's major assets in attracting FDI are "less bureaucracy, more goodwill and a simpler structure." The Secretariat on Foreign Investment projects a substantial improvement in investment and has identified some 17 investors desiring to invest \$700 million in next 3 yrs. Despite considerable liberalization of the foreign investment law, special incentives for foreign investors, widespread publicity and a liberal exchange-rate regime, these projections are yet to be realized. The sectors that are most favourably placed to attract FDI are hydro-electricity, mining, tourism, processing of agricultural products, information technology, finance, and transport and communication network. The inability to attract projected FDI within the next couple of years not only denotes the lack of trust in Kyrgyzstan's economic reforms and potential, but also reinforces the deep structural limitations of its economy vis-à-vis China and Kazakhstan.

The government has planned privatization of several large enterprises such as state telecommunication monopoly *Kyrgyztelekom* and the state energy concern, *Kyrgyzenergo*, although state will retain controlling stakes in these 'strategic' industries. Energy privatization, in the longer run, can contribute to its revival as a profit-generating sector.

Kyrgyzstan recently concluded an agreement with the Russia's Gazprom on cooperation in exploring and developing its oil and gas fields, repairing and building new gas pipelines, and transporting gas. This should enable it to reduce dependence on the erratic supply of Uzbek gas. Uzbekistan has regularly shut off its deliveries because of payment disputes.

3.2.6. Foreign and Regional Trade

Kyrgyzstan was the first Central Asian state to liberalize Soviet-era trade policies and qualify for full membership of WTO in December 1998. Membership into the WTO has not brought direct benefits so far as Kyrgyzstan lacks competitive economy or comparative advantage over any goods. As a small economy with limited domestic market, the Kyrgyz economy has little choice but to become more export and service-oriented. Apart from foodstuffs, Kyrgyzstan has few goods that can compete in the international market or withstand competition from Chinese goods or Kazakhstani merchandise.

Almost 45% of its trade turnover is with non-WTO members such as Kazakhstan, Russia, Uzbekistan and China (a WTO member since 2002). The efforts to

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implement an open trade regime are frustrated by the closed economic practices, mainly control over currency convertibility, high import tariffs, closure of 'informal' trade in bazaars, introduced by Uzbekistan since August 2002. The volume of export to Uzbekistan has dropped by 40% over the last two years and likely to fall further.

Almost half of its export revenues came from gold in 1999-2000 with gold accounting for about 80% of all non-CIS exports, making it vulnerable to fluctuations in world gold prices. Most of its gold is bought by Switzerland and Germany. The highest exports to a non-CIS state in 2001 and 2002 were to Switzerland though exports are steadily declining due to decrease in gold production. Efforts to diversify its trading partners, as well as its exports, have not proved easy. China is the second major destination for Kyrgyz exports and the prime source of imports. Among the CIS states, Russia and Kazakhstan are the major trading partners and the volume of exports from these countries is increasing. Tariff and non-tariff barriers (bribes demanded by customs officials) currently make it extremely costly for Kyrgyz enterprises to transport goods to, and through, Kazakhstan and Uzbekistan.

3.2.7. International Assistance and External Debt

Kyrgyzstan has received one of the highest per capita international assistance, amounting to \$54.8 aid for each person against a per capita income of \$265.¹¹ Its economic policy is determined by the need to comply with multilateral conditions for continued financial aid—in particular a \$93 million three-year poverty reduction and growth facility (PRGF) approved by the IMF in 2001 and a World Bank credit of \$171 million granted in May 2003. In addition, it obtained \$5 million from the EU for a food security programme and \$15 million from the World Bank for water supply system. Prime minister Nikolai Tanaev mentioned that \$700 million pledged 2002 during the donors' conference in October 2000 to finance the country's poverty-reduction programme was the most positive event of that year.¹²

Kyrgyzstan's external debt was \$1.8 billion at the end of 2001, almost 110% of its GDP, and a major drain on the government's finances, partly owing to the PIP (public investment programme). Generous repayment terms and lengthy grace periods obtained through the debt rescheduling agreement with the Paris Club of Creditors in March 2002 reduced its debt service burden during 2002-04 from \$101 million to \$5.6 million. However, this is a short-term measure. About 25% of the debt (consisting of Official Development Assistance or ODA credits) was granted a ten-year grace period and concessional interest rates, whereas commercial credits received a five-year grace period and higher market-based interest rates. The total stock of debt owed to Paris Club creditors in November

¹¹ World Bank. Kyrgyz Republic Data Profile at <http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=KGZ&CCODE=KGZ&CNAME=Kyrgyz+Republic&PTYPE=CP>.

¹² *RFE/RL Newslines*, 11 October 2002.

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2001 was around \$450 million. Servicing the debt requires it to maintain at least a 5% actual GDP growth rate, tight fiscal discipline, improve tax collection and incur sufficient social expenditure to meet the target of reducing poverty by 3% annually. The ability to raise FDI is critical here. The IMF's rather optimistic assessment of Kyrgyzstan's debt sustainability derives less from its faith in the government's ability to successfully implement economic reforms and more from its own obligation to protect the vulnerable state of the Kyrgyz economy. If the targets for fiscal spending and economic growth set under the poverty reduction and growth facility (PRGF) are met, external debt will become sustainable by 2007. However, a more likely scenario is one of a lower growth and weaker fiscal controls, which could result in a much more unfavourable debt situation after the 2005 elections. The inability to attract the projected FDI is likely to lead the country into a greater financial crisis in the next 4-5 years and severely challenge the capacity to sustain reforms and poverty alleviation measures.

The Kyrgyz government renegotiated part of its debt to Russia, which is estimated at \$175 million. Kyrgyzstan is considering an "assets-for-debts" deal with Russia (Russia concluded a similar deal to write off Armenia's debt) under which it will sign over state-owned stakes in four large industrial enterprises, including the ailing *Elektrotekhnika* and *Elektrovakuum* plants, in payment of its debts. Some portion of the debt is to be repaid with construction materials. Kyrgyzstan also restructured its \$100 million debt to Turkey.

3.2.8. Unemployment and Poverty Alleviation

Official data put unemployment at 3% but estimates based on the methodology of International Labour Organization (ILO) show that real unemployment levels are likely to be 8-10%. The IMF estimates it to be 20%, which is a more realistic assessment as about 400,000 to 800,000 (8-18%) of Kyrgyz citizens go to Kazakhstan and Russia for temporary work and many work illegally. In December 2002 Russia increased quotas for skilled labourers from Kyrgyzstan to work in Orenburg, Samara and Sverdlov oblasts. It aims to allocate 490,000 to 530,000 short to medium term jobs to workers from Kyrgyzstan. There is little incentive for the unemployed to register with employment offices since fewer than 10% of those who are registered receive benefits.

Steady economic growth, currency stability, control of inflation, and international aid inflows have enabled the government's National Poverty Reduction Strategy (NPRS) to bring in a 20% reduction in the number of people living below the poverty line since 1998. In 2001 World Bank estimated that 52% live below poverty line, down from 64% in 2000. Currently, about half the population is estimated to live below poverty line, although the number in the southern regions is about 80%. Poverty in these areas is a direct consequence of the lack of irrigation facilities. Overall, 61% of rural inhabitants live below poverty levels. Chu oblast and Bishkek city have lower poverty rates whereas remote mountainous region of Narin in the Northeast has the highest percentage of the poor,

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estimated to be 90.5%. Jalal-Abad and Talas regions have 73% and 67% poverty levels.

The IMF has generally welcomed Kyrgyzstan's progress under the Poverty-Reduction and Growth-Facility programme, under way since 2001, though it warned that corruption and low quality of governance remain the biggest obstacles. Although there are numerous internationally funded projects on governance reforms, no comprehensive programme to deal with corruption yet exists. Kyrgyzstan will have to maintain a real growth rate of 5% to fulfil the plan of bringing a 3% annual decrease in the number of those living in poverty. Nonetheless, quantitative indicators are not fully reliable and do not capture the scale and depth of deprivation, as it has been shown in the case of poverty assessment in Uzbekistan and Tajikistan.¹³

One major obstacle to the government's ability to reach the poor is that many rely on social and family networks and on local institutions for help.¹⁴ This calls for a closer and sustained cooperation between government structures and various social networks mediated by NGOs and local organizations. Governmental bureaucracy is another hindrance: the form required to register a child for welfare benefits costs 50 som (\$1.1) and an application for making benefits claims costs 17 som (28 cents).

3.3. Social Structure

3.3.1. The New Rich and the Poor Masses

The collapse of socialist welfare structure and its egalitarian ideology has led to the rise of new rich and the impoverishment of what used to be the 'middle classes' in the Soviet years. The urban, middle-class intelligentsia who were looked upon as a pillar of support to democratic reforms in the early 1990s have lost much of their professional and social status and experienced a dramatic drop in living standards. Many are working outside of their professional expertise, others are engaged in purely commercial activities and a significant number have immigrated to Russia. The social safety net for the poor, sick and elderly has collapsed.

