

## The State as Investment Market



# The State as Investment Market

An Analytical Framework for Interpreting Politics and  
Bureaucracy in Kyrgyzstan

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# Abbreviations

ABA	American Bar Association
ADB	Asian Development Bank
AUCA	American University – Central Asia
BEEPS	Business Environment and Enterprise Performance Survey
CEELI	Central and Eastern Europe Law Initiative
CADII	Central Agency for Development, Investment and Innovation
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
HRW	Human Rights Watch
ICG	International Crisis Group
IMF	International Monetary Fund
OSCE	Organization for Security and Cooperation in Europe
SDPK	Social Democratic Party Kyrgyzstan
UNDP	United Nations Development Program
WTO	World Trade Organization



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# Chapter 1: Introduction

What type of state has emerged in post-Soviet Kyrgyzstan, and what kind of theoretical framework must we develop to understand its behavior and performance? On paper, Kyrgyzstan's leaders have created institutions and organizations that are consistent with international conceptions of modern statehood and the formal trappings of industrialized democracies.<sup>1</sup> In comparison to the other countries in Central Asia, Kyrgyzstan has generally been given a favorable assessment regarding market economic reforms,<sup>2</sup> political liberalization<sup>3</sup> and the extensiveness of the legal framework.<sup>4</sup> A similar impression is likely to meet a visitor in the capital city of Bishkek. Everything is there: the government house, the national parliament, various ministries and administrative buildings; policemen in uniforms are patrolling the streets, tax officials make sure that businesses pay their taxes, judges are settling legal disputes and the capital abounds with government officials with briefcases rushing for meetings.

Yet, what is observable on the surface in Kyrgyzstan is deceptive, and beneath the veneer of all of this the reality is quite different. In 2008, then commissioner of the National Agency for the Prevention of Corruption, Sadyr Japarov, noted that many public officials are the owners of commercial organizations or hold posts as Board of Directors of companies. Although the law prohibits civil servants from engaging in entrepreneurial activity, he said: "There is a merging of public officials and business ... an institutionalized corruption."<sup>5</sup> In connection with this, a former minister said that there is no legislative branch in the country, as it is a club for business

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<sup>1</sup> John W. Meyer, John Boli, George M. Thomas and Francisco O. Ramirez, "World Society and the Nation-State," *American Journal of Sociology* 103, no. 1 (1997): 144-181; Robert H. Jackson and Carl G. Rosberg, "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood," *World Politics* 35, no. 1 (1982): 1-24.

<sup>2</sup> Gertrude Schroeder, "Economic Transformation in the Post-Soviet Republics: An Overview," in *Economic Transition in Russia and the New States of Eurasia*, ed. Bartłomiej Kaminski (Armonk: M.E. Sharpe, 1996), 11-41.

<sup>3</sup> See Freedom House ranking on political rights and civil liberties, which has ranked Kyrgyzstan as partly free (1991-2000, 2006-08, 2011).

<sup>4</sup> James H. Anderson, David S. Bernstein and Cheryl W. Gray, *Judicial Systems in Transition Economies: Assessing the Past, Looking to the Future* (Washington, D.C.: The World Bank, 2005), 24.

<sup>5</sup> "S. Japarov: V Kyrgyzstane mnogie chinovniki yavlyayutsya vladel'tsami kommercheskikh organizatsii," *Akipress*, November 28, 2008.

executives.<sup>6</sup> A police officer noted that in sectors of the police system where there are plenty of opportunities to extract bribes, all positions are considered to be for sale, while in less profitable positions “we sometimes have to recruit young soldiers.”<sup>7</sup> A former customs official said: “I sold my car so I could buy a position in the customs service.”<sup>8</sup> Finally, a legal expert claimed that the bulk of prison inmates in Kyrgyzstan are those who could not afford to buy justice.<sup>9</sup> These observations are supported in cross-country studies by international organizations as well as locally prepared surveys, in which the country has repeatedly been singled out for inefficient governance and extraordinarily high levels of political and administrative corruption. In the 2010 Transparency International’s Corruption Perceptions Index, the country ranked as among the most corrupt countries in the world (164<sup>th</sup> of 178).<sup>10</sup>

Thus, we have a contradictory picture of formal and informal institutions in forming the state building project in post-Soviet Kyrgyzstan, at the heart of which are practices signaling a thoroughly corrupt state. Corruption, usually defined as “the misuse of public power for private gain”<sup>11</sup> has caught ever-expanding attention among students of post-Soviet political developments, although this was not the case until the late 1990s.<sup>12</sup> It has been popular to apply medical metaphors of disease to the phenomenon, such as the “cancer of corruption.”<sup>13</sup> Whereas the description of corruption as analogous to a sickness is at a near consensus, opinions mainly differ regarding the remedies needed for curing a state affected by pervasive corruption.<sup>14</sup> Yet, in

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<sup>6</sup> Author’s interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 25, 2007.

<sup>7</sup> Author’s interview with assistant to the Minister of Internal Affairs, Bishkek, August 1, 2009.

<sup>8</sup> Author’s conversation with former customs official, Bishkek, February 24, 2007.

<sup>9</sup> Author’s interview with Kyrgyz lawyer from the American Bar Association, Bishkek, July 2, 2009.

<sup>10</sup> Transparency International (TI), “Corruption Perceptions Index 2010.” TI ranks countries in terms of the degree to which business people, the general public and country analysts perceive corruption to exist among public officials and politicians.

<sup>11</sup> Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform* (Cambridge: Cambridge University Press, 1999), 91.

<sup>12</sup> James H. Anderson and Cheryl W. Gray, *Anticorruption in Transition 3: Who Is Succeeding ... and Why?* (Washington, D.C.: The World Bank, 2006), 1.

<sup>13</sup> It was the World Bank’s then-President James Wolfensohn who first used the metaphor of the “cancer of corruption” in 1996, see Elizabeth Harrison, “The ‘Cancer of Corruption’” in *Between Morality and the Law: Corruption, Anthropology and Comparative Society*, ed. Italo Pardo (Aldershot: Ashgate, 2004), 138.

<sup>14</sup> Some scholars emphasize that the best remedy for curbing corruption is to keep the state apparatus small and non-interventional. Vito Tanzi and Ludger Schuknecht, *Public Spending in the 20<sup>th</sup> Century* (Cambridge: Cambridge University Press, 2000). Others challenge this view noting that according to survey results the least corrupt countries in the world tend to be welfare states with extensive bureaucracies and active social programs. Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009), 122-124.

Kyrgyzstan rampant corruption is more than a tumor on the state body that can be excised and removed.<sup>15</sup> Rather than pursuing the widespread medical metaphor, it is worth considering how corruption is used for ordering relations between individuals in society. From this perspective, it is necessary to rethink the conventional approach to corruption as a phenomenon that is essentially the same everywhere. In a thoroughly corrupt state like Kyrgyzstan, corrupt practices cannot be understood as violations of universal rules, for they connote a distinct mode of social organization.<sup>16</sup>

Economist Richard Pomfret rightly points out that while scholars have argued that corruption and poor governance have negated policy reforms in Kyrgyzstan, the nature of the poor institutions was unidentified and therefore the observation was unhelpful.<sup>17</sup> In other words, while we now know a lot about the detrimental effects of corruption on democracy,<sup>18</sup> prosperity<sup>19</sup> and welfare,<sup>20</sup> there is a need to find new ways to understand the grand puzzle of why these practices persist and inhibit the development of institutional arrangements with a proven record of being fairer and more efficient.<sup>21</sup> Avner Greif succinctly captures the essence of the problem of concern here: "It is useful to find out that corruption reduces investment, for example, but this finding does not reveal what motivates and enables people to behave in a corrupt manner."<sup>22</sup>

Even though the interplay between formal and informal institutions has become an increasingly vibrant field of research,<sup>23</sup> the bulk of the literature nonetheless assumes particular formal functions of the state rather than ac-

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<sup>15</sup> Henry Hale, "Great Expectations," Unpublished manuscript presented at Uppsala University, May 27-28, 2011.

<sup>16</sup> Alina Mungiu-Pippidi, "Corruption: Diagnosis and Treatment," *Journal of Democracy* 17, no. 3 (2006): 86-99; North, Wallis and Weingast, *Violence and Social Orders*; Bo Rothstein, *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective* (Chicago: University of Chicago Press, 2011), 98-119.

<sup>17</sup> Richard Pomfret, "Constructing Market-Based Economies in Central Asia: A Natural Experiment?" *The European Journal of Comparative Economics* 7, no. 2 (2010): 453.

<sup>18</sup> Larry Diamond, *Developing Democracy: Toward Consolidation* (Baltimore: Johns Hopkins University Press, 1999).

<sup>19</sup> Hilton R. Root, *Small Countries, Big Lessons: Governance and the Rise of East Asia* (Hong Kong: Oxford University Press, 1996).

<sup>20</sup> Johann Graf Lambsdorff, "How Corruption in Government Affects Public Welfare – A Review of Theories," *Discussion Paper 9* (Göttingen: Center for Globalization and Europeanization of the Economy, 2001).

<sup>21</sup> Avner Greif, "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individual Societies," *Journal of Political Economy* 102, no. 5 (1994): 914; Douglass C. North, "Where Have We Been and Where are We Going?" in *Economics, Values and Organization*, eds. Avner Ben-Ner and Louis Putterman (Cambridge: Cambridge University Press, 1998), 491-508.

<sup>22</sup> Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge: Cambridge University Press, 2006), 6.

<sup>23</sup> A good overview has been given by Gretchen Helmke and Steven Levitsky, "Informal Institutions and Comparative Politics: A Research Agenda," *Perspectives on Politics* 2, no. 4 (2004): 725-739.

knowledging the analytically prior question of how the state is constituted in the first place. Thus, for the study of Kyrgyzstan I argue that there is a need to roll back the analysis to the step before Max Weber's modern institutionalized state, with a presumed set of institutional and organizational procedures. This analytical focus opens up for investigating potential "differences in kind rather than in terms of more-or-less."<sup>24</sup> To clarify further, the purpose of this study is not to present a causal explanation accounting for why the Kyrgyz state has taken its particular form, but is an attempt to provide a constitutive explanation of this state. In pursuing this argument, the major task is to specify and develop a theoretical framework that enables us to see the true nature of the state in post-Soviet Kyrgyzstan, not as an anomaly from the modern industrialized state but on its own terms. In addition, an explicit focus on how the state is constituted should provide us with a toolbox that helps us to also analyze why this state has developed, performed and changed in a distinct manner.<sup>25</sup>

## The Study of the Post-Soviet State: A Critique

What does previous research say about the state in Kyrgyzstan? In the 1990s, Kyrgyzstan's political development, as with other ex-communist countries, was analyzed through the political science paradigm of transitology. Since the transition paradigm viewed the state as little more than the regime writ large,<sup>26</sup> the initial focus was placed on the country's economic and political reforms. Yet, from the mid-1990s Kyrgyzstan gradually reversed back towards authoritarianism. Concomitantly, the initial expectations that replacing the central economy with a market economy would result in efficiency gains failed to materialize.<sup>27</sup> The scholarly response was to understand and explain these disappointing outcomes.<sup>28</sup> It was not until the early 2000s and the de-

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<sup>24</sup> Giovanni Sartori, "Concept Misformation in Comparative Politics," *American Political Science Review* 64, no. 4 (1970): 1036.

<sup>25</sup> See Samuel E. Finer, *The History of Government From the Earliest Times*, Volume 1 (New York: Oxford University Press, 1997), 9. As well as improve the understanding of the conditions for democracy (Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* (Baltimore: Johns Hopkins University Press, 1996), 17) and market economy (Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981), 11).

<sup>26</sup> John Heathershaw and Edmund Herzig, "Introduction: The Sources of Statehood in Tajikistan," *Central Asian Survey* 30, no. 1 (2011): 7.

<sup>27</sup> For a general discussion, see Gérard Roland, *Transition and Economics: Politics, Markets, and Firms* (Cambridge: MIT Press, 2000). For an overview of Kyrgyzstan's economic reforms, see Richard Pomfret, *The Central Asian Economies Since Independence* (Princeton: Princeton University Press, 2006), 73-88.

<sup>28</sup> The question of "reversion to authoritarianism" in Kyrgyzstan and Central Asia has probably been the primary focus of attention. It has been addressed by Kathleen Collins, *Clan Politics and Regime Transition in Central Asia* (Cambridge: Cambridge University Press,



mise of the transition paradigm that it became clear that the focus on regime transition and democracy was not enough, and attention was increasingly directed towards state formation and state viability in the post-Soviet world.<sup>29</sup> Still, as late as 2010 Alina Mungiu-Pippidi notes that: “The post-communist transformation has generally been seen as a dual process: 1) the shift from a command economy to a market economy and 2) the transformation from authoritarianism or totalitarianism to democracy.”<sup>30</sup> The conspicuous lack of scholarly interest in state building is surprising. In a contemporary context, few events have been as dramatic and have had such profound implications for the creation and re-creation of state structures as the breakup of the Soviet Union. The collapse of communism presented a unique opportunity for examining the unfolding of state formation as it was happening in the contemporary world. In this light, Anna Grzymala-Busse and Pauline Jones Luong argue that there are benefits to be reaped from fusing the literature on the state with insights from post-communism.<sup>31</sup>

Regarding our Kyrgyz case, it should be noted that while previous research on political development in Kyrgyzstan touches upon the nature of the state, no study has set aside state building as the primary subject for systematic examination. In fact, as John Heathershaw and Edmund Herzig note, this applies to the region as a whole: “There has been no equivalent in Central Asia of the debates over the nature of the state that have taken place in Africa and the Arab world where works on regional politics have begun to reach a global audience.”<sup>32</sup> Hence, there is still a lacuna regarding the development of theories that can systematically account for the behavior and functioning of the post-Soviet state in Kyrgyzstan. Bearing this caveat in mind,

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2006); Pauline Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia: Power, Perceptions, and Pacts* (Cambridge: Cambridge University Press, 2002); Eric McGlinchey, *Chaos, Violence, and Dynasty* (Pittsburgh: University of Pittsburgh Press, 2011).

<sup>29</sup> Anna Grzymala-Busse and Pauline Jones Luong, “Reconceptualizing the State: Lessons from Post-Communism,” *Politics & Society* 30, no. 4 (2002): 529-554; Venelin I. Ganey, “Post-Communism as an Episode of State Building: A Reversed Tillyan Perspective,” *Communist and Post-Communist Studies* 38, no. 4 (2005): 425-445; Andrei Tsygankov, “Modern at Last? Variety of Weak States in the Post-Soviet World,” *Communist and Post-Communist Studies* 50, no. 4 (2007): 423-439; Lucan A. Way, “Authoritarian State Building and the Sources of Regime Competitiveness in the Fourth Wave: The Cases of Belarus, Moldova, Russia, and Ukraine,” *World Politics* 57, no. 1 (2005): 231-261; Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca: Cornell University Press, 2002). For a notable exception in the 1990s, see Linz and Stepan, *Problems of Democratic Transition and Consolidation*, 16-37. For another exception, see Arista Maria Cirtautas, “The Post-Leninist State: A Conceptual and Empirical Examination,” *Communist and Post-Communist Studies* 28, no. 4 (1994): 379-392.

<sup>30</sup> Alina Mungiu-Pippidi, “The Other Transition,” *Journal of Democracy* 21, no. 1 (2010): 120-121.

<sup>31</sup> Grzymala-Busse and Jones Luong, “Reconceptualizing the State,” 530.

<sup>32</sup> Heathershaw and Herzig, “The Sources of Statehood in Tajikistan,” 9.

previous research on post-communist political development in general and Kyrgyzstan in particular, has approached the state in different ways.

## The Modernization Bias

Many theories of the state represent an accumulation of knowledge derived from research on the development of the modern industrialist state in Western Europe. Although questioned in many fundamental aspects by experiences in other parts of the world, the core assumptions of this body of literature continue to remain largely unchallenged in terms of how the state is perceived, conceptualized, measured and analyzed. Consequently, the study of the state in the context of post-communism has typically departed from the notion of the state as a relatively fixed and unitary entity, examined and evaluated in light of concepts such as “autonomy” and “capacity” and used to analyze modern consolidated states.<sup>33</sup> In studies on developing and ex-communist countries, it is the rule rather than exception that Western policy and academic circles derive results and promote advice based on the kind of administrative behavior and institutions found in the modern state, but that developing countries lack.<sup>34</sup>

During different periods in time, two schools have been instrumental in upholding the Western state paradigm in political science: the post-colonial modernization paradigm of the 1960s and the post-communist transition paradigm of the 1990s. The most fundamental connecting point between post-colonial and post-communist state formation and state building was related to framing the research problem in terms of evolutionary modernizing forces. They both identified the existence of a clearly observable starting point – economic autocracies ruled by law – as well as an endpoint – democratic states with free market economies and the rule of law. The logic held that new states will develop their political and economic institutions along a continuum where the predetermined endpoint is the modern democratic state. As such, the primary objective was to examine developing countries’ paths toward the modern state model with analytical tools derived from the industrialized world. By following the policy examples set in the West, developing and ex-communist countries would develop modern economies which would be accompanied by new political institutions of political representation.<sup>35</sup>

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<sup>33</sup> Grzymala-Busse and Jones Luong, “Reconceptualizing the State,” 532; Scott Radnitz, “Informal Politics and the State,” *Comparative Politics* 43, no. 3 (2011): 351, 355.

<sup>34</sup> Hans Blomkvist, “Stat och förvaltning i u-länder,” in *Politik som organisation*, ed. Bo Rothstein (Stockholm: SNS, 2001), 216-251; Merilee S. Grindle, “Good Enough Governance: Poverty Reduction and Reform in Developing Countries,” *Governance* 17, no. 4 (2004): 525-548.

<sup>35</sup> For major contributions to modernization theory, see David Apter, *The Politics of Modernization* (Chicago: University of Chicago Press, 1965); Cyril Black, *The Dynamics of Moderni-*

Upon the break-up of the Soviet Union, it was the transfer of the modern Western state to this part of the world that primarily occupied one's attention. There was a strong conviction among observers that the former communist states would now become liberal democracies upheld by modern bureaucracies.<sup>36</sup> Of course, there were conflicting views regarding how long a time period this would take, although the general mindset of the time was that the development was moving in the right direction. As a result, a recurrent theme in much of the literature is that the main concern is how the political system ought to be organized, with the explicit or implicit reference point for identifying weaknesses and deficiencies being the European state development model. To get the formal institutions right, i.e. bringing them in line with best international practice, holds the key for curbing corruption and bringing about change in the organization of the state. What is often missing from this approach, however, is a careful consideration of the specific nature of the informal order identified as being at odds with formal rules and procedures. Given this absence, scholars and practitioners are unlikely to move beyond simplistic prescriptions based on universalistic ideas insensitive to the context of a given country. William Reno's message to students of Africa is perfectly applicable to the Kyrgyz state: "Abandoning functional prerequisites of state behavior as it should be reveals an alternative set of traits that takes into account ways in which rulers try to control (or fail to control) local societies."<sup>37</sup>

Thus, it follows out of the explicit or implicit idea of linear progress that political scientists taking an interest in state building and democratization on the whole have tended to perceive vague hybrid systems, i.e. those inhibiting democratic as well as authoritarian features,<sup>38</sup> as unstable, temporary systems moving toward greater clarity. Presuming that the modern state and democracy as a form of governance represent a "default position," variations among states are attributed more to variations in maturity caused by varying temporal patterns of state formation, rather than different anatomies. How-

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zation (New York: Harper Row, 1966). Charles Tilly notes the difference between the Western development path and contemporary state formation in the conclusion to his *Coercion, Capital and European States, AD 990-1992* (Cambridge, MA: Blackwell, 1992), 192-193; Alexander Cooley, "Depending Fortunes: Aid, Oil and the Formation of the Post-Soviet, Post-Colonial States," (PhD diss., Columbia University, 1999). For a critical review of the transitions literature, see Valerie Bunce, "Should Transitologists be Grounded?" *Slavic Review* 54, no. 1 (1995): 111-127; Thomas Carothers, "The End of the Transition Paradigm," *Journal of Democracy* 13, no. 1 (2002): 5-21

<sup>36</sup> The history had come to an end, as Francis Fukuyama exclaimed in "The End of History?" *The National Interest* 16 (1989): 3-18.

<sup>37</sup> William Reno, *Corruption and State Politics in Sierra Leone* (Cambridge: Cambridge University Press, 1995), 12-13.

<sup>38</sup> Important early contributions to the emerging literature on hybrid regimes include Larry Diamond, "Thinking about Hybrid Regimes," *Journal of Democracy* 13, no. 2 (2002): 21-35; Steven Levitsky and Lucan A. Way, "The Rise of Competitive Authoritarianism," *Journal of Democracy* 13, no. 2 (2002): 51-65.

ever, in this context it is worth recalling Karl Popper's classic critique against the social sciences' temptation to believe that development progresses in certain historically determined directions.<sup>39</sup> In fact, already at the outset of the great systemic transformation in the East, empirical evidence from other parts of the world, particularly some of the states in Africa, suggested that state building in a contemporary context can equally well turn into something fundamentally different than the modern state.<sup>40</sup> Deviations from the linear transition were confirmed in many of the post-communist states where new formal institutions did not lead to the elimination or transformation of informal institutions and alternative modes of governance.<sup>41</sup>

Another variant on this theme is found in some of the work on strong states and weak states. Low quality of government, including a weak ability to deliver public goods and the erosion of public legitimacy observable in Kyrgyzstan has led most observers to classify it as a weak state, on a spectrum spanning from strong to failed, or in the extreme case, a collapsed state.<sup>42</sup> The weak state conceptualization departs from a comparison with a strong state, and of course in comparison to modern Western states, Kyrgyzstan will inevitably qualify as weak. Much of the literature on weak states assumes that leaders have a desire to strengthen their state machineries, but for various reasons, they are unable to do so. Andrei Tsygankov's description of the post-Soviet region clearly captures this logic: "most states in the region can only be characterized as weak ... Their urge to become modern is therefore yet to materialize."<sup>43</sup> The present study moves beyond the weak-strong continuum by arguing that the desire to strengthen the state's administrative framework by no means can be assumed beforehand.

## Society-Centered Approaches

A second position is held by those scholars who take context and social structure, particularly the communist legacy, seriously. According to Venelin Ganey, the major point of departure for the study of state building after communism must be the fact that under the previous system all resources were concentrated in the hands of the state. This circumstance differs from the state versus society approach applied to the study of the evolution of modern European states out of feudalism. Here, the key was the gradual

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<sup>39</sup> Karl R. Popper, *The Poverty of Historicism* (New York: Harper Torchbooks, 1964).

<sup>40</sup> Jean-Francois Bayart, Stephen Ellis and Béatrice Hibou, *The Criminalization of the State in Africa* (Bloomington: Indiana University Press, 1999); Patrick Chabal and Jean-Pascal Daloz, *Africa Works: Disorder as Political Instrument* (Bloomington: Indiana University Press, 1999); William Reno, *Warlord Politics and African States* (Boulder, CO: Lynne Rienner, 1999).

<sup>41</sup> Radnitz, "Informal Politics and the State," 367.

<sup>42</sup> See Robert I. Rotberg, ed., *When States Fail: Causes and Consequences* (Princeton: Princeton University Press, 2004).

<sup>43</sup> Tsygankov, "Modern at Last?" 424.

expansion of central state authority into peripheral areas effectively ruled by local notables.<sup>44</sup> The communist legacy implied that after the breakdown of the old system, political elites were poised to battle for control over wealth located in the state's domains. Ganev labels the ensuing dominant elite project "extraction from the state."<sup>45</sup> Grzymala-Busse and Jones Luong note that a wide range of actors compete and collude in the struggle for the control of the post-communist state, and that the structures of the state are products of this elite competition.<sup>46</sup>

Previous scholarship on post-Soviet Kyrgyzstan has interpreted elite competition in different ways and identified various sources of political power. Special attention has been devoted to identifying the social underpinnings of the political order. A first influential stream of literature has identified traditional clan leaders as the major power brokers and wielders of authority.<sup>47</sup> Kathleen Collins, the leading advocator of this view, defines a clan as "an informal organization comprising a network of individuals linked by kin-based bonds. Affective ties of kinship are its essence, constituting the identity and bonds of its organization."<sup>48</sup> On the eve of independence, pacts made between different clans determined the nature of the transition, including the level of reform in Central Asia. Part of the deal among clans was that the chosen president protected the particularistic needs of the other pact members. From this perspective, it has been noted that Kyrgyzstan's first President, Askar Akaev, owed his presidency not to his own political weight, but to being seen as a compromise candidate acceptable to powerful informal traditional leaders, mainly representing clans based in the north of the country. Once in power, he was dependent on distributing political and economic resources to the clans supporting him.<sup>49</sup> The essence of Collins' clan politics is competition over access to limited resources between different clans within Kyrgyz society. Clan politics further explain the behavior and performance of the Kyrgyz state; as clans compete over diverting the state's political and economic assets to their respective networks, they drain the state of resources.<sup>50</sup> In short, clan politics are seen as the cause of asset stripping and

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<sup>44</sup> As for taxation, Margaret Levi focuses on the state's bargaining power in relation to private economic actors. See her *Of Rule and Revenue* (Berkeley, CA: University of California Press, 1998). Also see Charles Tilly, *Trust and Rule* (Cambridge: Cambridge University Press, 2005).

<sup>45</sup> Ganev, "Post-Communism as an Episode of State Building," 435.

<sup>46</sup> Grzymala-Busse and Jones Luong "Reconceptualizing the State," 537.

<sup>47</sup> Collins, *Clan Politics and Regime Transition in Central Asia*. For an analysis of clan politics in Kazakhstan, see Edward Schatz, *Modern Clan Politics: The Power of "Blood" in Kazakhstan and Beyond* (Seattle: University of Washington Press, 2004).

<sup>48</sup> Kathleen Collins, "The Logic of Clan Politics: Evidence from the Central Asian Trajectories," *World Politics* 56, no. 1 (2004): 231.

<sup>49</sup> According to Collins, Akaev's involvement of all major clans in the government garnered him support for the short-term. See *Clan Politics and Regime Transition in Central Asia*, 189-190.

<sup>50</sup> Collins, "The Logic of Clan Politics," 250.

the ensuing state weakness. As resources increasingly dry up, more and more clans are marginalized.

In opposition to the clan framework, another prominent explanation stresses the lingering impact of Soviet administrative engineering. Pauline Jones Luong argues that regionalism, defined as “identities based on the internal administrative-territorial division established under the Soviet regime,”<sup>51</sup> best explains institutional outcomes in post-Soviet Central Asia. In this view, the Soviet system and its intra-republican divisions had profound implications by transforming traditional pre-Soviet identities, such as tribes and clans, into regional-administrative identities. Rather than clans, regionally-based loyalties form the basis of the networks which compete for access to political and economic resources. The central competition here is the one between the center and the regional levels, manifested in Jones Luong’s study by the example of the design of electoral rules in the early 1990s. She provides evidence to conclude that regional elites that represented regional administrative power centers were the main actors in this bargaining game between the center and periphery. The strength of regional leaders, such as *governors* (heads of regional *oblast* administrations) and *akims* (heads of district *raion* administrations) meant that the president was forced to decentralize political power to the regions. For state building, the struggle for authority among central and regional elites left state policies highly contested and often inconsistent.<sup>52</sup>

While the clan hypothesis and the regional-administrative perspective developed out of field work in the 1990s, a decade later a second generation of scholars has questioned the relevance of these explanations over time. Several prominent recent contributions note that identities are more fluid and complex than argued by any of these two. Instead, they explicitly apply a patron-client framework to account for the political order. Elite competition plays out by means of competing informal patron-client pyramids.<sup>53</sup> These patronage networks can have various bonds. Three recent accounts of patronage politics in Kyrgyzstan stand out. The groundbreaking work of Scott Radnitz demonstrates how elites in Kyrgyzstan attach themselves as patrons in their local strongholds in order to ensure a measure of protection and support. He labels this phenomenon as subversive clientelism.<sup>54</sup> In her study of the political economy of bazaars, Regine Spector likewise identifies a patron-client logic based on personal relationships originating in the Soviet era

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<sup>51</sup> Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*, 52.

<sup>52</sup> Pauline Jones Luong, ed., *The Transformation of Central Asia: States and Societies from Soviet Rule to Independence* (Ithaca: Cornell University Press, 2004).

<sup>53</sup> For a general post-Soviet framework for patron-client politics, see Henry E. Hale, “Democracy or Autocracy on the March? The Colored Revolutions as Normal Dynamics of Patronal Presidentialism,” *Communist and Post-Communist Studies* 39, no. 3 (2006): 305-329.

<sup>54</sup> Scott Radnitz, *Weapons of the Wealthy: Predatory Regimes and Elite-Led Protests in Central Asia* (Ithaca: Cornell University Press, 2010).

bureaucracy and continued in the post-Soviet period, albeit in different forms.<sup>55</sup> Like Spector's analysis, Eric McGlinchey's study of regime trajectories in Central Asia also emphasizes the importance of Soviet-era patronage networks. In Kyrgyzstan, he shows how these networks have been reinforced since independence by the influx of various forms of foreign capital flows.<sup>56</sup>

In sum, while area specialists differ regarding the factors accounting for the nature of governance, they agree in their characterization of the Kyrgyz state as being ineffective, with weak and corrupt formal institutions. Political elites use their privileged access to public offices for asset stripping and rent seeking, resulting in a state building project of elite predation of state resources.

## The Argument in Brief

Existing research on the post-communist state often tends to juxtapose two positions. On the one hand, there are theories implicitly premised on modernization, which presuppose that the logic of politics can be grasped by focusing on the formal roles of institutions, organizations and policy outcomes. On the other hand, there are those who are careful in pointing out how the actual behavior of the political system deviates from the formal content of a country's political institutions, and what really matters are informal politics. This latter category tends to emphasize the prevalence of informal and personalistic organizations, institutions and exchange. In contrast, I argue that rather than being mutually reinforcing or mutually exclusive, formal and informal institutions interact and shape the state, even if not in the ways scholars typically assume. The formal institutional framework of the state matters a great deal, but informal politics predominate and give these formal institutions a special meaning. In a more theoretical vocabulary, rather than the assumption of a general equilibrium represented by the modern state towards which all states are moving, albeit at different pace, this study acknowledges the existence of multiple equilibria and that history is not efficient in the sense that modernization theory tends to make us believe.<sup>57</sup> Applied to the essentials of the Kyrgyz state, I launch the idea of the state as investment market that contrasts with previous research on the state. Here, I

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<sup>55</sup> Regine A. Spector, "Securing Property in Contemporary Kyrgyzstan," *Post-Soviet Affairs* 24, no. 2 (2008): 149-176.

<sup>56</sup> McGlinchey, *Chaos, Violence, and Dynasty*. For additional excellent studies on how international financial institutions and foreign governments have helped sustain a self-serving political leadership and reduced Kyrgyzstan to a protectorate to outside forces. See Alexander Cooley, "Depending Fortunes"; Boris-mathieu Pétric, "Post-Soviet Kyrgyzstan or the Birth of a Globalized Protectorate," *Central Asian Survey* 24, no. 3 (2005): 319-332.

<sup>57</sup> North, "Where Have We Been and Where Are We Going," 493.

will briefly flesh out the main components of this empirically-informed theory of the state.

While the attention paid by elites in post-communist societies to the economic assets of the state has been extensively documented in the literature,<sup>58</sup> far less examined is the “marketization” of the state itself, i.e. when political and administrative offices, resources and services, rather than the economic assets of the state, turn into market commodities. In this book, I argue that the logic of politics and bureaucracy in Kyrgyzstan is discernible if recast as the state as an investment market. Whereas the Kyrgyz state is Weberian on the surface, the main logic is that the state, particularly public office, is approached as an investment object. Investing in public office in Kyrgyzstan should be understood as being grounded in rational calculations of expectations of making a return on the initial investment. It is essentially similar to an investment on financial markets or the real estate market. The main source of this argument is the logic of the recruitment system. The decisive factor for recruitment and appointment to public office is not meritocratic criteria associated with the modern state or strictly personalistic ties suggested in much of the previous literature on the post-Soviet state in Central Asia. This is not to say that no formal criteria apply or that personal contacts do not help a good deal, but neither of them is the decisive factor; unofficial financial payment is.<sup>59</sup> In this state, office-holding is not primarily a public vocation, nor is it a right granted solely due to clear patrimonial reasons, but an investment made for the purpose of making immediate profit. In the process, public goods become privatized at the expense of the state budget.

There are several steps in building up this framework. The first step is how individuals are granted access to the market. In conventional parlance this refers to the perhaps most important aspect of the organization of the state, namely how personnel are recruited. Since the market in public offices

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<sup>58</sup> Stefan Hedlund, *Russia's “Market” Economy: A Bad Case of Predatory Capitalism* (London: UCL Press, 1999); David Hoffman, *The Oligarchs: Wealth and Power in the New Russia* (New York: Public Affairs, 2002); Vladimir Papava, *Necroeconomics: The Political Economy of Post-Communist Capitalism* (New York: iUniverse, 2005); Chrystia Freeland, *Sale of the Century: Russia's Wild Ride from Communism to Capitalism* (New York: Crown Business, 2000). For partial analysis of the practice in Kyrgyzstan, see Collins, *Clan Politics and Regime Transition in Central Asia*; Spector, “Securing Property in Contemporary Kyrgyzstan,” 149-176.

<sup>59</sup> A few studies have noted the practice, but mentions it in passing and the full implications of a state created on this basis have not been addressed. In fact, it seems to have been seen as little more than yet another of those corrupt practices undermining the integrity, professionalism and performance of the state. The logic has not been taken any further than that. Rasma Karklins, “Typology of Post-Communist Corruption,” *Problems of Post-Communism* 49, no. 4 (2002): 22-32; Daniel Kaufman, Sanjay Pradhan and Randi Ryterman, “New Frontiers in Diagnosing and Combating Corruption,” *PREMnotes* 7, The World Bank, October 1998; Eugene Huskey, and Gulnara Iskakova, “The Barriers to Intra-Opposition Cooperation in the Post-Communist World: Evidence from Kyrgyzstan,” *Post-Soviet Affairs* 26, no. 3 (2010): 239; Radnitz, *Weapons of the Wealthy*, 64; Regine A. Spector, *Protecting Property: The Politics of Bazaars in Kyrgyzstan* (PhD diss., Berkeley: University of California, 2009), 229-232.



is a reciprocal market with continuing relationships rather than a one-shot transaction, offices are not sold openly in an auction market to the highest bidder. Personal contacts are normally required in order to facilitate the reciprocity of the exchange. An analogy to a franchise organization appears perfectly applicable. The official pays a lump sum fee for the right to hold office and is obliged to continuously provide fees.

The second step deals with the issue of why investing in public office is profitable. Important here is not official remuneration or long-term job security, for these motives are practically absent. Instead, the key is the informal private market that has emerged inside the state. The state remains the dominant structure in society, and the legally stipulated rights and duties connected to political and administrative offices are used for converting officialdom into private capital. Moreover, in the politically-oriented capitalist system that has evolved, alternative markets are subordinated to the state and function poorly, thereby reducing the incentives for individuals to place their investments in these markets.

The third step refers to the concrete practices that enable public officials to make a return on their investment. In this context, the wide variety of corrupt pecuniary practices abounding in Kyrgyzstan are far from exceptions, or violations, of any universal rules, but predictable, standardized and entrenched norms of behavior in a state organized along the maxim of making a return on one's initial investment. Rights to conduct inspections, arrest people, approve licenses, legalize documents and hand out court verdicts are all enforced in exchange for informal payments. Rights to formulate and enact policy decisions are also converted into economic profit.

In the fourth and final step, some major implications of the "public-office-as-investment" state are addressed. Particular emphasis is placed on the delicate issue of market stability and instability by focusing on how access to the state can be manipulated by the use of personal contacts and a shrinking number of gatekeepers. The dynamics of the state are shaped by a running battle between monopolistic and competitive tendencies. When the monopolistic tendency gains the upper hand an increasingly narrow strata of individuals have access to the state and, accordingly, wealth. This creates pressure for returning to more diversified access to the state. To illustrate, this framework is applied to the revolutions in 2005 and 2010, respectively.

## Why State Building, Why Kyrgyzstan?

The transformation of the state and its relationship to society in Kyrgyzstan, as well as the particular region of Central Asia to which it belongs, stand out in comparative perspective as extraordinarily interesting empirical grounds

for inquiring about state formation and state building in a distinct post-communist context.<sup>60</sup>

First, prior to the collapse of the Soviet Union in 1991, the Central Asian republics had not even briefly existed as independent states. Indeed, before the territorial delimitation of Central Asia from 1924-1936, no state had ever existed with the names or the boundaries of any of the five republics that were eventually created in the region. Historically, the region had seen more fluctuating forms of statehood. The territory corresponding to contemporary Central Asia had been ruled by various dynasties, all with a different geographical extent than is the case today. Irrespective of whether these dynasties were Arabic, Persian, Mongol or Turkic, the defining characteristic was their multi-ethnic composition. The fact that the borders of present-day Central Asia were created on Moscow's drawing board indicates that these are not political entities generated from within, but externally created by the Soviet's policy of national delimitation in the 1920-30s. With regard to Kyrgyzstan, before the Soviet transformation of Central Asia the Kyrgyz were nomads with traditional political and social associations that did not transcend the family, the clan or the tribe.<sup>61</sup> When state institutions existed on land inhabited by the Kyrgyz people, it had always been imposed from the outside in the form of foreign conquest. Thus, we are not only confronting one particular case of the distinct episode of post-communist state building, but a state that in contrast to the post-communist states in Central- and Eastern Europe, and some former Soviet republics, had no previous history of independent statehood.

Second, the Central Asian republics were the union republics that to the highest degree were ascribed a role in the periphery of the Soviet system. Economically and politically, the region existed to deliver goods defined by the center in Moscow. Most notable was the role as a producer of raw materials.<sup>62</sup> As a result of this legacy, aspects of post-colonialism in Central Asia are arguably brought up in addition to post-communism.

Third, in comparison to the republics in the Baltic or the Caucasus where independence movements formed in the 1980s, no such popular mobilization took place in Central Asia. Nor did the political elites in the region raise any demands for independence. For Kyrgyzstan, the collapse of the Soviet Union

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<sup>60</sup> Cf. Ganev, "Post-Communism as an Episode of State Building," 425-445.

<sup>61</sup> Eugene Huskey, "Kyrgyzstan: The Fate of Political Liberalization," in *Conflict, Cleavage and Change in Central Asia and the Caucasus*, eds., Karen Dawisha and Bruce Parrot (Cambridge: Cambridge University Press, 1997), 243.

<sup>62</sup> See William Fierman, "The Soviet 'Transformation' of Central Asia," in *Soviet Central Asia: The Failed Transformation*, ed. Fierman (Boulder, CO: Westview Press, 1991), 11-35.

was at best unexpected.<sup>63</sup> At worst, and according to a Kyrgyz minister in the early 1990s, the breakup resulted in an “independence that no one wanted.”<sup>64</sup>

Fourth, whereas the Central Asian republics possessed state-like attributes such as ministries and a vast bureaucracy at the republican and local levels, national flags and a demarcated territory, the economic, military and political infrastructure of the Central Asian republics, as with all former Soviet republics, had been connected to Moscow. Hence, the paradox is that independence meant the destruction, rather than the creation, of many attributes of statehood in the region.<sup>65</sup> It was of utmost importance to create new institutions that could manage the tasks that had previously been supervised by Moscow. Kyrgyzstan’s first President, Askar Akaev (1990-2005), described the daunting challenges:

The empire has collapsed, yet sovereign and independent states have not been established. We are dealing with a far more important phenomenon than it may appear. This is probably the greatest political, social, and economic reorganization of the 20<sup>th</sup> century.<sup>66</sup>

Fifth, among the Central Asian states, Kyrgyzstan stands out as an intriguing case. It was seen as a model country embarking upon a rapid path of modernization influenced by the West. This progressive move was met with much enthusiasm, only to end up in disappointment as the country reversed back towards authoritarianism. Optimism has resurfaced twice, following the “revolutions” in 2005 and 2010, which brought hopes of a return to the modernizing, democratizing path of development. Yet, beneath all of these fluctuations on the regime surface, there is a story to be told regarding the fundamental nature of state formation and state building.

Finally, the motivation for singling out Kyrgyzstan as fertile soil for an intensive case study can be specified on more analytical grounds. To illustrate, Peter Evans, Dietrich Rueschemeyer and Theda Skocpol carry a discussion on possible strategies to employ in order to improve the understanding of different state structures:

... the question still arises as to what sorts of empirical studies might sharpen our understanding of state structures at the same that they would allow us to grapple with significant substantive problems. In our view, comparative and

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<sup>63</sup> Bess Brown, “Central Asia: The First Year of Unexpected Statehood,” *RFE/RL Research Report* 2, no. 1 (January 1993); Ahmed Rashid, *The Resurgence of Central Asia: Islam or Nationalism?* (London: Oxford University Press, 1994), 2-5.

<sup>64</sup> Author’s interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 25, 2007.

<sup>65</sup> S. Frederick Starr, “Clans, Authoritarian Rulers, and Parliaments in Central Asia” (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, June 2006), 12.