Formal sociological categories used in economic and social statistics are unreliable in reconfiguring the post-Soviet patterns of stratification.¹⁵ Given the proliferation of unregistered and informal activities, the rise of neo-barter transactions and the utter irrelevance of salary levels as an indicator of one's economic status or well-being, the post-socialist class structure has become highly fluid. As in other post-socialist states, market reforms and privatization

¹³ Deniz Kandiyoti, "Poverty in Transition: An Ethnographic Critique of Household Surveys in Post-Soviet Central Asia." *Development and Change*, 30 (1999): 499-524. Jane Falkingham, *A Profile of Poverty in Tajikistan*. CASE Paper #39. London, U.K.: Centre for Analysis of Social Exclusion, London School of Economics, April 2000.

¹⁴ *Kyrgyz Republic – Consultations with the Poor*. 1999. Counterpart Consortium. Washington, DC. The World Bank.

¹⁵ See Kandiyoti, *Poverty in Transition*.

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have led to a rapid enrichment and conspicuous consumption among of a tiny political and economic elite and the impoverishment of the larger mass of the population, thus closing in the gap between middle class and poor.

As elsewhere in former communist bloc, nomenklatura capitalism, denoting transfer of state assets to 'insiders' within the government rather than to the wider public, is the primary mode of privatization in Kyrgyzstan. Kinship and patronage networks become salient in the allocation of assets. However, Kyrgyzstan lacks powerful business enterprises and financial oligopolies as prevalent in Kazakhstan.

A major obstacle to economic growth and equity is posed by the high growth in the rural population. Rural population increased by 13% between 1989 and 1999 census period. Most of the increase is in the southern regions of Osh, Jalal-Abad and Batken in the Fergana valley, which already contain more than half the country's population. These regions are already experiencing growing pressure of shrinking of land and water resources, massive unemployment, and drug addiction. Kyrgyzstan has a youthful population. According to the 1999 national census, the average age is 26 and 36% of the population in 2001 was below age 16. Economic decline in these regions has led to an influx of young workers to cities, particularly to Bishkek. Bishkek has an official population of 800,000 though its actual population is close to 1.3 million, housing over a quarter of the country's population. It has the highest density with 6228 people per square km whereas the average population density for Kyrgyzstan is 24 per sq km. More alarmingly, many unemployed from remote rural regions continue to flock to Bishkek in search for means of livelihood, which has contributed to the growth of slums in the capital as well as its 'ruralization'.

3.3.2. Clan and Patronage

Clan is an amorphous institution, mediated by personal and family connections as well as social and occupational ties and has no clear or identifiable mode of operation in the country's political life. Clan loyalties are governed by informal arrangements and unspoken rules, and are inextricably intertwined with the local authority structures. For a former nomadic people, the clan system remains central to the organization of social, political and economic life.

Though clan tends to be viewed as a negative and destabilizing influence, clan ties at the local level have proved to be crucial in maintaining predictability in day-to-day interactions and providing a cushion against the disruption caused by the collapse of Soviet socialist economy.¹⁶ While clan networks bring predictability and security to individuals, their infusion in the economy and social networks can inhibit economic and political reform. A particularly difficult task is the creation of an impersonal and rational system of administration based on public norms and rules.

¹⁶ Kathleen Collins, "Clans, Pacts, and Politics in Central Asia," *Journal of Democracy*, October (2001), p 142.

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Clan is central in building political networks, though it is not the sole, or even the most dominant determinant of such networks. Moscow sponsored Akaev as the top candidate for Communist Party leadership in 1989 mainly for his apparent insularity from clan-based networks (he had spent much time in Russia, receiving education in St. Petersburg). In contrast, the other two candidates, Turdakun Usabaliev and Absamat Masaliev were seen as Northern and Southern figures respectively. Akaev faced serious challenges in much of the 1990s in garnering support of various clan elders and local/regional strongmen. The absence of a stable support network has continued to hamper Akaev's ability to emerge as a truly national leader who can form coalitions across ethnic, clan and regional lines. In building his political network he has focused primarily on his native region of Kemin in the Chu valley and the adjacent Talas oblast, the native place of his wife Mairam. This led to early allegations that *keminism* (denoting 'regionalism') had come to replace communism. In order to win support in the 1995 presidential elections, Akaev compromised his liberal-reformist image by forming an alliance with an ex-communist boss Turdakun Usabaliev (head of the Kyrgyz Communist Party apparatus during 1961-85) from Narin. These acts together have considerably alienated the South where Absamat Masaliev, another former Party boss, enjoys significant support and has been able to vocalise social discontent against the economic reforms introduced by the Akaev regime. Finding it difficult to cope with the mounting socio-economic challenges, the Akaev regime has come to rely on former Communist Party bureaucrats and regional party bosses in the hope that they could induce efficiency and order. Akaev was able to procure the support of the governors of the country's six oblasts (Batken became a separate oblast in 1999) in pushing for the dissolution of the Parliament in 1994 and securing favourable results in the various referenda and elections. In turn he was forced to allow them a high degree of latitude in local and regional matters.

The First Lady Mairam Akaeva's role in influencing key appointments in the Presidential Administration has become an object of much attention.¹⁷ A quarter of all state employees in Bishkek in late 1990s were said to be from her home district of Talas.¹⁸ Other influential figures in the inner circle, such as the head of the Presidential Administration Misir Ashyrkulov, the former director of the Kyrgyz State Gold Mining company (*Kyrgyzaltin*) Dastan Sarygulov, and the director of Kyrgyz Telecom are all from the same region. The Sarygulov clan is especially reported to be close to Mrs. Akaeva.

There is a widespread belief among southerners that Akaev's excessive dependence at the initial stage of his presidency on the various regional strongmen in the North is responsible for the overall neglect of the southern regions at a crucial juncture of economic reforms. Southern leaders themselves

¹⁷ International Crisis Group (ICG). *Kyrgyzstan At Ten: Trouble in the Island of Democracy*. 28 August 2001. ICG Asia Report No.22. Osh/Brussels.

¹⁸ Anderson, *Kyrgyzstan: Island of Democracy?* P. 42.

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have not spared any opportunity to use the 'regional card' on occasions. When Usen Sydykov, a former Deputy Minister and Chair of the Agrarian-Labour Party, and an influential figure from the South was barred from participating in the second round of parliamentary by-elections in November 2002 on political grounds, his followers immediately called upon the three southern regions of Osh, Jalal-Abad and Batken to demand greater autonomy from the centre.

The presence of a relatively liberal parliament all through the 1990s, a relatively weak centre, and the widespread attention by the donor community to personal and clan networks have made the discourse on 'clan factor' occupy a prominent place. Economic transition and resource constraints have rendered the relations between the centre and regions increasingly adversarial, giving rise to a zero-sum dynamics between the two. Redistribution of resources and developmental equity can serve to mitigate antagonism between the centre and the regions.

3.3.3. Gender and Family

In the Kyrgyz nomadic structure, women were actively engaged in herding practices and migratory activities. This contrasts from the relegation of women to home and domesticity among agrarian, settled cultures, such as the Uighurs, Uzbeks and Tajiks in Central Asia. During the Soviet period, a large presence of Russians (who constituted a majority until 1989), as well as the Soviet ideological discourse on gender equality facilitated an active involvement of Kyrgyz women in economic spheres.

Despite its 'modernizing' and 'liberationist' element, the Soviet system elevated fertility and motherhood as new socialist ideals. It coaxed women to reproduce by making contraceptives unavailable, offering material and status rewards to women with five or more children, and providing for extensive childcare at all levels. The confluence of nomadic traditions (children are seen as bringing good luck) and socialist valorization of children have generated a modern "cult of fertility" in Central Asia: a barren woman in Kyrgyz is derogatorily referred to as *kuu bash*, or "dried-up skull."¹⁹ In 1996, fertility rate for Kyrgyz and Uzbek women was twenty-six infants per 1,000. It is much higher in rural areas, and among women with lower levels of education. At least a third of women are estimated to marry before reaching age twenty and a majority of them have children in the first year of marriage. Social conventions dub a single woman over twenty as an 'old maid' with much lower bride price (*kalym*). Growing poverty has led to an increase in underage marriages. A re-traditionalization of society, especially in gender relations, is becoming common in rural areas as well as in certain echelons of well-off, urban Kyrgyz.

Women in the post-socialist system are grappling with a triple burden—full-time employment, full-time mothering, and full-time domestic responsibilities. The collapse of Soviet welfare system means women are increasingly reliant on close

¹⁹ Anara Tabyshalieva, "Revival of Traditions in Post-Soviet Central Asia" (<http://www.ifrs.elcat.kg/Publication/Anara>)

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family or stay home to care for children. Anara Tabyshalieva notes that Central Asian women are trapped in three circles of discrimination – influenced by traditions of patriarchy, Soviet ideals of womanhood and ‘Western’ notion of women’s freedom. The Central Asian patriarchal system pushes women back from active public role into domesticity and child-care. The Soviet values require women to combine full-time work with traditional notions of womanhood and domesticity. The ‘Western’ notion of freedom, derived mainly from low-grade movies and soap operas, portray consumption and sexual appeal as symbols of freedom. The combination of these three influences have led to a further deterioration of women’s status and brought about a profound crisis in the understanding of gender roles. Whereas former Soviet gender ideals extolled virtues of frugality and condemned ‘materialism’, the younger generation of women see self-indulgence and consumerism as defining elements of their post-socialist identity.²⁰

The growth in prostitution and trafficking of young women is acutely felt in a small country. In all, about 4,000 women left Kyrgyzstan in 1999 to work as prostitutes.²¹ Ordinary citizens link the presence of US military troops with a boom in prostitution. There are reports that the stationing of 10,000 Kyrgyz soldiers in Batken after the incursion of Tajik guerrillas last year and in 1999 led to an escalation in prostitution and public drunkenness.