<sup>66</sup> Quoted by Gregory Gleason, *The Central Asian States: Discovering Independence* (Boulder, CO: Westview Press, 1997), 2.

historical examinations of watershed periods in which state apparatuses are constructed or reconstructed may be the most promising approach.<sup>67</sup>

In light of what has been stated above, the relevance of Kyrgyzstan as an exemplary case<sup>68</sup> of state formation and state building following the watershed period of the collapse of the Soviet Union can hardly be questioned.

For all these reasons, this dissertation moves beyond the focus on observable changes on the regime surface through the one-dimensional spectrum of democracy-authoritarianism, and deals with the formation and building of a state in the post-communist era, and in a country no less where no sovereign state had ever existed prior to 1991.

## Outline of Study

Chapter 2 presents this study's theoretical framework. The discussion departs from a review of three existing models of the state – the modern Western state, the Soviet-type state and the shadow state identified in some developing countries, most notably in Africa. Although all of these models contain elements of relevance for examining the nature of the Kyrgyz state, none provide us with the analytical tools necessary for fully understanding its behavior and performance. In contrast to these models, I outline a framework based on the idea of the state as an investment market. The core argument is that individuals purchase political and administrative offices expecting to make a return on their investment. The model has four principal components: (i) access to the market; (ii) the issue of the motives for investing in public office; (iii) the practice of making a return on investments; and (iv) a specification of the major implications, including the conditions for market stability and instability.

Chapter 3 concerns research design and the methodological implications of the study. The chapter starts out by explaining why the bulk of the data is collected from the spheres of taxation, protection and jurisdiction. I also position the study in a metatheoretical context of approaches to human behavior. The final and most extensive part is devoted to a discussion of the specific methods of collecting and analyzing the empirical material employed. This study is based on field studies in Kyrgyzstan totaling a period of 15 months in 2006-2009. Emphasis is devoted to a thorough discussion of the interviews conducted during these field trips, including issues of selection, techniques, design and challenges.

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<sup>67</sup> Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol, "On the Road toward a More Adequate Understanding of the State," in *Bringing the State Back In*, eds., Evans, Rueschemeyer and Skocpol (Cambridge: Cambridge University Press, 1985), 361.

<sup>68</sup> Bent Flyvbjerg, *Making Social Science Matter: Why Social Inquiry Fails and How It Can Succeed Again* (Cambridge: Cambridge University Press, 2001).

In Chapter 4, I give a chronological overview of political development in Kyrgyzstan. I start out with a shorter discussion on pre-Soviet and Soviet history before turning to a more detailed analysis of Kyrgyzstan since independence, including the developments leading up to the two revolutions in the country in 2005 and 2010, respectively. The main purpose of this background chapter is to present the context in which the Kyrgyz state has evolved.

In Chapters 5-8, I demonstrate the theory with empirical evidence. The chapters are organized on the basis of the four components of the “public-office-as-investment” state model specified in Chapter 2 – market access; motive for investing in public office; how to return the money invested; and how this framework may give us analytical leverage over the questions of political stability and instability. The primary sources of data are collected from arguably the most basic organizational building blocks of the state – the tax administration, the police and the judiciary.

In the concluding Chapter 9, the distinct theoretical framework developed in the Kyrgyz context is placed in a broader post-Soviet perspective on the state. Moreover, the scope of applicability beyond Kyrgyzstan is discussed, as well as the question of what it would take to change the current political and administrative equilibrium. In the very end, some avenues for future research are suggested.

## Chapter 2: Theoretical Framework

Since this study conducts a constitutive analysis of what kind of state that has emerged in contemporary Kyrgyzstan, there is a need to develop a theoretical framework that enables us to understand the logic of that particular state. In order to connect the concrete example of post-Soviet Kyrgyzstan to the general literature on state building in a manner that is systematic and theoretically useful, the unique features of Kyrgyzstan are only meaningful when contrasted with the alternatives.<sup>1</sup> For this reason, the study is not about writing a detailed holistic narrative on Kyrgyzstan, but about being anchored to the comparative and historical literature on the origins and natures of states. For all the merits of comprehensive detailed storytelling, these types of studies are not conducive to cumulative theory development.<sup>2</sup> To enhance the theoretical value of this study, the present chapter conducts a selective review of the literature on the state. The discussion starts out by presenting three models of the state – the modern Western state, the Soviet state and the so-called shadow state, which are primarily identified in parts of Africa.

To specify the relevance of these models for the case of Kyrgyzstan, the modern Western state represents the desired outcome of the state building project undertaken in post-Soviet Kyrgyzstan and, initially, the country was indeed perceived as moving in that direction. The Soviet-type of state is important since a study of what the Kyrgyz state has become requires a familiarity with its Soviet legacy.<sup>3</sup> Contrary to the modern Western state evolving out of the decentralized patrimonial variant of feudalism, Kyrgyzstan comes out of the highly centralized Soviet state. While the Soviet model represents the point of departure, and the modern state the desired outcome in Kyrgyzstan's post-Soviet state building project, there is a third model – sometimes labeled the shadow state – which is mainly localized to parts of sub-Saharan Africa. In many ways, the shadow state represents an antithesis to the modern state. Behind the façade of existing formal institutions and organizations

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<sup>1</sup> Gideon Sjoberg and Roger Nett, *A Methodology for Social Research* (New York: Harper & Row, 1968), 230.

<sup>2</sup> Andrew Bennett and Alexander George, "Research Design Tasks in Case Study Methods," Paper presented at the MacArthur Foundation Workshop on Case Study Methods, Belfer Center for Science and International Affairs (BCSIA), Harvard University, October 17-19, 1997, 2.

<sup>3</sup> Valerie Bunce, *Subversive Institutions: The Design and Destruction of Socialism and the State* (New York: Cambridge University Press, 1999).

of the state, private networks and/or criminal syndicates are the real authority wielders.

While all these models display features of relevance for the study of Kyrgyzstan to varying degrees, none of them enables us to systematically account for the stark contrasts between the importance of formal political institutions and the informal pecuniary exchanges shaping the actual behavior and functioning of the state. To address this deficit, I present an alternative model of the state as an investment market driven by officials' desire to make a return on their investment. The major components of this model include: (i) the issue of how to access this market; (ii) a specification of the "resources" of the state that provides individuals with motives to invest in public offices; (iii) the concrete practices and performances of public officials generated by this investment logic; (iv) an extension of this framework to account for the major implications of this state, especially regarding how to understand the conditions for political stability in the country.

It should be emphasized that this is *not* a deductive model to be empirically tested on Kyrgyzstan; it is informed by the empirical investigation of the Kyrgyz case, although in this chapter I will flesh out the model as generally as possible. In doing so there will be influences from historical and contemporary cases of office-buying as well as by invoking thoughts from different fields of social science theorizing. To fully put empirical meat on the theoretical bones is the purpose of Chapters 5-8.

## The Modern State

By and large, the state has come to belong to the category of concepts often considered to be of universal applicability in contemporary political science.<sup>4</sup> The paradigm upholding this notion is the modern state framework primarily associated with the work of Max Weber. According to Weber's definition, the modern state:

... possesses an administrative and legal order subject to change by legislation, to which the organized corporate activity of the administrative staff, which is also regulated by legislation, is oriented. This system of order claims binding authority, not only over the members of the state, the citizens, most of whom have obtained membership by birth, but also to a very large extent, over all action taking place in the area of its jurisdiction. It is thus a compulsory association with a territorial basis. Furthermore, to-day, the use of force is regarded as legitimate only so far as it is permitted by the state or prescribed by it.<sup>5</sup>

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<sup>4</sup> Cf. Giovanni Sartori, "Concept Misformation in Comparative Politics," *American Political Science Review* 64, no. 4 (1970): 1033-1053.

<sup>5</sup> Max Weber, *The Theory of Social and Economic Organization*, ed. Talcott Parsons (New York: The Free Press, 1964), 156.

For the study of the state, Weber's definition has been widely accepted within the social sciences as embracing the most central dimensions. Explicitly or not, this definition is not only integrated in almost all political science contributions to the study of the state, but is often taken as their point of departure.<sup>6</sup>

The emergence of the modern state as the dominant form of political organization in Western Europe, replacing other historical alternatives such as feudalism, city-states and empires, is commonly traced to the late 15<sup>th</sup> century and the decline of feudalism. There exists a wide variety of competing or complementary accounts of the driving forces behind this process,<sup>7</sup> as well as whether the modern state theoretically is best understood as an evolving social contract, a revenue-maximizing ruler or a stationary bandit.<sup>8</sup> Leaving aside this debate, for the purposes of this study it is sufficient to note that out of the protracted emergence of the modern state followed a shift in the nature of politics – from contestation to consolidation of the elementary state monopolies of violence, taxation and justice. In the modern state, the use of violence is transformed into an organization for the legitimate purpose of protecting rights and promoting the creation of wealth.<sup>9</sup>

With the emergence of the modern state, a legal-rational form of bureaucracy gradually came to replace the patrimonial administration as the dominant form of public administration. While Weber treated the modern legal-rational bureaucracy in ideal typical terms rather than as an empirical object, the concept is nevertheless based on empirical observations invoking a number of distinct features.<sup>10</sup> Three aspects of the modern state apparatus are

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<sup>6</sup> Anna Grzymala-Busse and Pauline Jones Luong, "Reconceptualizing the State: Lessons from Post-Communism," *Politics & Society* 30, no. 4 (2002): 529-554.

<sup>7</sup> And why the governments that emerged in Europe took various forms. See Charles Tilly, *Coercion, Capital, and European States, AD 990-1992* (Cambridge: Blackwell, 1992); Hendrik Spruyt, *The Sovereign State and Its Competitors* (Princeton: Princeton University Press, 1994). A good overview of theories on the origins and development of the modern state is presented in Hendrik Spruyt, "The Origins, Development, and Possible Decline of the Modern State," *Annual Review of Political Science* 5 (2002): 127-149.

<sup>8</sup> For a discussion of various interpretations, see Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009), 268-271.

<sup>9</sup> Max Weber, *Economy and Society* (Berkeley: University of California Press, 1978), 904-908; Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships* (New York: Basic Books, 2000); Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: a New Economic History* (Cambridge: Cambridge University Press, 1973), 8; Robert H. Bates, *Prosperity and Violence: The Political Economy and Development* (New York: Norton, 2001), 51; Frederic C. Lane, *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises* (Albany: State University of New York Press, 1979); Charles Tilly, "War Making and State Making as Organized Crime," in *Bringing the State Back In*, eds., Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol (Cambridge: Cambridge University Press, 1985), 169-191.

<sup>10</sup> Weber stipulated ten criteria that characterize the administrative staff in a modern bureaucracy: a bureaucratic official is: (i) personally free and has impersonal obligations; (ii) part of a clearly defined hierarchy of offices; (iii) has clearly defined spheres of legal competence;



critical for understanding its behavior. First, since the state needs personnel to perform its functions, the recruitment system is perhaps the most crucial factor to take into consideration. Second, the broad notion of the purpose of the state apparatus must be addressed. Finally, there is the more concrete issue of bureaucratic performance.

To start with the system of recruitment, it is organized along clear meritocratic criteria. Since the state is in need of specialized knowledge, candidates to offices are appointed on the basis of qualifications and education, not particularistic interests. The educational system as a promoter of professionalism is crucial in fostering a collegial bureaucratic identity and civil service ethic.<sup>11</sup> Furthermore, bureaucratic office constitutes a career system of promotion, demotion and dismissal judged on a meritocratic basis, i.e. based on performance, and not politics, by a superior.<sup>12</sup> The continuity of this form of political organization is partly ensured by a career system fixed within the hierarchical order of the bureaucracy, from lower to higher positions.<sup>13</sup>

The hierarchical organization of the legal-rational bureaucracy is internally and externally designed in order to realize certain professional ideals and provide public goods. The official is subject to strict and systematic discipline and control in the conduct of the position. There is also a fixed monetary compensation in the form of a salary received according to status, i.e. according to the position within the bureaucracy and the length of service.<sup>14</sup> Official remuneration is completely separated from the means of administration in order to assure that the bureaucratic office held by an official constitutes his sole, or at least principal, occupation.<sup>15</sup> It is also important to note that a professional bureaucracy is an important power in its own right. According to Joseph Schumpeter, it should be strong enough to guide and instruct politicians who do not possess the same detailed knowledge on public affairs.<sup>16</sup>

The modern state is a tax state.<sup>17</sup> Public goods are exchanged for revenues collected from the population. In the modern bureaucracy, civil servants are

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(iv) selected on the basis of free contract; (v) appointed on the basis of technical qualifications; (vi) receives fixed salaries usually in money; (vii) holds his/her position as sole, or at least principal occupation; (viii) holding a position that constitutes a career with an established system of promotion based on seniority and achievements judged in an hierarchical manner; (ix) separated from ownership of the means of administration and cannot appropriate his/her position; and (x) subject to strict discipline and control in the conduct of office. See Weber, *The Theory of Social and Economic Organization*, 331-332.

<sup>11</sup> Weber, *Economy and Society*, 998-1001.

<sup>12</sup> Ibid, 220.

<sup>13</sup> Ibid, 963.

<sup>14</sup> Ibid.

<sup>15</sup> Weber, *The Theory of Social and Economic Organization*, 331.

<sup>16</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper & Row, 1975), 293.

<sup>17</sup> Joseph Schumpeter, "The Crisis of the Tax State," in *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, ed., Richard A. Swedberg (Princeton: Princeton University

tasked with administering the provision of public goods and services. This exchange is impersonal and strongly adheres to formal rules and procedures, and leaves little room for discretionary behavior by public employees. There is a clear separation between the property over which an official has power due to his professional capacity and his personal property interests. "Legally and actually, office holding is not considered ownership of a source of income, to be exploited for rent or emoluments in exchange for the rendering of certain services."<sup>18</sup>

To summarize, in the evolution of the modern state, public responsibilities were gradually built into the concept of public office. In the process, the property claims to office characterizing the feudal order vanished. The modern state is an impersonal organization governed by universal rules. It is hierarchically organized with internally and externally specified functions. Its continuity is ensured by a career system, a well-defined professional identity and a fixed salary. Recruitment is organized along meritocratic criteria, in which public office is clearly separated from the private identity of its occupant. Public goods are exchanged for revenues collected from the population.

## The Soviet State

As a legacy of the Soviet socialist system, the point of departure for state-building in Kyrgyzstan diverges from the Western model by representing a case of what might be labeled Soviet-type "stateness."<sup>19</sup> As a political entity, the Soviet Union was based on the idea of total centralized power, and the system knew no free market. All means of production were nationalized, and the very idea of private ownership eliminated.<sup>20</sup> The coercive power of the state was used to amass all resources within its domain for the purpose of engineering fundamental societal transformation. Consequently, the Soviet Union represented the complete version of the politicized state. Given the eradication of the institution of property rights, the notion of the state as third-party enforcer of rights and contracts had no meaning in Soviet society.<sup>21</sup> The law was subordinated to ideology, and was an instrument of the

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Press, 1991); Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981).

<sup>18</sup> Weber, *Economy and Society*, 959.

<sup>19</sup> The term "stateness" comes from J. P. Nettl, "The State as a Conceptual Variable," *World Politics* 20, no. 4 (1968): 559-592.

<sup>20</sup> János Kornai, *The Socialist System: The Political Economy of Communism* (Princeton: Princeton University Press, 1992), chapter 15. A parallel can here be drawn to Karl Wittfogel's classic work, *Oriental Despotism* (New Haven: Yale University Press, 1957).

<sup>21</sup> Richard Pipes, *Property and Freedom* (New York: Vintage Books, 2000), 211-212.

ruling Communist Party.<sup>22</sup> Morality defined by the Communist Party was set above the law, protection fulfilled the primary purpose of defending the ideological system and the group with the privilege to define this system – the nomenklatura elite.<sup>23</sup> Taxation was implicitly represented by transferring revenues within the state-controlled economy.<sup>24</sup>

The core feature of the Soviet state was the one-party system. The Soviet Union based its legitimacy on the project of building socialism and the builder – the Communist Party – merged with the state. Anders Åslund describes this circumstance: “In the communist states, the formal government and its state apparatus were only appendices to the real state, the Communist Party.”<sup>25</sup> In this monolithic system, the purpose was to force all aspects of political, economic and social life into subjugation to the Communist Party.<sup>26</sup> The party’s claim for total political control left the separation of functions between party organs and the state apparatus unclear or even conflicting. The party was in charge of strategy, while the state apparatus was responsible for the daily administration.<sup>27</sup> Under this power monopoly, the party fused political, administrative, economic and ideological control of all operations of state and society.<sup>28</sup> Thus, rather than being a political party in the conventional sense, the Soviet Communist Party was a kind of supra-governmental organ which influenced virtually all spheres of peoples’ lives and of the state. The party delivered jobs, defined rights and also imposed sanctions.<sup>29</sup> Ultimately, the Communist Party was the only employer, and joining the party and having unquestionable dedication to the Marxist-Leninist principles were a prerequisite for a successful career.<sup>30</sup> The extremely centralized Soviet state developed an encompassing administrative system

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<sup>22</sup> Peter H. Solomon, Jr., “Local Political Power and Soviet Criminal Justice 1922-41,” *Soviet Studies* 37, no. 3 (1985): 305; Thomas H. Rigby, “A Conceptual Approach to Authority, Power and Policy in the Soviet Union,” in *Authority, Power and Policy in the USSR*, eds., Thomas H. Rigby, Archie Brown and Peter Reddaway (New York: St. Martin’s Press, 1980), 12; James H. Anderson, David S. Bernstein and Cheryl W. Gray, *Judicial Systems in Transition Economies: Assessing the Past, Looking to the Future* (Washington, D.C.: The World Bank, 2005), 8.

<sup>23</sup> Konstantin M. Simis, *USSR: The Corrupt Society. The Secret World of Soviet Capitalism* (New York: Simon & Schuster, 1982).

<sup>24</sup> Jorge Martinez-Vazquez and Robert M. McNab, “The Tax Reform Experiment in Transitional Countries,” *National Tax Journal* 53, no. 2 (2000): 274-276; Olson, *Power and Prosperity*, 115.

<sup>25</sup> Anders Åslund, *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia* (Cambridge: Cambridge University Press, 2007), 230.

<sup>26</sup> Kathryn Stoner-Weiss, *Resisting the State: Reform and Retrenchment in Post-Soviet Russia* (Cambridge: Cambridge University Press, 2006), 25.

<sup>27</sup> As indicated in Paragraph six of the Soviet constitution, see *Konstitutsiya Soyuz Sovetskikh Sotsialisticheskikh Respublik* (Moscow: Politizdat., 1977), 7.

<sup>28</sup> Bunce, *Subversive Institutions*.

<sup>29</sup> Muratbek Imanaliyev, “Formation of Political Party System in Kyrgyzstan,” *Kyrgyzstan Brief* 1 (Bishkek: Institute for Public Policy, October-November 2005), 3.

<sup>30</sup> Gil Eyal, Iván Szélenyi and Eleanor Townsley, *Making Capitalism without Capitalists: The New Ruling Elites in Eastern Europe* (London: Verso, 1998), 27.

that in several ways represented an antithesis to the legal-rational Weberian bureaucratic model. This administrative apparatus is generally referred to as a variant of the broader ideal type of cadre administration, the key feature of which is the high level of politicization.<sup>31</sup> Recruitment to the Soviet cadre administration was notably different than in the modern bureaucracy, as was its purpose and performance.

First, although careerism promoted by the educational system was a key principle in the Soviet cadre system, it nevertheless diverged from the Weberian bureaucratic model. Technical qualifications were subordinated to an appointment system based on party loyalty and a cadre system defined and maintained by the party. Selection, appointment and promotion were reserved for individuals vetted by the party.<sup>32</sup> In other words, recruitment was dictated by politics, not neutral merits.<sup>33</sup> The division of responsibilities and hierarchical integrity of the cadre administration were undermined by the parallel political hierarchy infringing upon the administrative apparatus. Indeed, as pointed out by Ezra Vogel, "All political leaders are simultaneously bureaucrats, and bureaucrats are not expected to be politically neutral."<sup>34</sup> In this type of administration, a high priority is placed upon efforts at socializing personnel into ideological conformity.<sup>35</sup> For the purpose of forming the loyal Soviet citizen (administrator), a particularly important role was ascribed to the educational process.<sup>36</sup> The educational system was closely intertwined with the recruitment of personnel, and every sector of administration had its system of schools and institutes which prepared graduates for a specific branch of the administration.<sup>37</sup>

Second, rather than rule-oriented, the Soviet cadre administration was goal-oriented.<sup>38</sup> Officials were not responsible to bureaucratic norms and rules, but to the goals stipulated by the party. In particular, focus was placed on achieving specifically assigned tasks or intermediate goals on the road to the ultimate goal – the establishment of communism as the final stage of socialism. The major instrument in this goal-oriented system was the five-year plans. Given this overarching objective, the Soviet administrative sys-

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<sup>31</sup> Kornai, *The Socialist System*, 360; Thomas H. Rigby, *The Changing Soviet System: Mono-organisational Socialism from its Origins to Gorbachev's Restructuring* (Aldershot: Edward Elgar, 1990), 82-90.

<sup>32</sup> Stanley Vanagunas, "The USSR: Some Thoughts on the Decline of the Ultimate Administrative State," *Public Productivity & Management Review* 15, no. 3 (1992): 285; Alec Nove, "Is There a Ruling Class in the USSR?" *Soviet Studies* 27, no. 4 (1975): 615-638.

<sup>33</sup> Merle Fainsod, *How Russia is Ruled* (Cambridge, MA: Harvard University Press, 1965), 387.

<sup>34</sup> Ezra F. Vogel, "Politicized Bureaucracy: Communist China," in *Frontiers of Development Administration*, ed., Fred W. Riggs (Durham: Duke University Press, 1970), 556.

<sup>35</sup> Bo Rothstein, *The Social Democratic State: The Swedish Model and the Bureaucratic Problem of Social Reforms* (Pittsburgh: University of Pittsburgh Press, 1996), 50.

<sup>36</sup> Alfred G. Meyer, "USSR, Incorporated," *Slavic Review* 20, no. 3 (1961): 369-376.

<sup>37</sup> Fainsod, *How Russia is Ruled*, 415-416.

<sup>38</sup> Rigby, *The Changing Soviet System*, 165-166.

tem was not organized to handle tasks defined by “functional roles defined within a hierarchic structure,” but required flexible administrative boundaries and varying administrative duties.<sup>39</sup> Although assigned certain core functions, officials were often redeployed in various mobilization campaigns. The rules and authority structures that officials normally adhered to were frequently substituted by ad hoc role allocations and collaborations that required breaking with the organizational integrity, hierarchy and sphere of competences of bureaucratic offices as stipulated in the Weberian model.<sup>40</sup> While the Soviet cadre official likewise received a salary, payment was more in accordance to need, not results.<sup>41</sup> The cadre official was separated from the means of administration, yet the distinction between the public and the private spheres was still unclear. Indeed, the eradication of all spheres of private life was inherent to the Soviet ambition of accomplishing total administrative control over peoples’ lives.<sup>42</sup>

Finally, the Soviet state took the supply of public goods seriously, but did so in a strongly paternalistic spirit; goods and services were supplied irrespective of whether they were demanded by the population or not.<sup>43</sup> Individual rights and liberties were non-existent factors in the Soviet system; the main purpose was to protect the system, not the people.<sup>44</sup> Therefore, the services supplied were neither supporting individual rights nor responding to popular demands, but were authoritatively fixed by the party leadership.

To summarize, at odds with the legal-rational principles in the modern bureaucracy, in the Soviet cadre administration everything was bound by ideology. It was a politicized, goal-oriented component of a largely single, centrally administered hierarchical system.

## The Shadow State

The so-called shadow state combines a formal shell of political institutions with informal and privatized methods of governance, and stands in contrast to the formal, institutionalized Western state model firmly resting on the pillars of “stateness.”<sup>45</sup> The principle of the shadow state emerged from scho-

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<sup>39</sup> Ibid, 85.

<sup>40</sup> Ibid; Joseph Berliner, *Factory and Manager in the U.S.S.R.* (Cambridge, MA: Harvard University Press, 1957).

<sup>41</sup> Vladimir I. Lenin, *The State and Revolution* (Beijing: Foreign Language Press, 1976).

<sup>42</sup> Ultimately, there was the idea of creating a new civilization required a rather special feature: the creation of a new type of human being. Soviet authorities labeled this archetype of a person with new, better qualities the *new Soviet man*. This man would see no value in private property but treat everything as communal.

<sup>43</sup> Cf. Balint Balla quoted in Rothstein, *The Social Democratic State*, 48.

<sup>44</sup> Anderson, Bernstein and Gray, *Judicial Systems in Transition Economies*, 8-9.

<sup>45</sup> The concept of shadow state belongs to William Reno but I use it to refer to other works than Reno’s identifying a distinct nature of some African states, such as Jean-Francois Bayart,

larship on Africa. In his seminal work, William Reno identified the shadow state as a form of personal rule in which authority is based upon the decisions and interests of an individual and do not conform to a set of written laws and procedures, although these formal aspects of governance may exist.<sup>46</sup> In other words, political authority cannot be understood by focusing on the visible African state since authority is “usually constructed behind the façade of formal state sovereignty.”<sup>47</sup> The state acquires a distinct meaning in this context. The façade of formal institutions and organizations largely exist in order to provide a cover for governing through arrangements paralleling the formal governance structures.

In a thought-provoking book on African politics, Patrick Chabal and Jean-Pascal Daloz asserted that African countries are not modernizing along the Western development path, but following a distinct logic for the political instrumentalization of disorder.

Our approach suggests that it is inappropriate to consider the evolution of the African state from the teleological perspective of its putative development along supposedly universal Western lines. The assumption hitherto has been that the state would ‘eventually’ conform to such universalizing tendencies ... Yet the most cursory examination of the history of the modern Western state would have shown that it did not develop because it was ‘programmed’ to do so. It was constituted over time in the form we know today because of a very specific, and probably unique, configuration of economic and socio-political dynamics. ... For this reason, therefore, we should be prepared to consider whether the informalization of politics in Africa is not likely to prove a defining feature of its socio-political order for the foreseeable future.<sup>48</sup>

The central argument in Chabal and Daloz’s work, as well as Reno’s, is that these states work, albeit not through formal political institutions. It is errone-

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Stephen Ellis and Béatrice Hibou, *The Criminalization of the State in Africa* (Bloomington: Indiana University Press, 1999); Patrick Chabal and Jean-Pascal Daloz, *Africa Works: Disorder as Political Instrument* (Bloomington: Indiana University Press, 1999). Robert Jackson distinguishes between the juridical and empirical in statehood, and notes that many *de jure* equivalent states in the modern state system *de facto* differ substantially in their capacity and functions. Jackson labels these polities “quasi-states”. See his *Quasi-States: Sovereignty, International Relations and the Third World* (Cambridge: Cambridge University Press, 1990).

<sup>46</sup> William Reno, “Clandestine Economies, Violence and States in Africa,” *Journal of International Affairs* 53, no. 2 (2000): 434.

<sup>47</sup> William Reno, “Mafiya Troubles, Warlord Crises,” in *Beyond State Crisis? Postcolonial Africa and post-Soviet Eurasia in Comparative Perspective*, eds., Mark R. Beissinger and Crawford Young (Washington, D.C.: The Woodrow Wilson Center Press, 2002), 107. Reno notes that not all African states fit this concept. “It most closely describes West African states such as Liberia, Togo, Sierra Leone, and Nigeria, and notoriously derelict countries such as the two Congos and the Central African Republic. States such as Senegal, Mali, Ghana, or Tanzania may exhibit some elements of the model without resembling it in all aspects of rule.”

<sup>48</sup> Chabal and Daloz, *Africa Works*, 14.

ous to assume that state weakness automatically causes a power vacuum since informal ruling arrangements are established. As Reno argues, rulers are cautiously devising alternative modes to implement policies by investing power in strong informal networks that enlarge each leader's personal economic power base.<sup>49</sup> Just like in the modern state and the Soviet state, the shadow state has developed organizations that collect taxes, offer protection and enforce justice. Yet, the effective implementation of these tasks is often carried out by private networks rather than bureaucrats.<sup>50</sup> Services previously performed by state bureaucracies are leased to foreign and domestic private contractors in order to support a ruler's authority. The actual significance of the bureaucracy is undermined by flexible informal networks. In some cases, de jure recognized states are de facto better understood as informal commercial syndicates.<sup>51</sup>

Although the formal public administration is undermined, it does not entirely disappear. A shell of formal bureaucracy exists side by side with informal administrative networks. Beatrice Hibou describes the parallel arenas inherent in shadow states as follows:

The disorganized or even anarchic condition of public administration is conducive to the development of informal networks. These in turn become a means by which public authority, in fact lying in private hands, is actually exercised. This then emphasizes those aspects of the state which can be described as existing in a shadow world. At every level and in every sector, this mode of operation in parallel is acquiring ever more durable roots. ... The end result is the emergence of a parallel government, but without the official or formal government ceasing to exist. In fact, this element of duality has become an integral part of the system. Thus, businesses which wish to change their official operating agreement or any other basic document are obliged to negotiate in two areas at the same time. The official negotiations appear to be pure form and lead to no concrete result. The parallel negotiations, if suitable payment is made, are those which bring results. However, it is quite unthinkable to negotiate in the informal sphere alone, and not only because of the interest taken by the donor community. Matters have to be dealt with over the full spectrum of activity, and both formal and informal negotiations are organically linked to each other.<sup>52</sup>

The bureaucracy takes on a special form and function. First, the personnel needed in this state are neither recruited on the basis of merits, nor ideological considerations, for personal loyalty to the chief is the critical factor for

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<sup>49</sup> Reno, "Clandestine Economies, Violence and States in Africa," 434.

<sup>50</sup> Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge, MA: Harvard University Press, 1993); Vadim Volkov, "Violent Entrepreneurship in Post-Communist Russia," *Europe-Asia Studies* 51, no. 5 (1999): 741-754; William Reno, *Warlord Politics and African States* (Boulder, CO: Lynne Rienner, 1999), 200.

<sup>51</sup> Reno, "Mafiya Troubles, Warlord Crises," 108.

<sup>52</sup> Hibou, "The 'Social Capital' of the State as an Agent of Deception," in *The Criminalization of the State in Africa*, 96.

appointment. Traditional ties such as kin, communal or other types of loyalty to the ruling elite, rather than qualification or competence, determine staffing decisions.<sup>53</sup> Consequently, this system knows no merit-based system of promotion, so hence there is an absence of any real bureaucratic career structure. Instead, as noted in another region “[t]he dependence of careers on political and personal favor ... dictates an entrepreneurial career strategy for the ambitious.”<sup>54</sup>

Second, this leads us to the purpose of the bureaucratic apparatus. A key feature of shadow states is the personal rather than institutional or goal mobilizing dimensions found in the modern bureaucracy and the cadre administration, respectively. The private use of state functions recalls Weber’s discussion of the patrimonial logic of administration, i.e. the state apparatus is an extension of the household administration and based on the belief in the ruler’s unique personal qualification.<sup>55</sup> Relationships are regulated through purely subjective individual privileges and rights derived in favor of an exchange of loyalty and personal submission to the ruler.<sup>56</sup> While Weber argues that it is possible to speak about officials in the patrimonial system as constituting a status group on its own, the fundamental marker of this group is not professional specialization, but its duty to work for the material maintenance of the ruler.<sup>57</sup> In the contemporary literature on administrative systems characterized by the co-existence of strong informal patrimonial characteristics and weak formal bureaucratic rules, the label neopatrimonialism is often used to connote a modernized variant of Weber’s traditional patrimonialism, based on loyalties linked to material incentives and rewards that are other than a fixed monetary remuneration, which is generally absent.<sup>58</sup> There are no legally defined delimitations of jurisdiction in an administration organized along neopatrimonial lines. Tasks and powers are commissioned and discretionally granted to officials by the ruler.

Finally, depending on the degree of the ruler’s control over the state apparatus, officials are more or less free. In the case of decentralized patrimonialism, like the feudal order, all administrative authority and the economic rights associated with it may be treated as a private possession.<sup>59</sup> The imper-

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<sup>53</sup> Chabal and Daloz, *Africa Works*.

<sup>54</sup> Edgar L. Shor, “The Thai Bureaucracy,” *Administrative Science Quarterly* 5, no. 1 (1960): 82.

<sup>55</sup> Weber, *Economy and Society*, 1013.

<sup>56</sup> *Ibid.*, 1028-1029.

<sup>57</sup> *Ibid.*, 1014.

<sup>58</sup> Gero Erdmann and Ulf Engel, “Neopatrimonialism Revisited – Beyond a Catch-All Concept,” *GIGA Working Papers* 16, February 2006; Christopher Clapham, *Third World Politics. An Introduction* (London: Helm, 1985), 48; Guenther Roth, “Personal Rulership, Patrimonialism, and Empire-Building in the New States,” *World Politics* 20, no. 2 (1968): 194-206.

<sup>59</sup> Weber, *The Theory of Social and Economic Organization*, 346-351; Robin Theobald, “Patrimonialism,” *World Politics* 34, no. 4 (1982), 555. Feudalism would represent such case of patrimonialism.



sonal obligations and occupational specialization are unknown to these officials for whom office is a personal right. The existing restrictions on office-holders' private rights are primarily a product of "the competing economic interests of the various patrimonial officials."<sup>60</sup> This leaves room for widespread corruption and abuse of office among officials. This describes the situation in African shadow states, where "state officials either pursue their own 'business' interests by means of negotiation their service for a fee or provide the favor expected or even demanded due to clear patrimonial reasons."<sup>61</sup> In this environment of state de-institutionalization, a distinction between private and public interests is very difficult to maintain.

To summarize, rulers in shadow states have initiated private orders that are stronger than the public order. The administrative framework is consciously de-institutionalized, and displays strong patrimonial features. Private syndicates coexist with a formal shell of modern bureaucracy. The rules are particularistic, not universalistic; relations and delimitations are regulated through personalized interaction, not impersonal rules. There is virtually no distinction between the public and private spheres.

## Insufficiencies of Prevalent Approaches

Whereas all three models described above have their distinct features, these are less concerned with states' formal design. On the surface, most states have created formal institutions and organizations that resemble conceptions of modern statehood. This goes for the shadow state, with its existing formal institutions, as well as the Soviet Union. The main challenge is rather to understand the actual functioning of the state, including the relationship between the formal and informal institutions of the state and how these institutions are enforced.<sup>62</sup> Like the modern state, the Kyrgyz state has created formal institutions and organizations for governance, and these are important since individuals seek access to formal positions within the state apparatus. However, like the shadow state, the lifeblood of the Kyrgyz state is informal, highly corrupt practices.

What, then, is the difference between the Kyrgyz state and the shadow state? My starting point is that it differs from the shadow state framework for one principal reason – the value of the state itself. As a legacy of the Soviet Union, the state remains the central structure of authority in Kyrgyzstan. An extensive state framework exists, although filled with a new content. In this sense, the distinctiveness of the post-communist state is due to the commun-

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<sup>60</sup> Weber, *Economy and Society*, 1029.

<sup>61</sup> Chabal and Daloz, *Africa Works*, 7.

<sup>62</sup> Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).

ist legacy of the state as the dominant structure in all spheres of social life. Alina Mungiu-Pippidi spells out the differences between the post-communist state and other post-colonial states:

In post-communist societies, the state entered the transition as the overwhelmingly dominant actor in all realms of society. Therefore, the state is often the principal agent of corruption in these countries, and the private sector is a fiction that predatory elites create in order to move to a more refined stage of public-asset exploitation. In postcolonial societies, where the state is only one of the actors competing for control of the territory or the economy, the principal actor may be found elsewhere, perhaps in rebellious society, in foreign business firms, or in neighboring countries.<sup>63</sup>

Thus, after the collapse of the communist system, the state and all its resources became the principal target in the competition for power and wealth among elites in these countries. The state is the ultimate prize for which elite networks within the state compete.<sup>64</sup> Whoever seizes the state seizes the day.<sup>65</sup> Georgi Derluguian neatly captures the essence of the lingering impact of the Soviet state:

The post-Soviet state remains omnipresent not simply because private businesses tend to fail under the present hostile conditions; the state itself, for those who enjoy privileged access to it, has become the best and biggest source of economic profits and private protection.<sup>66</sup>

Indeed, while a crucial intersection in the shadow state model is the one between a weak formal shell of state structures and informal practices associated with private networks and criminal syndicates, the principal formal-informal or public-private interaction in the Kyrgyz state is located within the state itself. In short, the state may acquire a peculiar meaning, at least in light of what much of the literature takes for granted in terms of particular functions of state institutions, though it is not de-institutionalized to the same extent as some African countries. Here, we may usefully bring to the picture Timothy Earle and Derluguian's innovative extension of chieftaincies into

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<sup>63</sup> Alina Mungiu-Pippidi, "Corruption: Diagnosis and Treatment," *Journal of Democracy* 17, no. 3 (2006): 93. Also, see András Sajó, "From Corruption to Extortion: Conceptualization of Post-Communist Corruption," *Crime, Law & Social Change* 40, no. 2-3 (2003): 171-194; Rasma Karklins, "Typology of Post-Communist Corruption," *Problems of Post-Communism* 49, no. 4 (2002): 22-32.

<sup>64</sup> Venelin I. Ganey, *Preying on the State: The Transformation of Bulgaria after 1989* (Ithaca: Cornell University Press, 2007).

<sup>65</sup> Joel S. Hellman, Geraint Jones and Daniel Kaufmann, "Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition," *World Bank Policy Research Working Paper No. 2444* (Washington, D.C.: The World Bank, September 2000).

<sup>66</sup> Georgi Derluguian, *Bourdieu's Secret Admirer in the Caucasus: A World-System Biography* (Chicago: University of Chicago Press, 2005), 141.

the context of contemporary states.<sup>67</sup> With little in terms of state power loci, the de-institutionalized shadow state can hardly be said to be organized at the complex level of political organization that is the state. Its unbound nature of authority and power has much more in common with a chieftdom, i.e. a middle range polity situated above family and tribe but below the state. Kyrgyzstan, on the other hand, possesses an extensive state apparatus, largely due to the lingering impact of its Soviet legacy. There is a state to operate, albeit the informal networks on which Kyrgyzstan's leaders rely for power correspond to the narrow and elemental nature of chieftaincies.<sup>68</sup> A plausible characterization of Kyrgyzstan is therefore that of a chieftaincy operating a state.

Finally, it should also be pointed out that while the literature on the shadow state has brought numerous important insights, including paying attention to corruption as an inherent part of the organization of the state, it still suffers from some conceptual and theoretical clarity which limits its ability to take theory building much further. As a result, there is a deficit in terms of systematic attempts to develop theories that account for the logic of the practices going on in the shadow of the formal state.

## The State as an Investment Market

The theory I develop here and empirically demonstrate in Chapters 5-8 departs from the idea of the state as an investment market. This interpretative framework of the state acknowledges the importance of formal political and administrative institutions, which is in line with the literature on the modern state and the Soviet state, but integrates the corrupt informal practices noted by the literature on shadow states. The theory revolves around the idea of corrupt practices in the Kyrgyz state being less of a distortion than as being representative of a way of ordering relations within the state apparatus. In fact, I argue that bribery, extortion, conversion of public offices into private

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<sup>67</sup> Georgi Derluguian and Timothy Earle, "Strong Chieftaincies Out of Weak States, or Elemental Power Unbound," in *Troubled Regions and Failing States: The Clustering and Contagion of Armed Conflicts (Comparative Social Research 27)*, ed., Fredrik Engelstad (Bingle: Emerald Group, 2010): 51-76.

<sup>68</sup> Supporting evidence for this interpretation can be found in Eugene Huskey and Gulnara Iskakova's findings on the political elite in Kyrgyzstan based on interviews with the leading members of the opposition to then-President Bakiev. Although, ultimately every leadership potentate wants to become the national leader, this does not mean that respect, status and authority on a nationwide scale are the objectives. Quite the opposite, national political power is important for enhancing the status among relatives and local communities. "They did not have in mind status on a national level, but status among one's own relatives and local community." Consequently, politics has a very narrow local geographic base in Kyrgyzstan. See Eugene Huskey and Gulnara Iskakova, "The Barriers to Intra-Opposition Cooperation in the Post-Communist World: Evidence from Kyrgyzstan," *Post-Soviet Affairs* 26, no. 3 (2010): 245-246.

profits and other forms of pecuniary corruption observable in Kyrgyzstan are quite predictable outcomes in a state organized according to a logic resembling investments in a market, at the core of which is the sale and purchase of public offices. To the best of my knowledge, this is a novel perspective on the state in contemporary political science, and one which yields several implications.

In building up the framework for analysis based on the state as a market for earning a return on investment, I proceed in four main steps. The first step relates to how individuals are granted access to the market. The second step concerns why investing in public office is profitable, i.e. what resources attached to public office provide incentives for investments. The third step elaborates on the concrete practices enabling political and administrative officials to convert officialdom into pecuniary returns. The final step considers the main implications, including the highly topical issue of under which conditions this market is stable and what factors that may destabilize the market and, hence, the entire political order.

Before going into further detail on the components of this theoretical framework, I will situate the practice of buying and selling public offices in a historical context as well as specify this study's conceptual standpoint with regard to the concept of the market.