Despite their extensive involvement in social and economic spheres, women are grossly underrepresented in political structures, especially at top levels. Only five of the total of 105 Members of the Parliament are women. Women are better represented at the local and regional levels where they occupy roughly one quarter of all positions. Kyrgyzstan has an active network of NGOs dedicated to women’s issues: there are over 70 such NGOs operative currently. Women’s organizations report that domestic violence directed against women, underage and forced marriages are a serious problem in the republic, particularly in the remote areas. The Legal Information Centre in Osh reported in Autumn 2002 that nearly 75% of women in the region are unaware that they can legally seek government aid or resist domestic violence.

Disintegration of socialist welfare structure has resulted in the shutdown of many preschools, kindergartens, and numerous ‘recreational’ activities, which kept children busy away from homes. Instead of going to school, many children find themselves absorbed into the informal labour market. An estimated 10-13% of Kyrgyz, predominantly men, have left for Kazakhstan or Russia to work on illegal jobs leaving their wives to care for children and elders in the family, as well as support the family in their absence. There is a visible growth in the number of children left alone at home or simply abandoned. The growing presence of young children under age fourteen roaming the street, surviving as hoodlums or

²⁰ Kathleen Kuenhast, “From pioneers to entrepreneurs: young women, consumerism, and the ‘world picture’ in Kyrgyzstan,” *Central Asian Survey*, 17:4 (1998): 639-54.

²¹ <http://usinfo.state.gov/topical/global/traffic/01020101.htm>

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beggars, is quite unsettling for a nomadic tradition in which children are cared for and nurtured by the entire extended family.

3.3.4. Ethnicity and Religion

Kyrgyzstan has pledged support to establishing a 'civic' state and maintain its multiethnic heritage. As in all other former Soviet states, statehood is seen primarily in ethno national terms, in which the Kyrgyz see themselves as 'indigenous' and 'first among the equals'. Kyrgyzstan initially proposed deletion of the mandatory 'nationality' (which refers to one's ethnic origin) entry from its new passports in 1996 to demonstrate its commitment to building civic statehood, but soon retracted from this proposal. The category 'nationality,' distinct from 'citizenship,' is not merely an ethnic marker, but also a crucial criterion in determining the distribution of privileges and positions among the titular and non-titular nationalities.

Kyrgyzstan, like Kazakhstan, has established the Assembly of People (*assembliesa narodov*), consisting of representatives of various nationalities, in response to recommendations of the OSCE High Commissioner on National Minorities for enhancing minority representation in governmental and public sphere. It serves as a channel providing the officially designated ethnic leaders access to the president, though this also contributes to formation of ethnic patronage. The Assembly of People has only recommendatory and not legal mandate and is by and large a symbolic institution.

Kyrgyz is the only state language, although Russian is widely used in cities and understood in all rural areas. Russian was recognised as the official language in 2001. Due to populist pressure exerted in the name of rural Kyrgyz and debates over technicalities it took the parliament three years to pass the law granting Russian the status of the official language, on par with Kyrgyz as the state language. The Kyrgyz, especially in the North, are among the more Russified Central Asian ethnic groups together with the Kazakhs. Notwithstanding the diminishing role of Russia and the decreasing number of Russians in the country, the continuing hold of the Russian language and culture remains a source of aggravation for most rural Kyrgyz. The attitudes toward Russians and the Russian language among the urban Kyrgyz are far more favourable. The Uzbek demands to have their language recognized as 'official' in the South have not had much support, mainly because there are very few Uzbek members in the parliament or in the central government. Only seven out of 105 Members of Parliament are ethnic Uzbeks and even these do not necessarily see themselves as 'ethnic' representatives of the Uzbeks. Uzbeks have a disproportionately low share in the regional and local administration.

Uzbeks are the largest minority, forming about one third to half the population in areas within the southern regions of Osh and Jalal-Abad. Uzbeks are dominant in agriculture and retail trade, Russians and Slavs have historically dominated the industrial, technical and engineering sectors whereas Kyrgyz have had a better

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access to government administration, education and cultural spheres. There is a widespread perception among the Kyrgyz that Uzbeks and Slavs are better skilled and more advantaged in adapting to market economy whereas the Kyrgyz see themselves as culturally ill-equipped to cope with economic transition. The preferential treatment for the titular nationality entrenched during the Soviet rule and an evident under-representation of Uzbeks in governmental structures was a key condition that contributed to the Osh riots of 1990 in which over 100 members belonging to both groups were killed.²² Government officials and members of both communities are determined to prevent a recurrence of ethnic riots that occurred in Osh in 1990. A number of international NGOs, early warning groups such as the International Crisis Group have set up offices in Osh and are engaged in conflict-prevention.

Relations between Uzbeks and Kyrgyz are close, multi-levelled but highly competitive and tense. The Uzbeks of Kyrgyzstan have found themselves to be doubly isolated in the new Kyrgyz-dominated state as they are neither able to maintain close ties with their kin state nor feel included in the regional or central government structures. Their modest cultural ties with the Uzbek kin-state have ruptured further with Uzbekistan's adoption of the Latin alphabet. Kyrgyz remains written in the Cyrillic script, which rules out the adoption of Latin for Uzbek in the foreseeable future. There is no irredentist threat posed by the Uzbeks, despite their support and appreciation for the 'strong' leadership of President Islam Karimov (in contrast to the perceived 'weak' leadership of Akaev).²³

Although Kyrgyzstan pledged support to weed out the 'terrorists' as an ally in the US-led coalition against terror, its Criminal Code does not have a precise definition of what constitutes an act of terrorism, nor has the parliament yet passed a law that defines terrorism. Hizb ut-Tahrir has been branded as an "extremist" organization though there is no evidence yet linking it to any major act of terror. Kyrgyz officials also contend that Hizb ut-Tahrir is linked with Islamic Movement of Uzbekistan (IMU) as well as some Uighur separatist organizations that support radical Islam and espouse use of violence though there is no substantive evidence of this. There is a widely held belief, difficult to verify, that supporters of Hizb ut-Tahrir and other Islamic groups operating within Kyrgyzstan are predominantly Uzbek. The remark by deputy Interior Minister that the South is more susceptible to religious extremism because of "the large number of Uzbeks living there"²⁴ is shared by government officials, police forces and ordinary Kyrgyz. However, Islam constitutes a common identity denominator between the two communities.

²² Valery Tishkov, "The Culture of Ethnic Violence: The Osh Conflict," in *Ethnicity, Nationalism and Conflict in and After the Soviet Union* (London: Sage, 1997): 135-54

²³ Morgan Liu, "Articulating Locality and State Without Thinking Nationality: Authority and Political Imagination among Uzbeks in Osh, Kyrgyzstan." Paper presented at the Fifth Annual ASN Convention, New York, 13-15 April 2000.

²⁴ *RFE/RL Newslines*, 7 March 2003.

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Numerous civil rights activists have warned about the growing use of state repression in the bureaucratic efforts to combat “extremist” or “terrorism.” Human Rights Commissioner Tursunbai Bakir uulu has advocated a legalization of Hizb ut-Tahrir, suggesting that the Kyrgyz Muftiyat, rather than KGB or police, be empowered to deal with this group. He blames the government’s unwillingness to have an open discussion on the vital issue of Islam for the widespread ignorance and prejudice about Islam. Bakir uulu has been accused of supporting an Islamic vision by figures within the government as well as independent civic activists.²⁵

4. The Governmental Apparatus (Presidency, Executive, Legislature and Judiciary)

4.1. The Presidency, Presidential Administration and the Executive

Similar to Kazakhstan, Kyrgyzstan has also opted for the French-style presidential system combining a strong presidency with a parliamentary republic. Top executive authority at the centre is vested in the office of the President, including the Presidential Apparatus (*apparat prezidenta*). The President is a kind of republican monarch who symbolises state power, serves as the guarantor of the constitution and a guiding force in determining internal and external policies (Art 42). In addition, he possesses the powers vested in the US or French presidency. Article 53 of the new constitution providing “immunity to all former presidents, members of their family and their assets” has fully legalised the unrestrained concentration of powers in the presidency. The President appoints the Prime Minister (in consultation with the Parliament), the State Secretary, Chairman of the Central Election Commission (CEC) and a third of its members, Chairman of the Central Bank, regional governors, public prosecutors and judges.