## Historical Precedents

From a historical perspective, the sale of offices in Kyrgyzstan is not a unique phenomenon. There are several historical precedents which demonstrate that pecuniary exchange can be a fundamental way of organizing a distinct social and political order. In a comparative 17th century study of the market for public offices, Koenraad Swart notes that it was a phenomenon common to many countries in Europe, Asia, America and Africa, although it varied considerably in form and extent across countries.<sup>69</sup> Yet, as early as medieval England, K. B. McFarlane utilized the concept of "bastard feudalism" as a:

... label to describe the society which was emerging from feudalism in the early part of the of the fourteenth century, when most if not all its ancient features survived, even though in many cases as weak shadows of themselves, but when the tenurial bond between lord and vassal had been superseded as the primary social tie by the personal contract between master and man. If "bastard feudalism" is understood not as a kind of feudalism, however modified, but as something essentially different while superficially similar, then it aptly describes the social order in England in the two centuries following the death of Edward I. ... Feudalism still existed formally intact, but was becom-

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<sup>69</sup> Koenraad W. Swart, *Sale of Offices in the Seventeenth Century* (Utrecht: Martinus Nijhoff, 1949).

ing for all practical purposes a complex network of marketable privileges and duties attached to the ownership of land, with little or no importance as a social force. It was there, and indeed remained so for centuries to come – all pervasive but inactive – in the background, while the new order of patronage, liveries and affinities occupied the front of the stage ... with an epilogue which far outran medieval times. It is this new order that we call “bastard feudalism.” Its quintessence was payment for service.<sup>70</sup>

As noted by P. R. Coss, “For McFarlane ... the heart of bastard feudalism was the replacement of the tenurial relationship by the cash nexus. All other features of its social order flowed from this or were inherited from the parent form.”<sup>71</sup> In this interpretation, “bastard feudalism” represented a distinct type of feudal order based on money.

Later, in 17th century England under the early Stuart kings, political control was increasingly exercised by trading wealth for political authority. The concrete practice of trading offices manifested the growing role of marketplace criteria in politics. James Scott writes:

The sale of office was common throughout Europe during the seventeenth century. For the Crown, the sale of office was largely a way of raising revenue. For some purchasers an office represented a steady and relatively secure income (from fees and/or salary); for others it was an investment for profit; and for still others it was a stepping stone to another office of greater status or power. Once bought, an office became a piece of personal property representing the state-enforced right to the fees, salary, and privileges attached to it. It was, then, a commodity; one that could be resold, traded, mortgaged, given as a dowry, or simply held for the income it produced.<sup>72</sup>

In another case in Sweden, Bo Rothstein notes that up until the mid-19th century:

... it was common that one and the same civil servant held 5-6 full time positions ... The accord system allowed civil servants who wanted to advance their careers to persuade higher-ranking civil servants to resign their offices by paying them an accord in the form of a certain sum of money. The higher ranking civil servants could then, in turn, use the money to purchase new positions or they could use it as their pension.<sup>73</sup>

Nowhere was the sale of office as entrenched and rationalized as in pre-revolutionary France, and the particular topic of French venality has at-

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<sup>70</sup> K. B. McFarlane, *England in the Fifteenth Century: Collected Essays of K. B. McFarlane*, introduction by G. L. Harris (London: The Hambledon Press, 1981), 23-24.

<sup>71</sup> P. R. Coss, “Bastard Feudalism Revised,” *Past & Present* 125 (1989): 27.

<sup>72</sup> James C. Scott, *Comparative Political Corruption* (Englewood Cliffs: Prentice Hall, 1972), 45.

<sup>73</sup> Bo Rothstein, “Anti-Corruption: A Big-Bang Theory,” *QoG Working Paper* 3, 2007, available at [www.qog.pol.gu.se/working\\_papers/2007\\_3\\_Rothstein.pdf](http://www.qog.pol.gu.se/working_papers/2007_3_Rothstein.pdf).

tracted considerable scholarly attention. Between 1610 and 1640, roughly one-half of the total royal revenue came from the sale of offices, and the practice continued to supply the king with revenues right until the French Revolution, when it was abolished.<sup>74</sup> Thus, albeit starting out as an illicit practice, the sale of office turned into a rationalized practice codified into law. By contrast, in the contemporary world the sale of office is prohibited and subject to criminal punishment. As will be discussed further both in this chapter and in Chapter 6, this signals some important differences in the nature of the practice in Kyrgyzstan compared to its historical precedents.

## A Note on the Market

The term “market” invokes different connotations depending on the type of market it may refer to, as well as depending on scientific discipline. To clarify from the beginning, the marketplace metaphor utilized here should *not* be equated with the highly anonymous and depersonalized spot market fostered by the marginal revolution in economics and the birth of standard neoclassical theory, in which market arrangements are regulated through a price making mechanism.<sup>75</sup> In this tradition, participants are interchangeable and the details of their social relations irrelevant.<sup>76</sup>

Rather than from the deductive market modeled by neoclassical economists, analytical inspiration is drawn from empirical studies of the market as a concrete institution or social phenomenon in its own right, which has surprisingly been largely neglected in mainstream economics but addressed within other scientific fields.<sup>77</sup> Moving beyond standard neoclassical theory, research has convincingly demonstrated that the anonymous market is often an illusion, and market behavior is significantly shaped by the real-world context of personal contacts and networks. To illustrate this point, examples can be found from at least three different fields.

First, for classical economists and economic historians, the term market referred to a spatially defined place for exchange between buyers and sellers. Examples of such physical marketplaces included small everyday local markets as well as famous large annual fairs frequented by long-distance mer-

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<sup>74</sup> For a discussion of this administrative pattern in pre-revolutionary France, see William Doyle, “The Price of Offices in Pre-Revolutionary France,” *The Historical Journal* 27, no. 4 (1984), 831-860. Also Swart, *Sale of Offices*, 5-18.

<sup>75</sup> Ronald Coase, “The Nature of the Firm,” *Economica* 4, no. 16 (1937): 388.

<sup>76</sup> Albert Hirschman, “Rival Interpretations of Market Society: Civilizing, Destructive or Feeble?” *Journal of Economic Literature* 20, no. 4 (1982): 1473.

<sup>77</sup> For the lacuna in the empirical study of the market in mainstream economics, see Ronald Coase, *The Firm, the Market and the Law* (Chicago: University of Chicago Press, 1988), 7; Douglass C. North, “Non-Market Forms of Economic Organization: The Challenge of Karl Polanyi,” *Journal of European Economic History* 6, no. 3 (1977): 710.

chants.<sup>78</sup> Thus, the market was something concrete, and synonymous with either a marketplace or a geographical area. In contrast to the later emergence of impersonal markets that were no longer confined to certain geographic places since buyers and sellers conducted an exchange without meeting in person, exchanges in original marketplaces were highly personalized in nature.<sup>79</sup> This is not just a past occurrence. Anthropological research on contemporary peasant, tribal and bazaar markets likewise note that these markets are clientelized in the sense that buyers and sellers have long-term continuing relationships.<sup>80</sup>

Second, a powerful critique against neoclassical market theory has emerged within the field of new institutional economics. Rather than being characterized by an anonymous exchange between individuals under perfect competition, many markets operate under personal exchange: "In personal exchange, kinship ties, friendship, personal loyalty, and repeat dealings all play a part in constraining the behavior of participants and reduce the need for costly specification and enforcement."<sup>81</sup> The notion of a perfect, depersonalized market has also been challenged by scholars within the field of new economic sociology. This school of thought questions the neoclassical model's applicability to real-life economic behavior by focusing on the role of the social in transactions, particular the ways in which exchange transactions involve social networks and relations of trust, cooperation and other reciprocal bonds.<sup>82</sup> In a seminal article, Mark Granovetter argues that "the anonymous market of neoclassical models is virtually nonexistent in economic life and ... transactions of all kinds are rife with ... social connections."<sup>83</sup> In other words, access to the market as well as the exchange itself is often dependent on informal networks of friends, relatives and acquaintances.<sup>84</sup>

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<sup>78</sup> The classic example is probably the Champagne fairs. See C. Verlinden, "Markets and Fairs," in *Cambridge Economic History of Europe: Economic Organization and Policies in the Middle Ages*, Volume 3, eds. M. M. Postan, E. E. Rich and Edward Miller (Cambridge, 1963), 119-153; S. R. Epstein, "Regional Fairs, Institutional Innovation, and Economic Growth in Late Medieval Europe," *Economic History Review* 47, no. 3 (1994): 459-482.

<sup>79</sup> Richard Swedberg, "Markets as Social Structures," in *The Handbook of Economic Sociology*, eds., Neil J. Smelser and Swedberg (New York: Russell Sage, 1994), 255-256.

<sup>80</sup> Clifford Geertz, "The Bazaar Economy: Information and Search in Peasant Marketing," *American Economic Review* 68, no. 2 (1978): 28-32.

<sup>81</sup> Douglass C. North, "The Contribution of the New Institutional Economics to an Understanding of the Transition Problem," *WIDER Annual Lectures 1*, March 1997, 2.

<sup>82</sup> James S. Coleman, "Introducing Social Structure into Economic Analysis," *American Economic Review* 74, no. 2 (1984): 84-88; Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91, no. 3 (1985): 481-510; Neil J. Smelser and Richard Swedberg, eds., *The Handbook of Economic Sociology*, 2<sup>nd</sup> edition (New York: Russell Sage, 2005); Roger Friedland and A. F. Robertson, eds., *Beyond the Marketplace: Rethinking Economy and Society* (New York: Aldine de Gruyter, 1990); Mary C. Brinton and Victor Nee, eds., *The New Institutionalism in Sociology* (New York: Russell Sage, 1998).

<sup>83</sup> Granovetter, "Economic Action and Social Structure," 495.

<sup>84</sup> Swedberg, "Markets as Social Structures," 255-282.

Lastly, scholarship on developing economies and on the economic transition in former communist countries, respectively, have further emphasized how success in markets in these countries is more dependent on informal contacts and personal exchange than on impersonal rules and laws. The literature on post-communism has extensively documented how insiders and individuals with influential contacts within the state apparatus emerged as the most successful players in the new “market economy.”<sup>85</sup> In the words of Michel Camdessus, the ex-director of the International Monetary Fund (IMF), what formed was “a market based on good connections.”<sup>86</sup> Crony capitalism does not appear to have been a transient phenomenon since interpersonal contacts and networks continue to heavily influence post-Soviet markets.<sup>87</sup>

What these cases demonstrate is that there are more to markets than impersonal exchanges under conditions of free competition. The market that has developed within the Kyrgyz state should be understood in a similar manner; it is not limited to the spot market view, but is a market with continuing relationships, or repetitive transactions.<sup>88</sup> To develop this argument further, Arthur Okun provides a useful distinction between auction markets and what he labels consumer markets. In the former, there are a large number of producers and potential buyers; prices are not fixed and sellers are price takers, not price makers. However, as Okun emphasizes, most products are not sold on auction markets but on consumer markets, which are characterized by repetitive exchange and continuing personal relationships between sellers and buyers.<sup>89</sup>

## Market Access

The issue of recruitment to the state is arguably one of the most important factors in shaping the way a state operates. Approaches to the logic of recruitment to the post-communist state tend to fall into the categories of meri-

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<sup>85</sup> See Stephen White and Olga Kryshnanovskaya, “From Soviet Nomenklatura to Russian Elite,” *Europe-Asia Studies* 48, no. 5 (1996), 711-733; Endre Sik and Barry Wellman, “Network Capital in Capitalist, Communist and Postcommunist Countries,” in *Networks in the Global Village: Life in Contemporary Communities*, ed., Wellman (Boulder, Co.: Westview Press, 1999), 225-254; Alena V. Ledeneva, *How Russia Really Works: Informal Practices in the 1990s* (Ithaca: Cornell University Press, 2006).

<sup>86</sup> Quoted in Anara Tabyshalieva, *Kyrgyzstan: Common Country Assessment* (Bishkek: UNS, 2001), 44.

<sup>87</sup> For an excellent analysis of personal contacts and the bazaar economy in Kyrgyzstan, see Regine A. Spector, “Securing Property in Contemporary Kyrgyzstan,” *Post-Soviet Affairs* 24, no. 2 (2008): 149-176.

<sup>88</sup> Granovetter, “The old and New Economic Sociology,” in *Beyond the Marketplace*, eds., Friedland and Robertson, 101.

<sup>89</sup> Arthur M. Okun, *Prices & Quantities: A Macroeconomic Analysis* (Washington, D.C.: The Brookings Institution, 1981), 134-155; Hirschman, “Rival Interpretations of Market Society,” 1473-1474.



tocracy and personalistic criteria, respectively. In fact, despite the rapid infusion of money into the post-communist countries, and the explosion of pecuniary corruption along with it, there has yet been no comprehensive study on job buying. Arguably, there are different dynamics in play when the decisive factor in determining appointments is money rather than merit or personalistic ties.<sup>90</sup>

As mentioned above, if only payment capacity would matter in determining access to the state, any individual in possession of money could participate, and offices would be sold to the highest bidder in a relatively transparent process irrespective of personal connections. Even so, there is more to the state as a marketplace in Kyrgyzstan than just buying or selling a post, a commodity or a service. Indeed, the key is that purchasers do not just buy a commodity, but political and administrative posts for the purpose of securing a constant collection of proceeds over time which are continuously shared with superiors. It is necessary for prospective officials to be able to demonstrate a trustworthy commitment to deliver these proceeds over time.

The key here is the intertemporal dimension. The importance of personal contacts of trust in this context can be illustrated from a game-theoretic perspective that refers to sequential, repeated games rather than a one-shot game. In the words of Partha Dasgupta: "For trust to be developed between individuals they must have repeated encounters, and they must have some memory of previous experiences."<sup>91</sup> The notion of trust has gained considerable attention in the social sciences.<sup>92</sup> In an influential volume, Diego Gambetta argues:

When we say we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial or at

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<sup>90</sup> There are however a number of historical precedents of the market for public office, which will be discussed in greater detail in chapters 6 and 9. See Koenraad W. Swart, *Sale of Offices in the Seventeenth Century* (Utrecht: Martinus Nijhoff, 1949); William Doyle, *Venality: The Sale of Offices in Eighteenth-Century France* (New York: Oxford University Press, 1996); A. Reza Sheikholeslami, "The Sale of Offices in Qajar Iran, 1858-1896," *Iranian Studies* 4, no. 2-3 (1971): 104-118. For a work on the market found in the offices of the canal irrigation system in India, see Robert Wade, "The System of Administrative and Political Corruption: Canal Irrigation in South India," *Journal of Development Studies* 18, no. 3 (1982): 287-328. For a recent detailed study of the sale of public offices in a province in China, see Jiangnan Zhu, "Why are Offices for Sale in China? A Case Study of the Office-Selling Chain in Heilongjiang Province," *Asian Survey* 48, no. 4 (2008): 558-579.

<sup>91</sup> Partha Dasgupta, "Trust as a Commodity," in *Trust: Making and Breaking Cooperative Relations*, electronic edition, ed., Diego Gambetta (Department of Sociology, University of Oxford, 2000), 59.

<sup>92</sup> Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (New York: The Free Press, 1995); Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993); James S. Coleman, *Foundations of Social Theory* (Cambridge, MA: Harvard University Press, 1990); Gambetta, ed., *Trust*.

least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him.<sup>93</sup>

The strongest contacts are kinship relations, although friendship, social acquaintances, professional and educational connections also open access. Just to give a sense of that personal relationships do not have to be particularly dense, a Kyrgyz citizen communicated to the present author how she was twice offered an office in a partly state-owned gold company in the early 2000s. The first time the offer was made the price was \$2000; a year later the price had increased to \$3000. The personal relationship between buyer and seller was limited to having been briefly introduced to each other by a common "social acquaintance."<sup>94</sup> Personal contacts provide prospective officials with information on available positions and who is in charge of appointments, but they are also seen as important sources of trust in the exchange.<sup>95</sup> Although information about where and when positions in the state hierarchy are available can be obtained through personal contacts, these contacts are increasingly just a precondition for access to the state since acquiring office normally requires informal monetary payments. Instead of earning posts and titles by educational achievements, professional merits or demonstrated political skills, these are purchased.

A major reason for the importance of trust in the exchange stems from the fact that the particular transactions concluded here are illicit. They are normally "sealed by a handshake," and not by any formal contract. Consequently, the agreement cannot be enforced through the courts or any other official enforcement agency.<sup>96</sup> In this sense, the informal relations of pecuniary exchange automatically run counter to the idea of third-party enforcement through the judiciary. The exchange is endogenously regulated among informal networks within the state hierarchy.<sup>97</sup> In other words, personal contacts of trust have several advantages in monitoring agreements, as they function as mechanisms of control and reduce the risk that informal agreements are breached. In short, they are important assets in the business of making profits from public offices.

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<sup>93</sup> Diego Gambetta, "Can We Trust Trust" in *Trust*, ed., Gambetta, 217.

<sup>94</sup> Author's conversation with Kyrgyz citizen, June 20, 2011.

<sup>95</sup> Cf. Yoram Ben-Porath, "The F-Connection: Family, Friends, and Firms and the Organization of Exchange," *Population & Development Review* 6, no. 1 (1980): 1-30; Lisa Bernstein, "Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry," *Journal of Legal Studies* 21, no. 1 (1992), 115-157; Spector, "Securing Property in Contemporary Kyrgyzstan," 149-176.

<sup>96</sup> Cf. the endogenous ordering of the diamond industry, Ben-Porath, "The F-Connection," 6; Bernstein "Opting out of the Legal System," 115-157.

<sup>97</sup> Oliver Williamson, "The Institutions and Governance of Economic Development and Reform," *Proceedings of the World Bank Annual Conference on Development Economics 1994* (Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank, 1995), 181-182.

An analogy to a franchise organization is applicable. The official pays a lump sum fee for the right to officialdom and is further obliged to provide an annuity of the proceeds earned, and subordinates himself to the nearest boss.<sup>98</sup> A licensing system also describes this arrangement well. For obtaining the license, the licensee is required to provide a combination of paying a fee and proving a tangible capability (loyalty) to the licensure.<sup>99</sup>

In sum, money alone does not guarantee access to the market. In order to access the market, individuals must be able to demonstrate loyalty, in addition to a willingness to provide financial payments. Tangible resources of personal connections, loyalty and trust are all important for ensuring reciprocal economic exchange and for assessing the credibility of potential participants, thus they heavily influence hiring decisions. Therefore, the market in trading with posts and services attached to the state, is rife with social connections; indeed, it is a highly personalized market.

## Why Invest in Public Offices?

The very practice of setting up offices for sale signals an understanding that there are profits to be reaped from the public sector. To specify the motive and attractiveness of office as an investment objective, a broader political economy perspective is in order. In the first decade after the fall of the Soviet Union, the relationship between the state and the economy in Kyrgyzstan, as in all post-Soviet countries, was approached by analyzing how the state interacts with the market and its role in generating economic growth. The dominant view was to approach the state as a “grabbing hand”; an obstacle to economic prosperity that must be removed from the economy.<sup>100</sup> At the start of the second decade, attention increasingly shifted to the reverse relationship – how economic forces interacted with the state. A path-breaking investigation by a group of scholars affiliated with the World Bank made a distinction between administrative corruption (bribery) and high-level political corruption (what they labeled as state capture). The study’s conclusion was that state capture by private firms could be observed throughout the post-communist sphere. When private interests have hijacked a state, administrative decision-making, legislative procedures, court verdicts and state policy in general primarily serve special interests rather than the population as a whole.<sup>101</sup>

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<sup>98</sup> For an analysis of franchise organizations, see Seth W. Norton, “An Empirical Look at Franchising as an Organizational Form,” *Journal of Business* 61, no. 2 (1988): 197-218.

<sup>99</sup> For an analysis of licensing, see Richard Raysman, *Intellectual Property Licensing: Forms and Analysis* (New York: Law Journal Press, 2006).

<sup>100</sup> Andrei Shleifer and Robert Vishny, eds., *The Grabbing Hand: Government Pathologies and Their Cures* (Cambridge, MA: Harvard University Press, 1998).

<sup>101</sup> Hellman, Jones and Kaufmann, “Seize the State, Seize the Day.”

The state capture approach has some merit for understanding Kyrgyzstan. Yet, rather than modeling how private firms influence or capture the state, the message I convey in this study is that at the dawn of the third decade of independence, the logic needs to be taken a step further by acknowledging that the separation between politics and the economy generally assumed to exist in Kyrgyzstan is an artificial one. In order to understand the relationship between the state and the economy, it is necessary to move beyond both the “grabbing hand” model and the state capture model. Consistent with the notion of the centrality of the state in post-communist societies emphasized earlier, the process of “marketization” of the state I describe is in many ways an inverse state capture, essentially carried out from within the state itself, rather than initiated by private firms or any other outside force.<sup>102</sup> Public officials instead of private firms have created a private market in goods and services under the state’s jurisdiction. As Mungiu-Pippidi notes:

There is an important qualitative difference between a state bribed by a firm to provide a tax break, and a state whose executives are also its main business people and gradually transformed public assets into their private property.<sup>103</sup>

Rasma Karklins specifies the problem further:

Analysts tend to focus on the private-gain part of the definition of corruption and discuss the details of bribery and other forms of illicit profiteering. While this is important, the meaning of the misuse of public power deserves more consideration. It means that officials charged with securing the public good focus instead on securing their own private good. In addition to the misappropriation of tangible public goods, such as budgetary funds, this undermines the basic purpose of public institutions.<sup>104</sup>

Access to the state provides ample opportunities to profit from economic markets such as the real estate market, financial markets or trade markets. Thus, in order to understand why an individual chooses to invest in the state rather than seek alternative markets as their avenues to enrichment, although these have lower entrance barriers than the state since personal contacts are

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<sup>102</sup> For tentative analysis of this phenomenon, see Johan Engvall, “Kyrgyzstan: Anatomy of a State,” *Problems of Post-Communism* 54, no. 4 (2007): 33-45; Karklins, “Typology of Post-Communist Corruption,” 22-32. This is something different than the cozy relationships between state elites and private businesses documented in many parts of the world, as the distinction between public and private identities in Kyrgyzstan is eluded. Cf. Leigh Payne, *Brazilian Industrialists and Democratic Change* (Baltimore: Johns Hopkins University Press, 1994); Eva Bellin, *Stalled Democracy: Capital, Labor, and the Paradox of State-Sponsored Development* (Ithaca: Cornell University Press, 2002); Scott Greenwood, “Bad for Business? Entrepreneurs and Democracy in the Arab World,” *Comparative Political Studies* 41, no. 6 (2008): 837-860.

<sup>103</sup> Mungiu-Pippidi, “Corruption,” 93.

<sup>104</sup> Karklins, “Typology of Post-Communist Corruption,” 31.

not as prominent a precondition to access, the deficits of these alternatives must be factored into the analysis.

Further analytical input for the motives for the market in public office is provided if we return to the insights from the literature on precedent historical cases of buying and selling offices. In the most extensive comparative analysis of the sale of office to date, Swart identifies five major factors driving the trade in officialdom in the 17th century: 1) a bureaucracy governed by aristocratic principles; 2) remuneration of officials by fees; 3) a flourishing of trade and commerce; 4) the existence of a powerful middle class; 5) an absolutist government which could not raise the finances needed for wars by other means.<sup>105</sup> Applied to the sale of office in Kyrgyzstan, two of these factors can be dismissed out of hand. The middle class is virtually nonexistent, and the sale of offices is decisively detached from raising revenues for the state treasury. The money paid fully remains in private hands, and is not used for building up infrastructure and other public goods or to finance military expenditures. However, as we shall see, the remuneration of officials by fees, the flourishing of trade and commerce, and, perhaps surprisingly at first glance, also the aristocratic principles in the bureaucracy, all have strong merits in the Kyrgyz case as well. These factors will be discussed more extensively in Chapter 6. In that chapter I will also attempt to specify how the trade in offices in contemporary Kyrgyzstan in some important measures is set aside from its historical precedents.

Moving to the contemporary context, the literature on the market for public office is sparse. However, a seminal work in this genre is Robert Wade's article on the market in the public sector canal irrigation industry in India. He collected evidence to demonstrate that since irrigators paid the officials to ensure the water supply, an Assistant Engineer earned about 3.5 times his official wage from unofficial payments while an Executive Engineer received about nine times his official annual salary from bribes. Senior officers and politicians in turn received their cut by demanding an entry fee for arranging engineers to a particular position. The size of that payment depended on the productivity of the area: A position with a two-year tenure in the uplands cost an Executive Engineer about three times his annual wage while the price for a position in the fertile deltas could be up to about 14 times the annual salary.<sup>106</sup> In another rare article on the market for public offices in a contemporary context, Jiangnan Zhu finds that in a province in China the sectors most susceptible to office buying are the ones where "monetary enticements" are most readily available. In the province examined three types of positions were mainly sold: Chief executives of agencies in charge of public projects (in construction, transportation, etc.); leadership posts in regulatory and law enforcement agencies; and top positions in a party-

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<sup>105</sup> Swart, *Sale of Offices*, 117-118.

<sup>106</sup> Wade, "The System of Administrative and Political Corruption."

government organ which gives extraordinary leverage over subordinates.<sup>107</sup> In other words, all public sectors should not be expected to be equally “marketized.”

## Returning Investments

The study of post-communist corruption has attracted the ever increasing attention of the scholarly community over the past decade. Post-Soviet Eurasia being deeply marred by corruption has been one of the main focus areas for academics and policymakers alike. Yet in the 1990s, corruption largely escaped attention, as the major focus was on dismantling the old communist system and introducing the institutions needed for building democracy and free market systems. However, as democratization stalled and transition failed to yield the expected outcome, systemic corruption was increasingly identified as the bane of transition.<sup>108</sup>

The bulk of the literature on corruption in post-communist countries distinguishes among two principal forms of corruption – high-level political corruption and petty, low-level corruption.<sup>109</sup> In the literature there is largely a consensus on the nature, causes and problems associated with these two forms of corruption. The dominant analytical concept for characterizing high-level political corruption in post-communist countries is that of rent seeking, which has become a quite loosely specified umbrella concept connoting acts of collusion between private actors and high-level government officials.<sup>110</sup> In a powerful statement, Anders Åslund even claims that: “Post-communist transformation is the history of the war for and against rent seeking.”<sup>111</sup> Petty administrative corruption, on the other hand, is seen as an inevitable by-product of low public wages, forcing officials to take bribes.

To start with, for corruption at the high political level, the term rent seeking is somewhat misrepresentative for understanding what is really going on in the “investment state”. The term gives connotation to a public-private dichotomy that is very much elusive in Kyrgyzstan and some other post-communist countries.<sup>112</sup> Although the literature on post-communism has documented how old nomenklatura elites were able to turn their political influence into economic benefits when the old system was collapsing, there

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<sup>107</sup> Zhu, “Why are Offices for Sale in China?” 566-567.

<sup>108</sup> Anders Åslund, *How Capitalism was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia* (Cambridge: Cambridge University Press, 2006), 249-255.

<sup>109</sup> Joel S. Hellman, Geraint Jones and Daniel Kaufmann, “Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition,” *World Bank Policy Research Working Paper No. 2444* (Washington, D.C.: The World Bank, September 2000).

<sup>110</sup> Scott Radnitz, “Informal Politics and the State,” *Comparative Politics* 43, no. 3 (2011): 356.

<sup>111</sup> Åslund, *How Capitalism was Built*, 48.

<sup>112</sup> Venelin I. Ganev, *Preying on the State: The Transformation of Bulgaria after 1989* (Ithaca: Cornell University Press, 2007), 120.

was more to this process than taking control over the state's economic assets or public-private collusion for rent seeking purposes. As described by Steven Solnick, "these officials were not merely stealing *from* the state, they were stealing the state itself."<sup>113</sup> George Soros' depiction of Russia in 1998 similarly describes the developments in Kyrgyzstan, "First the assets of the state were stolen, and then when the state itself became valuable as a source of legitimacy, it too was stolen."<sup>114</sup>

In his pioneering study on power and wealth in post-communist Bulgaria, Venelin Ganey examines the practice of converting political power into economic power. He carefully demonstrates how elite actors manipulated the supposed boundaries between the state and the private sector by moving their identities, assets and capital in and out of these domains to the extent that they were indistinguishable.<sup>115</sup> I aim to build on Ganey's insight about the *de facto* absence of a separation between the public and private domains, and that conversion in this context means something different than rent seeking. Where I part ways with Ganey, however, is on two issues pertaining to the nature and relevance of the state. First, in Ganey's analysis, there is an underlying notion that elite extraction from the state represents a deviating behavior. This type of behavior becomes regularized and institutionalized because of the state's inability to monitor and punish those who depart "from state-sanctioned patterns of behavior."<sup>116</sup> Thus, somewhere in the background there is the "good state" lurking that can be mobilized to step in and use its veto powers against the activities of predatory elites. When it does, the practice of informal networks taking advantage of the state for their own purposes can be halted and the formal state structures, hollowed out by predatory elites, can regain their "normal" role. In short, this elite project is a result of the state's failure to do what it, put simply, ought to do. While this analytical standpoint may be true for the case of Bulgaria, I argue that it does not capture the essence of the elite project undertaken in post-Soviet Kyrgyzstan. Here, the sale of offices is very much a state-sanctioned practice, and the type of political and administrative behavior stimulated by this practice are likewise defined from the top.

Second, I also disagree with Ganey's assertion that:

... powerful elites in post-Communism do not need the state. This is the paramount element of historical specificity in the analysis of the post-Communist political condition. The winners in post-Communism are not forced to rely, directly or indirectly, on the extractive redistributive capacities of the state because everything they need has already been extracted for them

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<sup>113</sup> Steven Solnick, *Stealing the State: Control and Collapse in Soviet Institutions* (Cambridge, MA: Harvard University Press, 1998), 7.

<sup>114</sup> Quoted by Grigory Yavlinsky, "Russia's Phony Capitalism," *Foreign Affairs* 77, no. 3 (1998): 69.

<sup>115</sup> Ganey, *Preying on the State*, 74.

<sup>116</sup> *Ibid*, 119.

and stored in the loosely monitored “public domain.” Hence the deliberate weakening and even demolition of state structures is a sine qua non for “winning.”<sup>117</sup>

Of course, Ganev is certainly right if he means that what powerful elites do not need is a strong modern state, built on a tax base and the rule of law. However, I argue that this does not translate into the dispensability of the state. Indeed, it is striking how attractive the Kyrgyz state is for elites; access to it is invaluable for the opportunities to earn and invest. The attractiveness of the state is certainly baffling considering how the literature depicts the Kyrgyz state as endemically weak, lacking any real resources of value and as an entity challenged by alternative authority wielders. In short, Ganev’s description of state weakness is certainly correct from a conventional perspective on the state. Nevertheless, positing that the state is important for other reasons than normally assumed, and used for purposes other than it “ought to be,” i.e. it is the ultimate arena for earning and investing, reveals that individuals very much continuously need the state in order to “succeed.” To summarize, rather than breaking the state, a specific type of state has been created.

Turning to petty or administrative corruption so entrenched in post-Soviet countries, academics and policymakers have found a convenient standard explanation: The wages of public officials are too low, forcing officials to engage in extortion and bribe taking for clearly survivalist reasons.<sup>118</sup> Indeed, I challenge anyone to find a discussion on corruption in Kyrgyzstan or any statements by public officials dealing with this topic that do not adhere to this standpoint on street-level corruption. But then, as noted in the preceding chapter, it is paradoxical why those very officials forced to collect bribes because of low wages nonetheless pay substantial sums of money just to be appointed in the first place. At the very least, this suggests that the size of the official paycheck is largely irrelevant for understanding corruption. Prospective officials are well aware of the fact that official remuneration is basically absent, but they still make the strategic choice to invest their savings or borrow money to invest in offices.

Hence, my interpretation of political and administrative offices as investment objects represents an alternative way of thinking about the nature and causes of both these forms of corruption as well as the linkages between them; they are quite predictable outcomes in the “public-office-as-investment” state in which public powers firmly lies in private hands. For that reason, I argue that the distinction between grand and petty corruption

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<sup>117</sup> Ibid, 120.

<sup>118</sup> In the scholarly literature, this take on corruption at the enforcement level draws on the economics literature and the idea that enforcers must be well-paid in order to refrain from malfeasance. See Gary S. Becker and George J. Stigler, “Law Enforcement, Malfeasance, and Compensation of Enforcers,” *Journal of Legal Studies* 3, no. 1 (1974): 1-18.



often made in the literature misses out on the similar investment dynamic forming state behavior from top to bottom.<sup>119</sup> Of course, the size of the returns as well as the methods employed to receive these vary depending on the level in the hierarchy. Nonetheless, the fundamental dynamic is the same. Moreover, since office holding, although conditional and short term, is expected to yield returns, it is somewhat comparable to shares on the stock market in the sense that it renders the term public meaningless.

## Implications for Political Stability and Instability

Although I argue that a certain order of predictability is revealed with the help of the analytical framework of the state as an investment market, it is a fact that over the last years Kyrgyzstan has seen much turbulence, including two forceful regime changes – the Tulip Revolution that unseated the country's first president, Askar Akaev, in March 2005 and the April Revolution in 2010 that saw Akaev's predecessor, Kurmanbek Bakiyev, fleeing the country. In the aftermath of these upheavals, there was serious political, economic and social disorder. The role of the state and its failures has been at the heart of these events. Does the theory outlined here provide us with any analytical leverage over understanding political instability, or even violence?

The argument that the extent of corruption has consequences for political stability has been long advanced in the social sciences. In 1968, Gunnar Myrdal argued the following in his enquiry into South Asia:

The significance of corruption in Asia is highlighted by the fact that wherever a political regime has crumbled ... a major and often decisive cause has been the prevalence of official misconduct among politicians and administrators, and the concomitant spread of unlawful practices among businessmen and the general public.<sup>120</sup>

My view on corruption is less straightforward: It is not corruption *per se* that is the main threat to political stability, but rather changes in the nature of corruption that increase the likelihood of instability and violence. As an overarching point of departure, I will draw on the insights produced by a number of scholars who have argued that a principal distinction should be made between parochial corruption on the one hand and pecuniary corruption on the other. These two ideal typical forms of corruption have different consequences. Parochial corruption rests on personalized and highly particularistic traditional loyalty patterns that are of a more durable nature than the

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<sup>119</sup> This argument was made by Robert Wade in his critique of previous researchers' inclination to treat political and administrative corruption as distinct forms. See "The System of Administrative and Political Corruption," 288-289.

<sup>120</sup> Gunnar Myrdal, *Asian Drama: An Enquiry into the Poverty of Nations*, Vol. II (New York: Twentieth Century, 1968), 937.

more modernizing and universalistic market variant. Thus, the problem could be formulated as the tension between the state as a marketplace and a nepotistic state. Money is an acquirable asset that provides more equal opportunities to influence and participate. In this sense, pecuniary corruption, at least in its non-monopolized form, levels the playing field and functions as an avenue of social and political mobility by providing more diversified access to and influence over the state. By contrast, kinship and other parochial ties are much more durable, and acquiring these assets is very difficult since normally people belong to a particular family.<sup>121</sup> In comparison to market corruption, when corruption primarily rests on parochial ties, access to political and administrative resources and goods are much more exclusive. Money is a means of influence, and when it is no longer effective for that purpose the likelihood of violence as the only remaining option for access to power increases.<sup>122</sup>

However, to specify further, my ambition is not to address the historically debated question of which group of officials would be less greedy – those who received their office because they were the king’s cronies or those who purchased their office from the king? This question drew the attention of leading political thinkers in 18th and 19th century Europe. Montesquieu, for instance, supported the sale of office over nepotistic appointments because “change will furnish better subjects than the prince’s choice.”<sup>123</sup> Jeremy Bentham likewise saw the sale of office as favorable since it would grant the wealthier and morally more scrupulous middle class access to high political offices.<sup>124</sup> Thus, under conditions of monarchic governments, both Montesquieu and Bentham saw the sale of offices as a progressive practice that inspired economic development. In Kyrgyzstan, there is no evidence to suggest that greed among officials has been any less pronounced when access to the state has tilted towards more monopolistic than competitive practices. There is also little to suggest that any of the tendencies has been more advantageous for general economic performance or the public interest. My presentation is confined to arguing that for the sake of political stability a

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<sup>121</sup> However, it should be emphasized that when the state has abdicated many of its responsibilities, the family has attained increased political importance, manifested by diplomatic features and strategic marriages.

<sup>122</sup> James C. Scott, *Comparative Political Corruption* (Englewood Cliffs: Prentice Hall, 1972), 88-89; Seymour Martin Lipset and Gabriel Salman Lenz, “Corruption, Culture, and Markets,” in *Culture Matters: How Values Shape Human Progress*, eds., Lawrence E. Harrison and Samuel P. Huntington (New York: Basic Books, 2000), 119. Myron Weiner, *The Politics of Scarcity* (Chicago: University of Chicago Press, 1962); O. P. Dwivedi, “Corruption in Developing Countries,” *Asian Survey* 7, no. 4 (1967): 253.

<sup>123</sup> Charles Baron De Montesquieu, *The Spirit of Laws* (New York: Cosimo Classics, 2011), 69.

<sup>124</sup> Jeremy Bentham, *Works*, Vol. 5 (Edinburgh, 1863), 246-248. Bentham writes, “though the patrimony of merit should by this means be invaded by wealth, it would at the same time be defended from favoritism, a divinity in less esteem even than wealth”. Jeremy Bentham, *The Rationale of Reward* (London: John and H. I. Hunt, 1825), 185-186.

more even access to the state advanced by the relatively inclusive sale of office, as opposed to an increasingly “nepotistic” market, is preferable.

## Concluding Remarks

Although I have looked at the modern state, the Soviet state and the shadow state in this chapter, the empirical analysis will not be carried out in the form of a focused comparison of Kyrgyzstan with any of these. Instead, the purpose of the discussion here has been for these to serve as exemplars of the general question of what kind of state has arisen in Kyrgyzstan. The main argument in this study is that the essence of the Kyrgyz state can be captured by the metaphor of the “investment state.” Investment motives at both the political and administrative level suggest that high and low corruption revolve around the same basic mechanism, and should therefore not be seen as unrelated problems. In the specific context of a state formed around the expectation of yielding returns on the money invested in a public office, these two levels are intimately connected and part of the same general dynamic. Hence, although the size of the returns and the effects on the behavior of the state differ from the political to the administrative level, the incentive system is basically the same. This argument differs from the bulk of the studies on corruption which, to put it a bit simply, tend to condemn high-level political corruption as predatory and greedy, while low-level corruption is excused due to low public wages. As I will demonstrate, in its most fundamental sense the “investment state” in Kyrgyzstan connotes one unified system; both political elites and street-level bureaucrats purchase offices expecting a return on their invested capital.

## Chapter 3: Method and Research Design

The purpose of this chapter is to elaborate on the research design and empirical material utilized in the subsequent analysis. The chapter starts out by exploring why the major sources of data are gathered from the spheres of protection, taxation and jurisdiction. Here, I pick up on the theoretical discussion of the state initiated in the two preceding chapters, and for the purposes of the present study, elaborate on the importance and adequacy of focusing on these elemental state functions in helping to capture the nature of the Kyrgyz state. I then continue to the intersection of theory and methodology by discussing the approach to human behavior adhered to in this study. The final part is devoted to a detailed discussion of the collection and analysis of data, and outlines the logic for how to deal with the empirical material at hand. In particular, I discuss those field studies interviews on which this work heavily relies upon. The methodological issues connected to the collection and analysis of information relates to all empirical chapters, and will be discussed collectively here.

### Protection, Taxation and Jurisdiction

The empirical analysis of the state in Kyrgyzstan primarily draws on information gathered from three crucial spheres of state building – taxation, protection and jurisdiction. The salience of these dimensions for understanding the core logic of the state can hardly be exaggerated. To recall Max Weber’s classical definition of the state, the ability to uphold basic monopolistic control in security, legality and taxation (in order to provide the revenues necessary for providing continuous organization)<sup>1</sup> within a territorially defined area is central to the state. In a neo-Weberian theory of the state, Douglass North argues that the state is an organization which, in return for the taxes it collects, defends the properties and rights of its citizens. “The state trades a group of services, which we shall call protection and justice, for revenue.”<sup>2</sup> Ultimately, a state’s ability to uphold this exchange rests on its potential for

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<sup>1</sup> As Weber wrote, “a stable system of *taxation* is the precondition for the permanent existence of bureaucratic administration.” *Economy and Society* (Berkeley: University of California Press, 1978), 968 (italics in original).

<sup>2</sup> Douglass C. North, *Structure and Change in Economic History* (New York: Norton), 23.

violence. States stand out from other organizations by their tendency to monopolize the use of organized violence, thereby handing them a comparative advantage to collect taxes and supply protection and jurisdiction.<sup>3</sup> As a result, while protection, taxation and jurisdiction are the elemental functions of the state, the use of violence is the ultimate source for upholding these functions.

Protection, taxation and justice are arguably the defining elements of “stateness” on the basis of which certain policies are pursued. David Woodruff argues that in a period of state formation, conflating these two issues “is to assume that ... government has already gathered itself the sovereign powers” needed for pursuing conventional policies.<sup>4</sup> As is done by the World Bank, another way of framing the analytical position is to classify state functions along a continuum, ranging from minimal to intermediate to activist. There is a clear sequence of priority to this distinction. States with a low capacity need to first acquire minimal functions like the provision of law and order and revenue collection before they may successfully pursue ambitious activist functions such as directed policy initiatives that address market failures or the construction of welfare programs.<sup>5</sup> To explicitly relate this theoretical point to the purpose of the present study, the subsequent examination is not primarily devoted to the state’s role in development, but to advancing knowledge on the constitution of elemental state organization in post-Soviet Kyrgyzstan.