The prime minister is the head of the executive branch and carries responsibility for the implementation of socio-economic policies. Lacking corresponding powers, the prime minister serves as a figure shielding the president from policy failures and criticisms. It was Prime Minister Kurbanbek Bakiev who resigned following the Aksy disturbances in March 2002 after police shot dead five civilians. The protestors were demanding Akaev’s resignation. The average term in office for prime minister has been about 18 months.

The concentration of powers in the presidency has led to a steady expansion of the staff and functions of the presidential administration (*administratsia prezidenta*). The constitution grants the president full powers to nominate its members, who are solely accountable to him. The three key figures in the Presidential Administration—the State Secretary, Chief of Presidential Administration and the Head of the National Security Council—are all close associates of the President and wield greater authority than the Prime Minister. The presidential overshadows the prime ministerial apparatus.

²⁵ Author’s interview with Tursunbai Bakir uulu, 17 April 2003, Bishkek.

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Over the past decade, the presidential administration and the prime ministerial apparatus have developed parallel structures with considerable duplication of functions without a clear location of responsibility. Both have a similar number of staff and sectors on economic policies, judicial affairs, defence, security and interior affairs. Several top government and public officials (these include the former Prime Minister Kurmanbek Bakiev, former Minister of Foreign Affairs Muratbek Imanaliev) and independent deputies suggest that both organs should merge into one single body and each administrative sector (*vedomstvo*) within be assigned a clear set of functions, powers and accountability. Under the current system, the presidential administration has extensive powers but lacks accountability whereas the prime ministerial administration accounts for all policy decisions but has few powers.

As part of Kyrgyzstan's governance reforms geared at reducing bureaucracy, a UNDP Programme on Political and Administrative Governance at the Central Levels has undertaken a functional analysis (FA) of ministries (Education, Justice and Health), sectors (*vedomstvo*) within each ministry, and various regional and local bodies.²⁶ The report specified detailed technical criteria along which a similar FA of other state structures needs to be conducted in order to recommend reductions. A presidential order requires all state structures to undergo such functional analysis for streamlining governance. The UNDP recommendations are largely of technical nature and do not address acute political questions, especially the demarcation of powers and resources between various ministries as well as administrative sectors within a ministry.

Critics of the UNDP governance restructuring project recommend that effective restructuring needs to begin at the top organs. Former premier Kurmanbek Bakiev advocates a minimal of 15% reduction in the White House, and subsequently in all ministries, and their respective sectors.²⁷ However, no functional analysis of presidential and prime ministerial administration has been done, or at least not presented for public discussion, according to Mira Zhangaracheva, a former UNDP consultant on the project.²⁸ A clear demarcation of powers and accountability of the president or the prime minister in economic and political spheres is needed to reduce the overlap between the two structures can be removed. It is equally vital to specify what tasks are to be undertaken by the state, by private sphere and by NGOs for an effective rationalization of the bloated bureaucratic structure.

Since the presidential and parliamentary elections of 1995, there has been a growing trend toward the development of "family rule." Independent and

²⁶ Under its auspices, previous functional analysis of central governmental structures in transitional economies was conducted in Kazakhstan, Latvia and Slovakia. The Kyrgyzstan project is headed by Talaibek Koichumanov. See T. Koichumanov, *Functional Analysis of State Structures: Methods and Approaches*. Bishkek: UNDP, 2002.

²⁷ Author's interview with Kurmanbek Bakiev, 14 April 2003, Bishkek.

²⁸ Zhangaracheva was asked to leave the project for her insistence that FA should begin with the very top structures, i.e., the presidential administration. Author's interview, 14 April 2003, Bishkek.

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opposition media, as well as reports by the International Crisis Group have pointed at the visible influence of Mairam Akaeva in the choice of close presidential advisers,²⁹ the prominent role played by Akaev's daughter Bermet in the conduct of reforms and dealing with international financial institutions, the influence wielded by his son Aidar working as Adviser to the Minister of Finance, and the staffing of the inner circle of the presidential administration with close kin, friends and followers. Akaev's Kazakh son-in-law Adil Toigonbaev is a highly successful entrepreneur who is believed to have used his personal position to gain control over building and construction business, oil imports from Kazakhstan and trade in vodka and sugar.³⁰ Both Aidar Akaev and Toigonbaev have been accused of enriching themselves from their monopoly over fuel sales to the Manas base. Akaev's older brother Asankul was elected unopposed from the Chu region in the 1995 and 2000 elections. Although the authorities ensured that there was no rival candidate, they had a much harder task ensuring a 50% turnout, mandatory for validating the elections.

4.2. Legislature

The parliamentary institutions have been an object of much reforms and tinkering by the government as well as various international projects on governance. In 1994 the single chamber parliament (*Jogorku Kenesh*) was replaced with a bicameral parliament composed of a 35-seat Legislative Assembly and a 70-seat Assembly of People's Representatives through a referendum. The February 2003 referendum approved the decision to revert to a unicameral legislature composed of 75 members when the next parliamentary elections in 2005 take place. The government has argued that a bicameral parliament is unsuitable due to the lack of clear division of duties between the two chambers, which hinder the passage of laws. It was also seen as a budgetary drain.

According to the Constitution, laws are to be initiated by the government (executive) and not the parliament. The executive is granted the right to impose temporary laws and inform the parliament of these. The president and the government initiate 80% of the bills. The president reserves the power to veto any legislation passed by both houses of the parliament, a prerogative that he has used veto quite frequently by claiming incompatibility of the proposed legislation with the constitution or existing laws. The parliament has at times delayed legislation by sparking excessive debate on relatively unimportant clauses and in other instances endorsed a wholesale adoption of laws without adequate discussion of finer points.

Relatively few of the parliamentary deputies (out of 10 interviewed) considered it important to pay attention to *how* laws are initiated, discussed and adopted in the parliament, and how the frequent presidential decrees and amendments through referenda impinged upon the parliament's prerogative to enact laws. This is

²⁹ International Crisis Group (ICG). *Kyrgyzstan's Political Crisis: An Exit Strategy*. 20 August 2002. ICG Asia Report No.37. Osh/Brussels, 9.

³⁰ <http://www.eurasianet.org/resources/kyrgyzstan/hypermail/200201/0043.shtml>

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mainly because the political culture, on the whole, is that of deference to higher authority, which is personified by the president. Most deputies are neither properly aware of their rights and obligations, nor fully in tune with the problems confronting their constituencies.

Draft legislation is usually publicly available and some debates in the parliament are televised, though there is no clear-cut regulation on public access to the information. In early 2002 the government attempted to increase secrecy and limit public access to the information about government activities. Members of the Parliament have on various occasions launched a successful investigation into the various deals concluded by the government. Deputy Azimbek Beknazarov questioned the government's decision to ratify the border demarcation agreement with China without consulting the parliament – protests that led to a large-scale mobilization in Aksy in March 2002.

Some independent deputies have complained that vital data pertaining to the budget, especially on what budgetary sources are spent on maintaining the presidential administration, is not released to them. Independent deputy Alevtina Pronen'ko's demands for information on the criteria used in setting electricity tariffs was deliberately interpreted by President Akaev as a proposal to impose new tariffs, which he claimed was both against the Constitution (which denies deputies rights to introduce tariffs) as well as a violation of international aid conditionality.³¹ Other deputies have also noted that full details of aid conditionality are not released to the parliament nor are reports or studies by major international agencies fully debated in the parliament.

The parliament has passed a motion for introducing secret ballot by deputies, which is now pending approval from the president. If upheld, this could boost parliamentary authority in approving or rejecting appointees in the government, including the prime minister.

4.3. Judiciary

The Constitution of Kyrgyzstan formally guarantees independence of judiciary and establishes the following courts: the Constitutional Court of the Kyrgyz Republic (the highest judicial organ), the Supreme Court of the Kyrgyz Republic, the Higher Arbitration Court of the Kyrgyz Republic, and local courts (courts of oblasts, Bishkek City Court, district and municipal courts, arbitration courts of oblasts and of City of Bishkek, military courts). The President has the authority to appoint and dismiss the Procurator-General, Deputy Procurator-Generals, and oblast procurators though he is required to obtain the consent of the parliament. Judges are appointed for a period of ten years and are required to have a certificate (*attestat*) issued by an Attestation Committee under the President in order to be eligible to become a judge. The latter is a means of subordinating the judiciary to the presidency and is condemned by civil society activists.

³¹ Author's interview with Parliamentary Deputy Alevtina Pronen'ko, 15 April 2003, Bishkek.

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The judiciary is the weakest and most vulnerable of the three organs. The Supreme Court, as well as regional and local courts lack legal, institutional or financial safeguards to be able to pronounce independent judgement. The 2000 presidential and parliamentary elections further exposed the judiciary's subordination to the executive dikat, when it prevented two powerful opposition candidates, particularly Feliks Kulov, a former Vice-President and the head of the National Security Service and Daniyar Usenov, leader of the Bei Bechara (Party of the Poor and Unprotected People) from contesting the elections on politically-motivated charges. Despite public protests and his claim that he was charged for criticizing the regime and revealing corruption in the government, Kulov's long trial by a special military court ended in May 2002 with a ten years imprisonment.