Yet, given the argument that we must develop an alternative model of the state as an investment market for understanding the Kyrgyz state, the subsequent question needs to be addressed: Is the organization of taxation, protection and jurisdiction at all relevant in Kyrgyzstan? Put differently, could it be argued that despite suggesting an approach that takes a pre-Weberian starting point, these elements are innovations of the modern state? My reply would be that these functions are central to any type of polity – whether modern, pre-modern or even pre-historian.<sup>6</sup> Vadim Volkov convincingly stresses that what changed with the emergence of the modern state was that in contrast to previous states, it was “no longer preoccupied with the founda-

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<sup>3</sup> Charles Tilly, “War Making and State Making as Organized Crime,” in *Bringing the State Back In*, eds., Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol (Cambridge: Cambridge University Press, 1985), 171.

<sup>4</sup> David Woodruff, *Money Unmade: Barter and the Fate of Russian Capitalism* (Ithaca: Cornell University Press, 1999), 7. Also see, Anna Grzymala-Busse’s distinction between the arenas for state exploitation and the constitutive elements of the state in, *Rebuilding Leviathan: Party Competition and State Exploitation in Post-Communist Democracies* (Cambridge: Cambridge University Press, 2007), 26.

<sup>5</sup> World Bank, *The State in a Changing World* (Oxford: Oxford University Press, 1997), 27. Also Francis Fukuyama, *State-Building: Governance and World Order in the 21<sup>st</sup> Century* (Ithaca: Cornell University Press, 2004).

<sup>6</sup> For a fascinating study of elemental power in an archaic context, see Timothy Earle, *How Chiefs Come to Power: The Political Economy in Prehistory* (Stanford: Stanford University Press, 1997).

tions of the state – the monopolies of violence, taxation, and justice – but came to rest on them.”<sup>7</sup> As Georgi Derluguian and Timothy Earle perceptively argue, what sets the state apart from chieftaincies is that elemental power is no longer unbounded.<sup>8</sup> In short, these dimensions have a central place in the history of state formation and the exercise of power, although they may be exercised by organizations other than the state or provided on a much smaller scale than is the case with modern state machines. To summarize, Kyrgyzstan, like other states, has developed formal structures and institutions that collect taxes, supply protection and enforce justice. These structures exist, but the core question relates to how personnel are recruited, the motive for seeking public office and how officials perform their duties. Empirical material based on these building blocks of the state should therefore be well justified in order to pursue the argument that the Kyrgyz state at its core operates as an investment state.

## Approach to Human Behavior

If the issue of political and economic development would follow a linear path, it could be assumed that poor countries will prosper if they adopt the institutional arrangements of those countries that have succeeded. While it may be argued that they at least try to inject the type of institutions proven to be successful, the outcomes ultimately remain below expectations. According to Douglass North, the lesson we should learn from this is that history is not efficient in the sense that economic competition between rational agents leads to the evolution of more efficient institutions and the withering away of inefficient institutions:

The rational choice paradigm assumes that people know what is in their self-interest and act accordingly, or at the very least that competition will weed out those who make incorrect choices and reward those who make correct choices. But it is impossible to reconcile this argument with the historical and contemporary record.<sup>9</sup>

The observation that societies do not produce the type of institutional arrangements needed for optimal outcomes has important implications for

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<sup>7</sup> Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca: Cornell University Press, 2002), 156.

<sup>8</sup> Georgi Derluguian and Timothy Earle, “Strong Chieftaincies Out of Weak States, or Elemental Power Unbound,” in *Troubled Regions and Failing States: The Clustering and Contagion of Armed Conflicts (Comparative Social Research 27)*, ed., Fredrik Engelstad (Bingle: Emerald Group, 2010): 51-76.

<sup>9</sup> Douglass C. North, “Where Have We Been and Where are We Going?” in *Economics, Values and Organization*, eds., Avner Ben-Ner and Louis G. Putterman (Cambridge: Cambridge University Press, 1998), 493.

understanding human action. Rather than the type of general, and often functionalist, theories on human behavior as driven by the desire to maximize their own self-interest, there is a need for a theory that accounts for a more context-specific notion of rationality.<sup>10</sup>

## Rationality and the Real-Life Context

Rather than departing from the view, so widespread in mainstream social science, that people are calculating pursuers of their rational self-interest, this study adheres to a burgeoning field of research which argues that the rationality of actions cannot be understood in isolation from the social world and the perceptions that shape human action. Within the broad field of new institutionalism in the social sciences, a number of scholars have questioned the hard core assumptions regarding rationality. In a pioneering work, Herbert Simon introduced the concept of bounded rationality to model the limits of human agents' capabilities to act in accordance with rationality maximizing purposes: agents are "*intendedly* rational, but only *limitedly* so."<sup>11</sup> Simon has had an increasing number of followers. A recent contribution to the understanding of rationality has been produced by Robert Aumann and Jacques Dreeze, and is called "interactive rationality." In devising strategies for action, all agents must consider how other actors will behave: "Somehow, the real-life context in which the game is played must be taken into account. The essential element in the notion of context is the mutual expectations of the players about the actions and expectations of the other players."<sup>12</sup> Another variant on the theme of theorizing the limits of strict individualistic rationality for the purpose of pursuing the instrumental self-interest is the idea of rationality as strongly reciprocal.<sup>13</sup> The understanding of rationality as "bounded," "interactive" or "reciprocal" holds important implications for the social sciences. Individual agency cannot be determined on the basis of objective factors alone; mental processes and the real-life social context must also be included.<sup>14</sup>

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<sup>10</sup> Bo Rothstein, *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective* (Chicago: University of Chicago Press, 2011); Stefan Hedlund, *Invisible Hands, Russian Experience, and Social Science: Approaches to Understanding Systemic Failure* (Cambridge: Cambridge University Press, 2011).

<sup>11</sup> Herbert Simon, *Administrative Behavior* (New York: The Free Press, 1957), xxiv.

<sup>12</sup> Robert J. Aumann and Jacques H. Dreeze, "When All is Said and Done: How should you Play and What should you Expect" (Jerusalem: Center for the study of rationality – Hebrew University, 2005), 9.

<sup>13</sup> Herbert Gintis, Samuel Bowles, Robert Boyd and Ernst Fehr, eds., *Moral Sentiments and Material Interests: The Foundations for Cooperation in Economic Life* (Cambridge: MIT Press, 2005); Rothstein, *The Quality of Government*.

<sup>14</sup> Also see Diego Gambetta, ed., *Trust: Making and Breaking Cooperative Relations*, electronic edition (Department of Sociology, University of Oxford, 2000); Siegwart Lindenberg, "Homo Socio-oeconomicus: The Emergence of a General Model of Man in the Social Sciences," *Journal of Institutional and Theoretical Economics* 146 (1990): 727-748.

Beliefs and expectations about how others will act are central components in this “model of man.” People make decisions based on how they believe that others will act. The bottom line, as suggested by Avner Greif, is to understand the motivation driving human behavior. His understanding of motivation is the following: “By motivation I mean here incentives broadly defined to include expectations, beliefs, and internalized norms.”<sup>15</sup> Take for example market behavior and systemic corruption, the two central aspects of the Kyrgyz state that I invoke and interpret by the help of the analytical framework of the state as an investment market. Systemic corruption can be understood as a self-reinforcing phenomenon, or equilibrium, based on people’s expectations. As Pranab Bardhan argues “corruption represents an example of what are called frequency-dependent equilibria, and our expected gain from corruption depends crucially on the number of other people we expect to be corrupt.”<sup>16</sup> The more that people are expected to be corrupt, the less reason there is for individuals not to engage in corrupt activities.

Therefore, this position on human agency is also helpful for the study of corruption, which due to its secretive and informal nature is a topic on which objective facts, or exact truths, are difficult to obtain. For example, the use of the corruption perception surveys utilized in this study can be questioned on the grounds that they do not tell us the truth about the exact level of corruption, nor do these surveys differentiate the nature of corruption across places. These objections are valid, and a specific target of this book is to qualify the nature of corruption in the Kyrgyz context. However, as for the fact that these surveys measure perceptions and not actual levels of corruption, this does not mean that they are not beneficial for understanding the phenomenon. In fact, whether the perception is correct or not is beside the point since peoples’ decisions are based on what they believe, even if the belief is a negative one. Thus, individuals’ perceptions of the necessity of pecuniary exchange in dealing with the state obviously have consequences for which strategy they are likely to use when seeking access to the state or interacting with public officials. Likewise, this take on human behavior should be highly pronounced in determining market behavior, whose functioning is largely dependent on how individuals perceive and expect others to act in the market.<sup>17</sup>

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<sup>15</sup> Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge: Cambridge University Press, 2006), 8.

<sup>16</sup> Pranab Barhan, “Corruption and Development: A Review of the Issues,” *Journal of Economic Literature* 35, no. 3 (1997): 1331.

<sup>17</sup> A classic example is the bank run. See for example, Douglas W. Diamond and Philip H. Dybvig, “Bank Runs, Deposit Insurance, and Liquidity,” *Journal of Political Economy* 91, no. 3 (1983): 401-419. Steven Solnick explicitly uses the logic of the bank run to explain the collapse of the Soviet Union in his *Stealing the State* (Cambridge, MA: Harvard University Press, 1998).



To summarize, the value of real-life knowledge is necessary for understanding how certain negative social practices, often viewed as pathological, in fact have distinct logics determined by their specific historical and social context. The way humans understand the social world is not the same over time or across places. They differ along with divergent experiences, and the beliefs inherited from past experiences shape the mental models dictating their future mindset.<sup>18</sup>

## Collecting and Analyzing Empirical Material

Kyrgyzstan has a legacy of 70 years of Soviet rule. Some methodological specifics found in Soviet studies therefore merit discussion, as they continue to hold some relevance roughly 20 years since the collapse of the Soviet system. As Kristian Gerner noted, while the qualitative method in Soviet studies was no different from other social sciences in terms of the basic tasks of evaluating sources and analyzing the contents of the material, the political and ideological system in the Soviet Union and its satellite states made access to material significantly more complicated. Western scholars were susceptible to compensating for the deficit of sources by introducing analogies to the political systems in the West, including erroneously presuming an existing synergy between formal constitutional arrangements and actual political practices also found in the Soviet system.<sup>19</sup> This tendency became increasingly common during the détente politics between the United States and the Soviet Union. There was the idea that it was possible to reconcile the differences between the systems of the East and West; the two economic systems were gradually on the path toward convergence.<sup>20</sup> A prominent illustration of this line of thinking was when distinguished Soviet specialist Jerry Hough labeled the Soviet Union a system of “institutional pluralism.”<sup>21</sup> The implicit message in these studies was that a focus should be paid to the similarities rather than differences between the political systems on the respective sides of the Iron Curtain.

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<sup>18</sup> Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009), 27-29, 262. Arthur T. Denzau and Douglass C. North, “Shared Mental Models: Ideologies and Institutions,” *Kyklos* 47, no. 3 (1994): 3-31.

<sup>19</sup> Kristian Gerner, “Kvalitativ metod,” in *Öststatsstudier: teori och metod*, ed., Claes Arvidsson (Stockholm: Liber, 1984), 97.

<sup>20</sup> For the idea of convergence between the two economic systems based on the observation of increasing government intervention in market systems and more market features in the planned economies, see Jan Tinbergen, “Do Communist and Free Economies Show a Converging Pattern?” *Soviet Studies* 12, no. 4 (1961):

<sup>21</sup> Jerry F. Hough, “The Soviet System: Petrification or Pluralism?” *Problems of Communism* 21, no. 2 (1972): 25-45.

According to Gerner, simply studying the official governing organizations and the formal communication channels, which were normally more of ceremonial and propagandistic significance, was insufficient for understanding how power was really exercised in the Soviet Union. Rather, attention had to be paid to what was behind official declarations and formal political structures in order to capture personal relationships and hierarchical interdependency among authorities.<sup>22</sup> There are lessons to be learned from this for the study of post-Soviet Kyrgyzstan. An inquiry into Kyrgyzstan that goes beyond mere analysis of the formal institutional and organizational structures of the state must be pursued with the help of a variety of sources that, taken together, cast light on the research problem. While official government documents and statistics can be useful, these sources need to be handled with care. The Soviet mentality still lingers on and calls for caution in taking the reliability in official statistics and governmental documents at face value. In Soviet times, this was mainly related to the ideological control exercised by the authorities for the purpose of presenting as rosy a picture as possible. In a contemporary context, there is also the ambition to conceal the true situation, and this attempt is often aided by the lack of transparency in the government.

## A Note on Written Sources

Gathering information and evaluating sources in Central Asia is a challenge. Social science research in Central Asia by Western scholars only became possible in the early 1990s, so existing work on the region is relatively sparse. Because sources are scarce, one cannot let anything escape attention. Useful sources exist, but they normally have to be collected from multiple directions. In this study, a number of written sources have provided important information for the empirical analysis, and these must be critically evaluated.

Regarding aspects of the state and the economy, international financial institutions like the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF) and the World Bank publish extensively, not only on a country basis, but also in producing interesting comparisons across the post-communist spectra. For instance, EBRD and the World Bank have carried out enterprise surveys measuring the quality of governance and the business climate in post-communist countries. Of course, these surveys do not document any exact facts, but primarily capture the perceptions and beliefs of citizens and businesses toward the state, politicians and civil servants. Nevertheless, as argued above, human beings largely act and develop strategies based on how they expect to be treated and what others would do. Thus, these sources are particularly important, not due to their ability to fix evidence, but for reveal-

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<sup>22</sup> Gerner, "Kvalitativ metod," 101.

ing how people think about their situation and the behavior of others. Contributions on topics related to governance by international organizations, such as the United Nations Development Program (UNDP) and the Organization for Security and Cooperation in Europe (OSCE), have also approached important dimensions of the state building process.

The scholarly community is producing a steadily increasing amount of novel approaches to the study of political developments in Kyrgyzstan. This scholarship is often based on extensive field research, and produced in the form of books, journal articles and working papers. This material is valuable, both for supporting the primary information reported in this book and for distinguishing the present inquiry from previous scholarly contributions on Kyrgyzstan. The bulk of Western scholarship has focused on the topics of democratization (or the failure of democratization), security studies, political mobilization, institutional design and economic reform, all highly relevant topics connecting to state building. Yet, as noted in the introduction, on its own the topic of state building has still received comparatively less scholarly interest.

Kyrgyz experts and academics have produced some detailed work on the dimensions of interest in this study, including the tax system and the law enforcement system. The drawbacks of some of these studies are that they either tend to be very formal-descriptive, normative or excessively argumentative in the sense of legitimizing and alternatively criticizing the policies conducted by the political leadership. What characterizes many of them is the abstract nature of the style of writing, which reduces the ability to communicate to the reader concrete practices of critical aspects singled out for study. Some of these volumes nevertheless give a good overview of the basic features of the system, with a few even approaching more controversial topics related to corruption and other informal practices in a very informative and interesting way.

Even so, more illustrative are often books written by Kyrgyz politicians reflecting on their lives in politics. Whereas these autobiographies naturally aim to shed a favorable light on the deeds of various politicians, they are still surprisingly blunt in describing the intriguing life of Kyrgyz politics. In addition, locally conducted public opinion polls, often conducted under the auspices of international organizations, have been important in mapping the perceptions held by the population towards the state and their fellow citizens. In total, however, relying on previous scholarship and expert accounts in written form alone are insufficient for the purposes of this study.

Another source is mass media. Internet news outlets such as *Radio Free Europe/Radio Liberty*, *Eurasianet*, *Institute for War and Peace Reporting*, *Ferghana*, *Akipress*, *24.kg* and *Transitions Online* have documented political developments in the country over time. The last accessed date of the web pages used in this study was August 26, 2011. There are also a few Kyrgyz

newspapers printing unfavorable news, critical commentaries and investigative articles.<sup>23</sup> Since independence, investigative journalists have written dependable pieces on corruption and politics, and filled an important function in monitoring the government. In this context, some previous research on Kyrgyzstan has been able to produce detailed accounts and coherent analytical narratives of political developments by partly relying on press coverage over time.<sup>24</sup> Still, the close connections between certain newspapers and certain individual politicians mean that some newspapers have the primary purpose of advancing the interests of a given political faction at the expense of others. There is also an absence of a tradition of professional journalism, which serves as a warning in relation to the reporting. These deficiencies have become painfully clear in light of local media reporting during and after the June 2010 violence between ethnic Kyrgyz and the ethnic Uzbek minority in southern Kyrgyzstan, when the media took a nationalistic stance and mainly served the purpose of advancing the version of the Kyrgyz side.

Finally, it is also worth emphasizing in-depth studies of political developments primarily from a perspective of human rights conducted by international think-tanks, like the International Crisis Group (ICG), Freedom House and Human Rights Watch (HRW). These organizations have offices on the ground in Central Asia and their resources are regularly used for collecting a large amount of data material, including interviews with politicians and high-level officials. Despite their good intentions, these organizations have their own political agendas, and it is questionable whether these organizations can be labeled think tanks, for it is more plausible to invoke them under the category of advocacy. Yet, be aware this, the data collected and analyzed, especially by the ICG, are impressively detailed and important sources for understanding the political, economic and social situation in Kyrgyzstan.

In sum, due to the limitations described above, information and facts collected need to be systematically cross-checked, taken into proportion and integrated in order to ensure reliability. While these warnings are merited and cannot be neglected, neither should these warnings refrain us from attempting to conduct research on topics in which “neutral” data is not that easily obtained. In light of what has been said above, relying on written sources alone is not sufficient for the purpose of understanding how the Kyrgyz state actually works. To pursue that objective requires extensive field studies and talking to people.

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<sup>23</sup> Some of those used in this work are *Delo Nomer*, *Litsa*, *Bely Parokhod/Parus*, *Res Publika*, and *MSN*.

<sup>24</sup> Two studies stand out: Eric McGlinchey’s *Chaos, Violence and Dynasty* (Pittsburgh: University of Pittsburgh Press, 2011) and Regine A. Spector’s, “Protecting Property: The Politics of Bazaars in Kyrgyzstan” (PhD diss., University of California, Berkeley, 2009).

## Field Studies and Interviews

This research project dwells into informal, often illicit, aspects of state functioning, such as the sale of office and other practices subject to severe criminal punishment. On these practices, comprehensive written documentation is sparse. In this situation, numerous informal interviews, direct observations and personal rapport made it possible to acquire information on informal practices on which purely quantitative data are absent or nearly impossible to obtain.<sup>25</sup> Personal interviews with three categories of respondents – politicians, civil servants and non-state informants<sup>26</sup> – have been conducted from 2006 to 2009. Field research in the capital of Bishkek was initiated by a three-week trip in February 2006. A second, month-long spell took place in May-June of the same year. Thereafter, I spent a coherent period from mid-August 2006 to the end of May 2007 in Bishkek. Follow-up trips were conducted from mid-May to the end of July in 2008, in addition to a six-week period from the end of June to the beginning of August 2009. The total period spent in the country amounts to 15 months. I have also conducted a number of interviews with Kyrgyz citizens and experts residing in or visiting the United States during the period September-October 2010 as well as a few interviews held in Sweden from 2008 to 2010.

In Kyrgyzstan, interviews were delimited to Bishkek. In general, the length of the interviews varied from approximately 45 minutes to two hours. Some of the interviews were conducted in English, others in Russian or Kyrgyz with the help of local assistants such as professional interpreters, Kyrgyz colleagues or students from the American University – Central Asia (AUCA) in Bishkek. As the author's Russian improved, meetings were carried out more independently. In the first year of field studies, I held a university affiliation as a visiting researcher with the Social Research Center of AUCA, which provided me with a valuable platform for setting up meetings.

As said, respondents can be reduced into three major categories. The first category included civil servants, primarily tax- and law enforcement officials. In total, about 30 former and current civil servants were interviewed, of which close to 10 were re-interviewed. A second category of respondents included a dozen former and current politicians with insights into general and specific aspects of state building in post-Soviet Kyrgyzstan. The final category, broadly labeled non-state informants, brought together a diverse stratum of experts and practitioners, including journalists, businessmen, scholars, representatives of civil society and foreign experts residing in the country. A total of 40 interviews were carried out with respondents from these fields. In addition to these scheduled interviews, I should emphasize

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<sup>25</sup> William Reno, *Corruption and State Politics in Sierra Leone* (Cambridge: Cambridge University Press, 1995), 5.