In October 2000 under governmental pressure, the court banned opposition candidate Usen Sydykov (member of Ar-Namys, led by Kulov) after first round of elections in the Kara-Kuldja district on the ground of misguiding election commission on his property, assets and incomes. In early 2002 the judiciary acted under political pressures when it charged parliamentary deputy Beknazarov for professional misconduct and sentenced him for his outspoken critique of the regime.

Since 2001-02, the government made some efforts to streamline the court system, to improve the professionalism of the judges and to increase funding of the courts. Judges are now required to pass regular exams and to participate in retraining to stay familiar with constitutional and legal changes. Recently Akaev called for the introduction of jury system. Without basic safeguards providing for an independent and impartial judiciary, jury trials are unlikely to bring about positive change.

4.4. Local Government and Decentralization

Kyrgyzstan is divided into seven *oblasts* (regions) and 43 *raions* (districts). The seven oblasts are: Chu, Issyk-kul, Talas, Narin, Osh, Jalal-Abad, and Batken. The president appoints the governors, or regional heads, upon the recommendation of the prime minister and with the consent of the corresponding local legislatures (*keneshes*). The prime minister appoints the akims, or heads of districts and local administrations with the consent of the relevant local legislatures. At the lowest level are the village councils or *ayil okmotu*.

Regional and local governments receive most of their revenues from central budgets and have a relatively free hand in carrying out social and economic development projects within the local budget. Local executives are authorized to overrule decisions of local legislatures. Local administrators in several remote areas remain beyond the control of any outside authority and have practically established their own fiefdoms with the support of the local law enforcement agencies and the judiciary. Several observers have drawn attention to the

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establishment of a neo-feudal system of governance in Kyrgyzstan.³² Kyrgyzstan has sought to ameliorate this by allowing for direct local elections for the posts of village and town akims in December 2001. On paper, it is the first Central Asian state to promote decentralization through local elections. In the absence of direct elections of higher-up figures (regional governors), local elections have not contributed to developing self-government or accountability because: (i) local akims owe their positions to patronage from above; (ii) many akims were elected unopposed; (iii) elections reproduced the same old practice whereby the incumbents or 'clients' of higher-up officials block the registration and victory of opposition candidates through manipulations of votes and ballot papers.

There is a widespread agreement within the government and among the NGOs that the office of local or district akim is superfluous and exists mainly to dispense patronage and secure electoral support for higher-up officials. It is an appendage on the position of the governor and both incumbents need to be directly elected. While the Kyrgyz leadership has procured large-scale international (technical) assistance to improve self-government, the central government has resisted fiscal decentralization.

It is critical to note that no effective decentralization can occur without a strong and efficient central government. New legal basis for cooperation and partnership and adjudication of differences has to be created. An effective partnership between regional government and private business can ameliorate this.

4.5. Bureaucracy, Taxation and Corruption

Kyrgyzstan's poor tax collection record, chaotic state of tax collection structures, overall lack of transparency and rampant corruption are part of a self-sustaining vicious circle. The entire tax and customs revenue collection system is haphazard, ad hoc, lacking in transparency and accountability.

Under current laws, a regulatory state body receives half of its financing through state budget and half through other paid services (*khozraschet*), which is a legacy of the socialist command economy. It is common for tax regulatory and inspection bodies to demand payment for required or regulatory services. For example, the Ministry of Finance charges five som, (a negligible amount), for a tax form which should be freely and easily available to citizens. Procuring the form (alleged to be in short supply with tax deadline impending) can cost a lot more than five som.

The State Tax Committee is authorized to keep 50% of revenue from all penalties for itself, a clear incentive to impose many penalties. Regional and local authorities also add extra fees or penalties in order to increase their income because there are no clear set of guidelines on how tax collection expenses are to be financed, what portion goes to the state treasury and what portion can be

³² Rafiz Abazov, "Kyrgyzstan," in Adrian Karatnycki, Alexander Motyl, and Amanda Schnetzer eds., *Nations in Transit 2002*. Freedom House, NY. 2003.

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kept by the lower authorities. The various extortions from individuals by government officials are partly due to the fact that the government does not set aside budgetary funds for the costs of tax collection bodies. The State Customs Committee receives no financing from the state budget. Not all government employees in regulatory and administrative agencies get salaries from the state budget.

The population is not well apprised with the taxation structure and laws tend to be written in obscure, technical language. Nor are people aware of their rights vis-à-vis tax officials. They are required to pay for the alleged violation on the spot and then contest it in courts. Given the extremely low level of public trust in the judicial system and the pervasive belief that courts support state officials and not ordinary citizens, citizens prefer to reach a “settlement” with the tax official, i.e., negotiate a bribe.

It is vital to establish a clear set of guidelines on how many times are tax officers allowed to visit a business or enterprise to conduct inspection. The whole attitude to inspections and certification remains cast in the socialist mode. “The very arrival of a tax or inspection officer brings in stress and an immediate dent in our pockets,” said one private businessman.³³

Each tax regulatory body has the monopoly over issuing its kind of licence and over information on how that licence is to be obtained, which is a basis for institutionalising corruption. Allowing at least two kind of bodies to issue the same licence can break such monopoly. Establishing multiple and localised sources of obtaining information, documentation, forms and licences can significantly reduce corruption. Similarly, there is need for a committee that oversees and coordinates such inspections, instead of the current practice in which each body works as a separate entity. For instance, Tax and Customs Committees do not have a common database. The fewer such bodies, and the more streamlined the structure, the less the scope for extortions and favours.

Governmental measures to combat corruption have proved to be ineffective because there is no impartial and independent body for investigating corruption. The government periodically appoints commissions to inquire into corruption, which means that the top organs and high-level cases are never examined. None of the commissions to inquire into corruption within specific ministries, such as the ministries of Interior, Health, Education have taken or recommended any serious corruption-prevention measures. This is mainly because the members staffing these commissions, such as law and order officials, health workers, and directors of schools themselves tend to be close associates or nominees of officials in the relevant ministries.

In 1999 the government initiated an anti-Corruption law at the behest of Akaev. This measure was soon implemented against the political opponents of the

³³Author’s interview with Sergei Lisunov, independent businessman, 17 April 2003, Bishkek.

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regime, notably Feliks Kulov, the leading opposition candidate in the presidential election. In 1999 and again in 2000 Kulov was charged and issued a seven year sentence for abuse of power and acquiring almost one million soms from commercial deals. It is therefore urgent that programmes for inquiring into corruption be passed in the parliament rather than being adopted by the government or the president.

In a resource-constrained state with a large bureaucracy, numerous governmental posts acquire “gate-keeping” functions, serving as a source of revenue generation for their incumbents rather than functioning as a channel of offering public service. These positions also become a crucial means of dispensing patronage for the top leadership and offering protection to the clients against formal laws. Given its poor resource base, the Kyrgyz government cannot afford to award its various clients with resource licenses and business opportunities via privatization, as in Kazakhstan. This leaves employment in key government agencies and offices as the major spoil granted to the clients of the regime. These positions allow bureaucrats the opportunity to divert resources from the state or local budget either to personal accounts and/or (as it is more prevalent) holding ordinary citizens at their mercy by withholding necessary government documents, approvals and information unless an appropriate bribe or gift is obtained. Down-sizing these gate-keeping structure of government is absolutely essential in curbing corruption and enabling private enterprises to operate effectively.

Elections and appointment to key governmental posts are another common mechanism of widening corruption and patronage. Regional and local organs of government are closely involved in nominations, campaigning and electoral outcomes. Vote buying, intimidation of ‘undesirable’ candidates, rigging and ballot-stuffing have been common in all parliamentary and presidential elections and referenda. The law requiring all candidates standing for public elections to make financial disclosures has been diligently enforced against opposition candidates, but not against those supported or sponsored by the regime. Daniyar Usenov was forced to quit politics in early 2003 after continuing harassment and losing most of his financial assets.

In 1999 Transparency International ranked Kyrgyzstan 87th out of 99 surveyed countries (the higher the rank, the greater the perception of corruption in that country), behind China, Russia and Kazakhstan on its corruption perception index. Kyrgyzstan was excluded from the monitoring system in 2001 and 2002. In the absence of a comprehensive international or national agency monitoring corruption, hard data is difficult to obtain. On 11 November 2002 opposition newspaper *Moya Stolitsa* published results of a survey conducted by the Centre for Study of Public Opinion. The survey revealed that more than 42% of the respondents regarded high-ranking government officials as “most corrupt.” Institutions identified as the most corrupt by these responses were: the state customs control committees (93% of the respondents), taxation office (92%),

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police (90%), tertiary education system (86%), Ministry of Finance (70%), and courts and judiciary (66%). Many respondents said that they had personally faced extortions in trying to obtain public documents, register purchase of apartments, car inspections, attending court hearings and on related occasions.

There is an equally widespread perception that positions of regional governors, ministers, mayors and local akims are routinely bought. The going rate for a governorship is rumoured to range between \$250,000 to 500,000, depending upon the oblast. A ministerial post costs \$300,000 whereas mayoral job around \$50,000.³⁴ Small-scale jobs at various levels, such as in local administration, in schools and hospitals are similarly 'sold' on a regular basis. Because such positions do not offer much security of tenure, appointees have a strong incentive to them to recover their 'investment' as quickly as possible by means of graft and prepare to buy the next position. Corruption is endemic at all levels and is self-sustaining. Since a lot of positions are obtained by paying bribes, it is difficult to hope for the presence of 'honest' officials. Introducing transparent criteria for recruitment, promotion, and pay are critical.

4.6. Police and Security Forces

Police forces are under the control of the Ministry of Interior, which is accountable to the parliament. However, the president appoints the heads of the police forces and the regional Procurator-Generals. The Ministry of Interior and the National Security Committee wield control over distinct divisions of the police and compete to establish their respective spheres of influence.

The incursions by Islamic guerrillas in Batken in 1999 and 2000 as well as public demonstrations in Aksy in March 2002 exposed the weakness, poor training, brutality and lack of civic accountability of the police. Police are woefully under-paid and under-trained. Junior officers in Jalal-Abad reported an income of \$7-10 a month various senior officers may earn twice that amount. It would be impossible to survive on such salaries without various forms of extortions and bribery.³⁵ Rather than serving as a crime-prevention force, low salaries, poor training and the lack proper accountability have turned sections of the police into an institutionalised criminal force and a brutal face of state power. The Aksy killings brought to light the dilemma of local police caught between following orders of their superiors to fire at recalcitrant protestors and abiding by civic norms of shooting only in self-defence. Low and middle-rank police officers are especially vulnerable, as they are obliged to follow illegal orders of their more corrupt superiors who in turn go scot-free. The amnesty granted to police who fired at the demonstrators in Aksy shooting is only a tame recognition of the depth of the problem that needs to be addressed.

Following the killings of five civilians in Aksy in police shootings, the OSCE allocated €3.8 million (\$4.4 million) on a programme to reform Kyrgyzstan's

³⁴ ICG, *Kyrgyzstan At Ten*, p. 5. Also, author's conversations with government officials in Bishkek.

³⁵ ICG, *Kyrgyzstan's Political Crisis*, 10.

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Interior Ministry, which is scheduled to last eighteen months. About €2.5 million is to be spent for police training in the cities of Bishkek and Osh. The project will focus on providing methodological and technical assistance, as well as transforming the police from a 'force' into a 'service.' Ravshan Abdukarimov, the Deputy Head of the Section of Interior Affairs in Osh oblast noted that his staff are going through extensive training on how to respond to social and civic disorders, how to behave responsibly and humanely toward the accused under the International Criminal Investigative Training Assistance Programme administered by the US Department of Justice.³⁶ Another senior official from the public procurator's office in the city of Jalal-Abad complained that international trainers often offer advice and recommendations without first listening to the problems faced by the police or showing regard for their professional experience.

The Public Ombudsman Bakir uulu caused a stir by accusing top police officers, together with officials the Ministry of Interior and the National Security Committee of making a "business" out of the persecution and arrests of Hizb ut-Tahrir and other so-called terrorist groups. A senior police official in Osh noted that while the police face the brunt of criticism from all over, not a single deputy from the South has attempted to meet with the Hizb ut-Tahrir supporters or discuss the particular problems faced by the police in dealing with this "anonymous enemy."³⁷ The Procurator-General of the Section of the Ministry of Interior in Osh city stated that if Kyrgyzstan is required to build a state on a "humane principle" (in contrast to Uzbekistan), then it is very difficult to expect the police to efficiently round off alleged terrorists.³⁸

4.7. Political Parties

It is difficult to talk about a meaningful party system in Kyrgyzstan. Three-fourths of the members of parliament are independent or self-nominated persons, not affiliated with any political party. In practice, most are closely associated with figures within the regime and do not represent any defined socio-economic interests or ideology. Personal relations and patronage-based ties are critical to any form of party affiliation.

Constant changes in the laws about party registration, finances and electoral competition have continued to hamper institutionalization of the embryonic party system. Although the number of political parties increased from two in 1991 to thirty in 1999, their number has declined sharply since 1999. Among the parties sponsored or supported by close members within the regime are the Democratic Movement of Kyrgyzstan and My Country (*Moya strana*). Among the most popular and well-known opposition parties are the Communist Party, the People's Party and *Ar-Namys*. Other opposition parties, *Erkin Kyrgyzstan* and the Socialist Party (*Ata-Meken*), are quite vocal though their support base is quite

³⁶ Author's interview with Ravshan Abdukarimov, 11 April 2003, Osh

³⁷ Author's interview with a senior police official in the City Police Administration, Osh, 11 April 2003.

³⁸ Author's interview with the Procurator-General of the Section of the Ministry of Interior in Osh city, 11 April 2003.

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narrow. Recent constitutional changes are likely to render the presence of a small but vocal opposition within the parliament irrelevant. Added to this is the overall scepticism among government figures, party members and NGO activists about the appropriateness of a Western-style ideology-based party system for Kyrgyzstan given the preponderance of personal ties in all walks of life and overall passivity of the electorate.

The Communist Party is among the most active parties with a large membership base especially in the rural regions. Although it defines itself as an opposition party, the Communist Party is perceived as far less threatening by the regime than Ar-Namys founded by Kulov. It won 28% votes in 2000 elections. Its leader Absamat Masaliev advocates strict governmental controls, regards Belarus and Uzbekistan as models that Kyrgyzstan should follow, while cautiously welcoming Chinese economic growth.³⁹ He has been able to gain support among the poor and the strata worst affected by economic reforms and the disintegration of economic ties with Russia and Uzbekistan. The Communist Party's key advantage lies in its inheritance of a significant support base from the Soviet times and the fact that it is a well-known brand.

Ata-Meken or Socialist Party is a small but disciplined party of neo-communist orientation that plays on mobilizing nationalist sentiments. It is popular in the South. Its leader Omurbek Tekebaev obtained 12% votes as presidential candidate and remains determined to contest next presidential elections.

Of the total 105 seats in the current parliament, 73 belong to independent candidates. The Pro-Akaev Union of Democratic Forces holds the largest number of seats, 12; the Communist Party, 6; centrist and pro-Akaev My Country, 4; pro-Akaev Democratic Women's Party of Kyrgyzstan, 2; opposition Bei Bechara (Poor and Unprotected People's Party, 2; opposition Ata Meken Socialist Party, 2; pro-government Agrarian Labour Party, 1 and the opposition Erkin Kyrgyzstan 1.

My Country is a liberal party of generally pro-regime orientation with about 5000 members, which got 19% of votes in the 2000 elections. Urban professionals, mainly in the two big cities Bishkek and Osh, constitute most of its membership base. Feliks Kulov, the founder of the Ar-Namys party, was the strongest challenger to Akaev in the 2000 presidential elections before he was disqualified from the contest on political grounds. The 10-year sentence meted out upon him in 2001 has virtually diminished the electoral prospects of Ar-Namys.

The law on formation of political parties is very liberal, allowing any 10 people to form a party. Acquiring popular support, raising finances and obtaining representation in the legislative organs is far more difficult. The 2000 law required at least 25% of the members of Parliament to be representatives of political parties, elected on the basis of a party list. Out of 24 registered parties, 9

³⁹ Author's interview with Absamat Masaliev, 15 April 2003, Bishkek,

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were allowed to compete for the party list in the 2000 elections. The new Constitution scrapped the party list altogether. The new parliament, which is to come into effect in 2005, will be elected on the basis of simple majority principle.

There are 6 major blocs or factions (*fraktsii*) represented in the parliament, but these are not registered political parties. Members of political parties or blocs tend to contest as independent candidates. It is increasingly likely that such factions, rather than political parties, will be more visible in the future parliament. Parties with a regional base, which pledge loyalty to the centre, are also more likely to gain strength. Some prominent regional officials have set up their own regionally based parties. Naken Kasiev, the former Secretary of State and currently governor of Osh, established the *Elet* (Rural Population) political party in 2002, which constitutes a parliamentary faction and aims to defend the interests of the rural population living in extreme poverty.

Although they are meant to promote a competitive party system based on rule of law, Kyrgyzstan's electoral system and legislative organs have succumbed to the entrenched personalistic networks that vie for political power. The presence of a loyal electoral administration and judicial system has allowed the government to successfully rig electoral outcomes and prevent opposition candidates from contesting or winning the elections. The Chair of the Central Election Commission and its members, as well as members of the Constitutional Court and Constitutional Council, is appointed (and dismissed) solely by the president. Various international observers such as the Office of Democratic Initiative and Human Rights (ODIHR) of the OSCE, the Washington-based National Democratic Institute (NDI), and International Helsinki Federation for Human Rights (IHF) have criticized the electoral malpractices and widespread governmental manipulation in the parliamentary and presidential elections of 2000, as well as the February 2003 referendum.

Kyrgyzstan has three major types of opposition. The first consists of registered political parties and their leaders who have opposed the government on numerous policies and have fielded candidates in the presidential elections. The Communist Party, the Socialist Party, and Ar-Namys are examples of these. Bei Bechara has lost its base due to the decision of its leader Daniyar Usenov to quite politics following persistent governmental harassment. The second type of opposition is unofficial and more nebulous, a motley group of consists of human rights activists, independent media outlets, former government figures that have fallen out with the regime, and NGOs. It also includes local leaders, such as deputy Beknazarov who are not affiliated to any particular political party or social group (though they are able to draw on the support of the militia, law and order officials or other prominent local figures). All opposition leaders have faced politically motivated lawsuits, arrests, stripping of assets and outright persecution. The third group is even more nebulous and less visible. It consists of supporters and sympathisers of various Islamist organizations such as Hizb ut-Tahrir, Islamic Movement of Uzbekistan (IMU), which are banned or branded as

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'terrorist' organizations. However, the pure version of Islam based on notions of justice and equity is gaining tacit support among citizenry. All opposition groups have varyingly employed populist and nationalist rhetoric and given voice to 'uncivil' forces and opinions within. This is largely a result to the lack of experience, a hostile legal and political climate in which they operate, and the growing resistance of the regime to engage in a proper dialogue and undertake genuine consensus-building measures.

4.8. Media

The *Nations in Transit* annual survey of Freedom House, which provides a comparative rating for political and economic transition in the 27 transition countries of East-Central Europe and the Former Soviet Union, shows a steady deterioration in Kyrgyzstan's rating in freedom of media and overall political liberalization since 2000. Kyrgyzstan obtained a score of 5.75 in 2001 on a 1-10 scale (higher score indicates less freedom) with respect to media freedom, making it on par with Tajikistan. In comparison Uzbekistan's score was 6.75, Turkmenistan 7.0 and Kazakhstan 6.0, which makes Kyrgyzstan's media only marginally less restrictive.⁴⁰ In 2002 the International organization Reporters without Borders placed Kyrgyzstan on 98th place out of 139 countries in 2002.

Among the independent, semi-independent and privately owned newspaper and magazines are *Res Publica* and the news agency AKI-press. The opposition newspaper *Moya stolitsa* closed down in June 2003 after being embroiled in 30 different lawsuits involving libel and "insult to the honour of the President and some key government figures." Rima Prizhivoit, its deputy editor said that each libel case on an average sought to claim damages of about 500,000 som (\$12,000).⁴¹ It has become a common practice for numerous government officials to issue court cases against journalists alleging libel and extract huge payments. The courts have tended to rule in favour of the government officials though in a small number of cases the court rulings have dismissed such expensive libel suits.

Both *Moya stolitsa* and its precursor *Vechernyi Bishkek* had published numerous articles alleging corruption and misuse of authority by high-level officials. *Vechernyi Bishkek* was the most popular independent newspaper with highest circulation (60,000) before it was bought over by government-supported forces in 2002, ousting its well-respected editor Aleksandr Kim. Kim later launched *Moya stolitsa* with his previous editorial staff. Another popular pro-opposition newspaper *Asaba* was forced to close down in 2001 due to financial insolvency following persistent raids, legal restrictions and libel cases.

Most independent or opposition newspapers have a small circulation between 6,000-12,000, lack finances as governmental controls deny them the opportunity

⁴⁰ Adrian Karatnycki, Alexander Motyl, and Amanda Schnetzer eds., *Nations in Transit 2001*. Freedom House, New York, 2002.

⁴¹ Author's interview with Rima Prizhivoit, 8 April 2003, Bishkek,

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to raise money through advertising, regularly face problems in obtaining printing facilities, are penalised by Tax Inspectors on spurious grounds. Very few of the media outlets are profitable and only two or three print media have national coverage. *Res Publica*, highly critical of the regime, only has a circulation of 5,000.

About 70% of newspapers are in Russian though Kyrgyz-language newspapers and TV channels receive government subsidies. Little objective information is available because journalists are frequently coerced or bribed to produce articles favouring the government. Most papers have re-prints of news from Russian and other sources and have few or no local stringers. Ultimately, independent or non-governmental media are helpless before the Tax Commission, who seek to make the media comply with governmental expectations.

Independent newspapers have found it difficult to survive without regular grants received from various international organizations such as the USAID, the Open Society Institute, National Democratic Institute, and the Eurasia Foundation. The government has justified media controls by alleging the 'irresponsible' and one-sided criticism by the opposition-controlled press. Most of the opposition press lacks professionalism and singularly engages in a polemical critique of the government without providing balanced information. The generally sterile, self-congratulatory tone and content of the official press and the polemical and one-sided accounts in the opposition media make it difficult for both of them to attract mass approval or interest.

AKI-press, an independent (not opposition) news agency formed a couple of years ago, has emerged as a reputed and professional agency and maintained a balanced profile. Its director Marat Tazabekov claims that in contrast to the government-controlled or opposition media, AKI-Press has a clear "market-oriented" approach and believes that financial independence acquired through private business is a pre-condition for the emergence of free media. AKI-press claims to be financially self-sufficient, relying on its own business revenues, contributions from subscribers, though it has also received grants from international agencies. Tazabekov referred to the *Al Jazeera* as an attractive model for Central Asian media, which is independent from the state as well as from Western finances. AKI-press claims to be the only regional news agency with an extensive network of stringers in the remote Fergana region.⁴²

USAID and other international agencies have in recent years shifted focus on training and development of regional media and journalists. The poor infrastructure at the regional levels often means that the same small group of more 'privileged' journalists avail of offers to attend training seminars and 'represent' their respective regions at numerous national and international seminars and conferences. Without an independent and self-sustaining press at

⁴² Author's interview with Marat Tazabekov, 8 April 2003, Bishkek.

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the national level, attempts to develop and empower regional press seem to benefit isolated individuals rather than organised media groups.

4.9. Civil Society Organizations

Kyrgyzstan has a most vibrant civil society in Central Asia and the most liberal regime in the region for registration and activities of NGOs. Leading NGO activists, however, find little comfort in being recognized as the most active leaders in Central Asia and are keen to emulate the more successful models of civil society in East-Central Europe.

Civil society groups include registered NGOs set up through Western help as well as existing informal groups or networks based on local traditions of communal help. Since 1991, more than 3,000 NGOs have been officially registered and about 30% of these are functioning actively. In November 2002, the Counterpart International database registered more than 1,000 active NGOs. Of these, 9.7% were working on women's issues; 12% were providing services to children and youth; around 8.6% were working on education and science; 6.8% were running services for families and pensioners; 5.9% were focusing on human rights and civil society; 5.3% were working on health issues; 4.9% were working on environmental issues and environmental awareness, and 3.5% were working with media.⁴³ The geographical distribution of NGOs was quite uneven with 32%—concentrated in the Chu Valley (where the capital is located); about 25% in the Osh oblast; and 14% in the Issyk-Kul oblast. Only 66 NGOs or just 6% are located in the remote Narin oblast and 71 NGOs or about 7% are in the Talas oblast.⁴⁴ NGOs are estimated to employ 5-7% of the adult population and provide a variety of social services.

Groups based on the indigenous tradition of communal mutual help and assistance are active at local levels. These include groups such as *ashar*, often led by *aqsakals* (tribal or community elders). These cater to those in need, such as single mothers, elderly people, and the disabled, by gathering donations locally or organizing community work. The *ashars* are widespread in the southern *oblasts* of the republic, especially in the rural areas and work closely with the *mahalla* or local neighbourhood structures. Many of these are not formally registered as an NGO.

Training and funds offered by Western organizations such as the Counterpart International, USAID, UNDP, TACIS programme under the EU, Soros Foundation have made a visible contribution to the emergence of a vibrant structure of NGOs and civic activists. However, it would be a misconception to believe that NGOs are mainly a Western creation and thus largely dependent on Western aid. A significant number of NGOs routinely turn to the state for obtaining free or discounted facilities such as office space, utilities, transportation and telephone as the state still owns most services and has a monopoly over

⁴³ Counterpart International: <http://www.cango.net/db/kg>.

⁴⁴ *Ibid.*

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resources. The partnership between NGOs and the state on the whole is not adversarial but based on partnership and cooperation.⁴⁵

The NGO Coalition for Democracy and Civil Society has worked extensively in training independent election monitors at various levels. Under the programme 'Citizens in Action', it organized public discussion of budget in rural areas of Narin, Kara-Balta and Uzgen in which the local mayor also participated. Informal contacts and cooperation between government officials and civic activists are widespread though formal structure of cooperation is still weak.

The network of NGOs and civic activists is quite diverse and their financial fortunes vary a great deal. Some large NGOs have established proper management structures, and been successful in obtaining large-scale foreign assistance as well as state support. Smaller NGOs tend lack a clear management structures and tend to rely on informal networks of colleagues, extended family or patrimonial networks. They are more likely to encounter serious financial constraints or temporarily halt their activities, when they run out of funds. On the whole, most Western-funded NGOs raise money through grants for specific projects, which tends to undermine a sense of continuity and progress in their work.

Kyrgyzstan made an important step in empowering civil rights and civic society in general with the appointment of Tursunbai Bakir uulu, a former activist of the opposition Erkin Kazakhstan, as the first Public Ombudsman in 2002. Former Foreign Minister Muratbek Imanaliev, who was Akaev's nominee to the position, decided to pull out of the fray as all opposition, civil society groups, OSCE and other international organizations endorsed Bakir uulu's candidacy. Although the Ombudsman does not have much authority, the fact that an independent figure from outside the regime could occupy has brought in a great deal of public trust in the office. Bakir uulu claims that this office has already been inundated with a large number of citizen's complaints on civil rights related issues and is struggling to find more resources and international support to cope with the rising volume of citizens' grievances.⁴⁶

5. Short-Term Contingent Factors

5.1. Potential for Social Mobilization

The Akaev regime made some important concessions in the aftermath of the uprising in Aksy in March 2002 to convince the citizenry and international community of its commitment to establish a humane state based on principles of democracy and human rights. As Prime Minister Kurmanbek Bakiev tendered his resignation in May 2002, Akaev dismissed the Minister of the Interior Temirbek Akmataliev and the Head of the Presidential administration Amanbek Karypkulov. A new government headed by Nikolai Tanaev as prime minister was formed. Following a series of peaceful demonstrations by supporters of Beknazarov and

⁴⁵ Kelly McMann, "The Civic Realm in Kyrgyzstan," in *The Transformation of Central Asia*.

⁴⁶ Author's interview with Tursunbai Bakir uulu, 17 April 2003, Bishkek.

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mediation by Osh governor Naken Kasiev, a general amnesty was announced to the police as well as to protestors arrested for inciting violence. Beknazarov's mandate as parliamentary deputy was restored.

The appointment of Temirbek Akmataliyev as Head of the Presidential Administration (after being dismissed as Minister of Interior over the Aksy events) reflects promotion rather than punishment. Nor has the promise to include opposition members in the government materialised. Not only have promises made during negotiations not been kept, but subsequent actions reflect a further hardening of the regime's position. The lack of credible information makes it impossible to gauge whether Akaev personally is responsible for increasing authoritarian control or whether he is a hostage to the hardliners in his immediate surroundings. Whereas a large number of Southerners endorse the former view of the Akaev presidency, government officials and bureaucrats, as well as the majority in the North blame Akaev's inner circle for the growing trend toward authoritarianism. Despite widespread social disillusionment with the regime in the South, independent deputies, regional and local strongmen, opposition and civic activists have failed to work toward establishing ideological and organizational cohesion. Discontent with the regime is widespread but frustration with the opposition is growing as well.

Akaev has been able to draw on the support, however conditional, of prominent regional and local figures and consolidate his rule. Yet the skills displayed by the regime for surviving a crisis and re-asserting control do not necessarily strengthen its ability to sustain economic and political reforms. Regime stability may on the surface provide continuity and predictability but it is maintained by patronizing deeply-entrenched regional and clan interests, which are inimical to the implementation of genuine reforms. There are serious questions about the ability of the Akaev leadership to combat high-level corruption and its commitment to democratic governance.

5.2. Implications of US and Russian Military Bases

The stationing of 3,000 US military troops near the Manas airport in Bishkek has enhanced Kyrgyzstan's strategic role in the region as a key US ally against terrorism. US support has also provided it with material, psychological and political protection against possible Uzbek incursions across the border to hunt for suspected Islamic terrorists. Kyrgyzstan received \$40 million in development assistance from the US in 2001 and \$70 million in 2003. Most important, US military support has boosted the regime's self-perception as a guarantor of stability and emboldened it to take strong measures against its critics and opponents. Akaev is learning to utilize the tension between the two dominant US objectives of preserving its security interests in a region perceived as having strategic importance and engaging in democracy promotion on a global scale. Whereas President Karimov of Uzbekistan has actively sought to keep security concerns in the foreground and divert attention away from human rights issues, Akaev has deepened the strategic partnership with Russia to shield himself from

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Western expectations of democratic behaviour. In late 2002 Russia established a military base in Kant, 25 miles away from the US army base near the Manas airport. Russia has currently stationed jet fighters and deployed 700 civilian and military troops to gradually develop it into a permanent military base. Moscow had pulled its troops out of Kyrgyzstan in 1999 but justified the current measure as a response to “the emergence of a real security threat on the Commonwealth of Independent States’ southern border.”⁴⁷ Since Russia lacks finances to build a proper military base, its presence has an important political rather than security dimension.

When Akaev presented the draft of the new constitution to the Constitution Council before the February 2003 referendum, he began with a statement that President Vladimir Putin of Russia has fully endorsed the draft.⁴⁸ Similarly, the pro-government Russian media offered an extremely favourable assessment of the new constitution and the referendum whereas OSCE and other major international organizations were highly critical. The only major popular demonstration in Central Asia against the attack on Iraq was held in Bishkek in April with implicit governmental support. Kyrgyzstan’s strict laws on public assembly require that prior permission be obtained from the Ministry of Interior for organizing a rally—such permissions are not easily granted for anti-governmental protests.

Greater international involvement, as well as the presence of US military troops, have to some extent mobilized nationalist and populist voices, including some uncivil elements, who have called to safeguard Kyrgyz traditions and Islamic culture against the alleged imposition of Western interests, institutions and values. There is a general view now that the symbolic significance of the concessions made to China over the border issue, which also tapped into anxieties about the domination by a powerful neighbour, has been exhausted, just as the Beknazarov card has outlived its usefulness. It is more plausible that public discontent, particularly in the South, could acquire an anti-Western tone with the population divided over attitudes to Russia and Uzbekistan due to a large Uzbek presence in these regions. The ideology of anti-Westernism, which remains a common denominator between the various Islamic groups on the one hand and the communists, socialists and nationalists on the other, is likely to be the new basis of mobilization in the face of socio-economic deprivation and isolation of the South. The Akaev regime is more likely to solicit political and ideological Russian support to deal with domestic crisis.

5.3. Elections in 2005 and Issue of Succession

Akaev mentioned on numerous occasions in 2002 that he would not contest the 2005 presidential elections. However, there has not been much discussion in the state-controlled media or within the governmental circles on the implications of

⁴⁷ <http://www.eurasianet.org/departments/insight/articles/eav120302.shtml>

⁴⁸ This was stated by Tolekan Ismailova, Director of NGO Coalition for Democracy and Civil Society, in conversation with the author in Bishkek, 21 April 2003.

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this announcement. It is widely believed that Akaev will revise this decision as he has made similar announcements in the past. It is fairly plausible that the Constitution can be reinterpreted to justify a third term in office—a scenario that does not bode well for his international image—or that he can simply “persuaded” by the parliament or by pleas “from below” (mobilization of popular support, collection of signatures) to stand for the 2005 elections.

Leading government officials, deputies, civic activists and media criticise the trend toward establishing a personal and family rule. Paradoxically, even the most open critics of family rule show a high regard for the president for his status as a scientist and academic and consider it impolite to criticise him directly. The Akaev leadership has consciously capitalised on these traditional values of respect for status and hierarchy and nurtured the culture of deference. Several government officials pointed out that a successful oriental ruler must possess attributes of “a Khan”—dignity, honour, authority and firmness—though they viewed Akaev’s erudition and ‘cultured’ background as affirmation of his ‘modernism’ and ‘democratic orientation’, which are also invaluable assets in dealing with the international community. Interestingly, none of them upheld either Islam Karimov of Uzbekistan or Nursultan Nazarbaev of Kazakhstan as consummate examples of these “Khan-like” leadership traits.

The regime’s firm hold over the media has enabled it to manipulate public opinion and portray Akaev as the only alternative possessing the above leadership traits. A law passed in parliament in June 2003 has granted lifelong immunity to Akaev as well as the two former Communist Party bosses Masaliev and Usabaliev. By conferring numerous privileges to Akaev and his family upon leaving office this law has furthered the scope of Article 53 on immunity to the First President of the Kyrgyz Republic. This has raised speculation that Akaev may be working out a safe and viable “exit strategy” and a suitable successor will be identified when he approaches the end of his term. If an exit strategy is indeed being worked out, then it is most likely that the successor will be an Akaev loyalist, capable of reconciling disparate regional interests as well as procuring international recognition. Among the potential successors from Akaev loyalists are the National Security Council Secretary Misir Ashirkulov, Temirbek Akmataliev, a former governor of Osh and Finance Minister and Deputy Premier Djoomart Otorbaev, who also heads the Secretariat on Foreign Investment. Ashirkulov has made a favourable impact on the opposition by emphasising the need to pursue conciliation though his support base is very narrow. Akmataliev is widely seen as responsible for the Aksy shootings (he was the Minister of Internal Affairs then) and thus unacceptable to the opposition and civil society activists. Otorbaev is well-versed in market economy, which is a prized asset in dealing with international donors though his ability to build alliances and networks, especially with leaders in the South, is suspect. If the quest for a “Putin-like” successor is indeed on, then it is very likely that the changes in the government at central and regional levels, as well as shuffling in the presidential administration over the next several months will yield some significant clues.

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5. Implications for DFID Engagement in Kyrgyzstan