<sup>26</sup> This latter category includes businessmen, civil society activists, journalists, scholars and international and local experts from organizations working in Kyrgyzstan.

that my understanding of Kyrgyzstan and Kyrgyz politics benefited greatly from the numerous personal conversations I have had with Kyrgyz friends and acquaintances from all walks of life over the past few years. Interaction with the local community, including participation in various social events, also helped me in conducting some form of participatory observations in the daily interaction among citizens, among citizens and state officials and among state officials. A list of the disclosed and undisclosed interlocutors referred to in this study is presented in Appendix 2.

## Categories of Interview Subjects

The main purpose of using interviews in the present study is not only to fill empirical gaps and collect information on aspects that cannot be obtained from other sources, but interviews are on their own merits major research tools for understanding how people perceive the subject under study. To borrow from Steven Taylor and Robert Bogdan, the type of in-depth interviewing employed in this study “is directed toward learning about events and activities that cannot be observed directly. In this type of interviewing the people being interviewed are informants in the truest sense of the word. They act as the researcher’s observer, his or her eyes and ears in the field.”<sup>27</sup> In this light, it is of critical importance that interlocutors posit information and knowledge on the research topic.

The first category of respondents includes former and current tax and law enforcement officials. The reason for targeting civil servants is simple. Since the objective of the study in part refers to the functioning of the administrative system installed to manage state affairs in the spheres of taxation, protection and jurisdiction, I am interested in officials’ experiences from and perspectives on their work as expressed in their own words. In most of the cases, contacts were initiated in a formal setting, i.e. in their offices. In this setting, several informants proved reluctant in providing more than a purely formal view on their work. While these meetings certainly helped in providing information on the formal organizational structure of a respective body, relevant legislation and development over time, it nonetheless often fell short in generating information on more sensitive topics related to informal practices. This brings up the fundamental question of the importance of creating an atmosphere in which people are prepared to express their views. My experience largely confirmed Isaac Deutscher’s observation that: “Real expressions of attitude or overt behavior rarely occur under conditions of sterility which are deliberately structured for the interview situation.”<sup>28</sup>

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<sup>27</sup> Steven J. Taylor and Robert Bogdan, *Introduction to Qualitative Research Methods: The Search for Meanings*, 2<sup>nd</sup> edition (New York: John Wiley, 1984), 78-79.

<sup>28</sup> Isaac Deutscher quoted in *ibid*, 150.

To enhance respondents' willingness and ability to talk about their experiences and articulate their perceptions, I tried to create an environment in which people felt comfortable in talking freely. As part of that strategy, several informants were invited for meetings in more unofficial settings, i.e. in a café, pub or restaurant, which many agreed to. In this environment, they felt more relaxed and willing to talk about how they perceived their profession, the challenges associated with it and practices that influenced their work. Without exception, this setting also stimulated more open-ended and flexible discussions. Indeed, these meetings generally applied an informal conversation style. Surprisingly, respondents often raised controversial subjects and, without being explicitly questioned about them, engaged in discussions on informal matters, which should be a strengthening factor for the argument pursued here. In a few cases, these informal discussions also led to personal invitations to carry on discussions in their private homes. In sum, the major benefit with gathering information through applying an informal conversation style was that it enabled the study to dwell into perspectives and perceptions that would have been very difficult to accomplish in strictly formal settings.<sup>29</sup> However, it should be noted that the information provided in different settings normally did not contradict each other, though in the informal setting, questions could be asked and information provided that was not an option in the formal interview setting.

The second category of informants is political elites, i.e. former and current politicians with experience from government decision-making policies. In line with Pauline Jones Luong's argument in her study of electoral design in Central Asia, choosing to interview elites is motivated by the fact that "they are in a unique position to influence institutional design and to shape the political and economic reform agenda in a country undergoing transition."<sup>30</sup> Among the respondents were current and former ministers from the ministries of finance, economic development and trade, justice, internal affairs and various other elite actors with high-level experience in several fields of Kyrgyz politics since independence, including a number of individuals with parliamentary experience. Interviewing politicians with government experience from different points in time helped to bring a temporal dimension to the state building project. Access to these high-level officials

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<sup>29</sup> A somewhat similar "multiple-setting-approach" was carried out by Pauline Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia: Power, Perceptions, and Pacts* (Cambridge: Cambridge University Press, 2002), 21. However, her primary purpose was to use multiple settings in order to control that the information provided did not change depending on the interview setting. My approach, on the other hand, was mainly a way of facilitating information gathering that would have been difficult to obtain in a strictly formal environment.

<sup>30</sup> Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*, 23.

provided the possibility to investigate “their decision calculi and obtaining unpublished information and data.”<sup>31</sup>

Since political elites and civil servants bring their own within-perspective on the state, their versions were complemented with information given by external observers. This third category, broadly labeled non-state informants, had as its main selection criteria that interviewees had experiences in personally dealing with, observing, and/or a documented expertise regarding the topics under study. Interviews conducted with local businessmen, representatives from civil society, journalists, Kyrgyz scholars and experts, as well as a number of foreign practitioners involved in political and economic development in Kyrgyzstan, all fell within this broad category.

This type of interview triangulation of data from three sets of groups – politicians, civil servants and non-state informants – was useful for assessing the information given from interview subjects who were independent of each other. Acquiring information from different groups of respondents helped to both estimate the perceived perceptions of certain practices and gather insights that would not be possible if the design had been exclusively limited to say non-state respondents or civil servants. Another merit with the method was that aspects raised by a certain category were picked up and evaluated by letting other categories express their opinions on the matter. Finally, it provided for a cross-checking in order to see whether the experiences and perceptions communicated by members of different categories were consistent.

## Accessing Elites and Officials

Interviewing raises a number of challenges related to sampling and how interviewees were selected. In constructing the sample, the guiding motive was to identify people who were well-informed and willing to talk about the topics of interest. This left an approach such as probability sampling of random individuals from an organization with limited value for this particular study. Instead, the present study has relied on two strategic sampling approaches: the snowball sample and the theoretical sample.

To start with, the former, a general textbook in methods describes that in snowball sampling, “the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses these to establish contacts with others.”<sup>32</sup> In structuring my sample, the fieldwork primarily relied on some key informants who were respected and had extensive

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<sup>31</sup> Valerie J. Janesick, “The Choreography of Qualitative Research Design,” in *Handbook of Qualitative Research*, eds., Norman K. Denzin and Yvonna S. Lincoln (Thousand Oaks: Sage Publications, 2000), 683.

<sup>32</sup> Alan Bryman, *Social Research Methods*, 2<sup>nd</sup> edition (Oxford: Oxford University Press, 2004), 100.



contacts in their respective sphere. These key informants were members of the interview subjects own groups, who I either knew before or became familiar with through personal contacts made during my field research. They helped to identify and select relevant people, in several cases also by arranging meetings and introducing the author to informants. A major advantage with key informants was the positive effects in terms of increasing the trust and credibility of the interviewer among the interview subjects. This became especially clear in comparison to interviews conducted without the use of insiders, in which the information provided was usually less informative.

At the primary stage, local affiliations were instrumental for helping to get a snowball sample started by identifying individuals who possessed expertise and experience on the topics of interest. In the next phase, those individuals, together with the initial contacts, who continued to play an important role throughout the process helped in locating further interviewees. A major advantage with snowball sampling is linked to the flexibility required on the behalf of the researcher in Kyrgyzstan. In particular, it often turned out to be rather difficult to plan interviews far ahead. For example, it was not uncommon that weeks could pass with little progress in terms of meetings, with repeated postponements. On the other hand, the opportunity to hold several interviews on the same day could suddenly arise. The local practice of doing things on very short notice manifested itself by the scheduling of interviews just a couple of hours in advance. In other cases, the opportunity presented itself immediately. This environment required the type of flexibility offered by the snowball approach.<sup>33</sup>

Sampling based on theoretical consciousness (theoretical sampling) was equally crucial in guiding the gathering of information. This approach was closely pursued in conjunction with the snowball approach.<sup>34</sup> Theoretical sampling was especially important in the later stages of field research when interviewees were increasingly identified on the basis of their knowledge on the critical features of the patterns observed in previous interviews. In other words, theoretical reflection on information helped navigate the field and suggest where more data was needed.<sup>35</sup> Eventually, the interviews came to proceed in a way in which information gained from prior interviews was used in later interviews. As the direction of the phenomenon in question became clearer, the focus shifted to probing to cross-check information given by previous informants, and seeking out details to enable a coherent description of the phenomenon. In combination with the improved skills of the interviewer, this meant that the quality of the interviews and the level of the

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<sup>33</sup> Cf. Mikael Weissmann, *Understanding the East Asian Peace* (Gothenburg: University of Gothenburg, 2009), 28.

<sup>34</sup> Ibid, 28-29.

<sup>35</sup> See Bryman, *Social Research Methods*, 334.

information steadily improved, and that much more specific information was gathered during the final rounds of interviews.<sup>36</sup>

As has been noted, the quality rather than the quantity of interviews is crucial in theoretical sampling: "What is important is the potential of each 'case' to aid the researcher in developing theoretical insights into the area of social life being studied."<sup>37</sup> Yet, given the particular context, it must be admitted that certain elements of opportunism, availability or convenience also came to play a role in how the sample was constructed. Although building on distinct considerations, in reality it may be difficult to maintain bullet-proof walls between strategic sampling and convenience sampling. Resorting to convenience sampling in a few cases refers back to the discussion on accessibility to respondents and the fact that it was not always possible to access respondents who we from a strategic sampling perspective would have preferred. The general guiding principle of triangulating information, i.e. to verify sensitive information and uphold its reliability by using multiple sources of information is a way to mitigate this problem.<sup>38</sup> In sum, the main lesson learned from pursuing interviews in Kyrgyzstan is that there is no substitute for having interpersonal connections. In this specific country setting, personal contacts were normally much more effective than official channels in obtaining access.<sup>39</sup>

## Interview Design

Designing interviews has been subject to a process of trial-and-error. Indeed, in-depth interviewing is as much about learning what questions to ask and how to ask them as obtaining answers.<sup>40</sup> At the outset of the project, information was gathered by employing structured interviews, but when that technique proved unable to get through the veneer and capture the essence of "stateness" in the country, a semi-structured interview design was utilized. Semi-structured interviews "have a number of interviewer questions prepared in advance but such questions are designed to be sufficiently open that the subsequent questions of the interviewer cannot be planned in advance but must be improvised in a careful and theorized way."<sup>41</sup> The decision to pose broad questions was a deliberate attempt to increase the likelihood of gaining new information and reduce the influence of the interviewer over the res-

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<sup>36</sup> Cf. Elin Bjarnegård, *Men in Politics: Revisiting Patterns of Gendered Parliamentary Representation in Thailand and Beyond* (Uppsala: Department of Government, 2009), 63.

<sup>37</sup> Taylor and Bogdan, *Introduction to Qualitative Research Methods*, 83.

<sup>38</sup> Janesick, "The Choreography of Qualitative Research Design," 391-392.

<sup>39</sup> Cf. Sharon Werning Rivera, Polina M. Kozyreva and Eduard G. Sarovskii, "Interviewing Political Elites: Lessons from Russia," *PSOnline* (December 2002): 684-685.

<sup>40</sup> Taylor and Bogdan, *Introduction to Qualitative Research Methods*, 77.

<sup>41</sup> Tom Wengraf, *Qualitative Research Interviewing* (Thousand Oaks, California: Sage Publications, 2001), 5.

pendent, thereby avoiding the appearance of being biased. Rather than specific questions, the bulk of the meetings were guided by an interview guide, serving the purpose of assuring that a set of general topics was explored with each informant.<sup>42</sup>

This approach can be further explained from a theoretical perspective. The research is committed to understanding the social phenomenon of the Kyrgyz state by examining the reality in terms of perspectives, experiences, beliefs and perceptions among actors, rather than the exact “facts” and “truth,” that are unobtainable for some of the informal practices researched here.<sup>43</sup> For this purpose, a semi-structured interview technique that helps shed light on new aspects is the preferred method. The structured interview technique, with its propensity to impose the researcher’s own pre-defined categories on those of the informant, has certain drawbacks.<sup>44</sup> The author learned this through experience since information gathering in the field started out based on an interview design that rested on tools derived from the literature on the modern state. Relatively quickly it became clear that these tools were simply too blunt to capture the reality. Of course, with the help of these tools I could suggest that Kyrgyzstan is a country with a low degree of “stateness” measured on the basis of the modern state. However, given that the description of Kyrgyzstan as a weak state can be obtained from a cursory glance in the literature, such findings would inevitably raise the question: So what? Because of this, the investment state argument developed in this book emerges out of an inductive approach to the research problem in terms of what kind of state has arisen in post-Soviet Kyrgyzstan.

In general, information from informants has been organized according to the following logic. The most weight is placed on those individuals sharing their direct personal experiences. The second best informants are those classified as reporting their personal observations of some activities. Lastly, the least credence is given to interviewees with only indirect knowledge of a certain practice, i.e. reporting what they have heard. This latter category of informants nevertheless proved very useful in generating hypotheses that could later be followed up and tested on informants with direct experiences.<sup>45</sup> Admittedly, certain aspects are hard to cover in a systematic fashion. Even so, supportive anecdotal evidence drawn from multiple sources allows us to construct a description of the Kyrgyz state pointing in a certain direction.

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<sup>42</sup> Taylor and Bogdan, *Introduction to Qualitative Research Methods*, 92

<sup>43</sup> Ibid, 2, 98.

<sup>44</sup> Gideon Sjoberg and Roger Nett, *A Methodology for Social Research* (New York: Harper & Row, 1968), 194-195.

<sup>45</sup> Scott Radnitz, *Weapons of the Wealthy: Predatory Regimes and Elite-Led Protests in Central Asia* (Ithaca: Cornell University Press, 2010), 220.

## Challenges

Relying on personal interviews in a foreign context raises a number of challenges. My field research was restricted to the capital, Bishkek. The civil servants interviewed held or had held posts at the central state administration or at Bishkek city district levels. Regional (*oblast*) and district (*raion*) levels outside of Bishkek city were excluded. Valid objections could be raised against this selection. It could reasonably be argued that the most accurate description of the functioning of the state and its relation to ordinary citizens is most particularly relevant on the local level. However, since the purpose of this study is to examine the construction of political authority from the center, the voice from Bishkek rather than the periphery is believed to be justified. Moreover, the inclusion of officials from districts in Bishkek city guaranteed the views of civil servants who directly interacted with citizens in the capital, where 20% of the country's population resides. It should also be emphasized that several former and current officials had their native or professional background outside of the capital, and were thus able to communicate some of their previous work experiences.

As mentioned, in some of my interviews I was accompanied by local assistants. The use of assistants/interpreters had both advantages and disadvantages. On the positive side, it helped reduce suspiciousness and made the interviewee more relaxed. In contrast, it complicated the interview process at times due to the demanding task of providing simultaneous interpretation. From the experience of this research, relying on assistants sometimes inhibited the contact between the interviewer and interviewee as well as reducing the scope for flexibility, further elaboration on certain issues and the ability to pose follow-up questions. This problem was especially notable in the first rounds of interviews when my interview skills were still rather rudimentary.

Interviews were sometimes documented with a voice recorder, but the majority of interviews were documented by taking notes. This aspect needs further elaboration. The hesitation against tape recorders is by no means unique to Central Asia, although it can be found in many Asian countries as well as the post-Soviet region. Yet, this obstacle should not be exaggerated in the Kyrgyz context since it is fair to describe Kyrgyz people as outspoken and willing to express their opinion. A former high-level official illustrated this by using the following words: "In China, people are responsible for each word they speak. In Kyrgyzstan, people are different. They are very impulsive, direct and often not afraid of controversial questions."<sup>46</sup> Interviewing is clearly a process of testing which techniques work, and the researcher learned by experience that when asked for permission to use a tape recorder,

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<sup>46</sup> Author's interview with former high-level official in the Kyrgyz presidential administration, Bishkek, May 26, 2007.

the level of cautiousness among subjects could increase. By introducing the tape recorder, interviews sometimes risked getting off on the wrong foot, irrespective of whether they agreed to it. In a few cases, this resulted in information of little use. Consequently, the benefits from using a tape recorder must be weighed against the potential losses. This learning process led the researcher to increasingly conduct the interviews without the use of a voice recorder. Still, different categories responded differently to the issue, with politicians and high-level officials being less troubled by the tape recorder than civil servants.

There are some obvious drawbacks to relying on taking notes that are similar to the problems that may occur as a result of having interpreters. There is a great risk of missing out on information and details that may be important in fully understanding the implications of the information. It was therefore important to go through the interviews afterward and identify gaps or unclear parts in order to evaluate where improvements could be made. When no tape recorder was used, the ability to compare information from different respondents was sometimes reduced, not least since the focus on taking notes at times had a negative impact on the flexibility of the researcher and the ability to pose follow-up questions. Yet, the author also found out that there also exist potential pitfalls with relying on tape recordings since, at times, it assured a false sense of security and reduced concentration. Also, the depth of the conversations was facilitated by keeping the discussion less formal, and the impression was that the sincerity and enthusiasm from respondents increased by organizing a more informal set-up.

The knowledge provided by interview subjects has been of paramount importance in pursuing this study's focus on informal processes and mechanisms of "stateness," i.e. information that cannot be obtained by studying formal laws and official documents. As for the use of interviews as a primary method for collecting information, a common criticism, particularly highlighted in post-Soviet states with their legacies of extensive political surveillance apparatuses is that respondents, mostly elites and civil servants, may often present misleading information in order to stay out of trouble. In some cases, it was also clear that informants were skeptical towards the purpose of the interview, and were unwilling to share more than a purely formal view on the questions asked. In other cases, informants preferred to discuss the questions from a normative point of view, rather than giving their opinion on the reality on the ground. To mitigate these problems and to increase the reliability of responses, interviewees were assured anonymity. By repeatedly assuring respondents that the purpose of the research was to obtain information and perceptions provided by strategically selected individuals, not disclosing the names of those individuals expressing them gave a sense of security to the respondents, who then spoke more freely. There is also a matter of ethics involved here. Even though some informants might have wanted

to have their names acknowledged, indeed several indicated a desire to be mentioned, as the research progressed and increasingly delved into more controversial aspects, it became apparent that it would be unwise to risk creating problems for informants by disclosing their names. The only exceptions were several politicians, who expressed no hesitation in having their names acknowledged, as well as a number of non-state informants who gave their expert opinions. With a few exceptions for respondents insisting on complete anonymity, the full list of informants quoted in this research is documented in a special file with the author.

In Kyrgyzstan, the interview method is sensitive to changes in the political environment. In this connection, an interesting observation to note is that a change in the willingness among respondents belonging to the respective categories of politicians and civil servants to speak about more sensitive issues gradually evolved over time. During the first periods of field research in February and May-June 2006, as well as in August 2006 to May 2007, interview subjects were largely outspoken and often highly critical in their assessment of the system and the government. During the visits in 2008 and 2009, however, respondents were less willing to criticize the government, and on the whole, more supportive of the political leadership. This change in attitude is most likely connected to the changing political situation in the country, from unconsolidated power and a hectic debate over the future orientation of the country in the years immediately following the 2005 Tulip Revolution to an increasingly authoritarian regime crackdown on oppositionists, civil society and the mass media. This observation is further supported by developments after the fall of the Bakiev regime in April 2010, when a much more heated public debate resurfaced. In this context, it should be mentioned that this aspect was considerably less pronounced among officials who were re-interviewed over the years, suggesting the importance of confidence between the interviewer and interviewee.

To summarize, this study presents a number of methodological challenges regarding the selection, interpretation and evaluation of empirical sources. Therefore, the research is designed as sufficiently as possible to avoid relying on a single method. The example of interviews is instructive, as efforts were made to secure controversial data through cross-checking with open sources as well as interviewees who were independent of each other. In other words, a triangulation of sources is applied to cross-referencing within, as well as between, different data types.<sup>47</sup> To the highest degree possible, the research findings are based on multiple sources. The ambition is that the findings and patterns reported on the basis of interviews can also be revealed by comparing it with reports from open sources.

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<sup>47</sup> Weissmann, *Understanding the East Asian Peace*, 33.

## Chapter 4: Political Development in Kyrgyzstan

At first glance, post-Soviet Kyrgyzstan can point to a number of inspiring developments. The country was known as a liberal oasis in the 1990s, variously dubbed the “Switzerland of Central Asia” and Central Asia’s “island of democracy.” Constitutional reform in 2010 laid the groundwork for the first parliamentary-style political system in Central Asia. The subsequent parliamentary election in October 2010 was recognized by international observers as the first to be free and fair in Central Asia. In Freedom House’s influential rankings of political rights and civil liberties in transition countries, Kyrgyzstan has mostly ranked as partly free. International aid and foreign attention to the country have been higher than expected. First, President Akaev responded to international pressures and incentives by introducing significant liberal economic reforms – measures that were widely met with enthusiasm among Western academics and policymakers alike.<sup>1</sup> Their civil society is by far the most vibrant in Central Asia, and the press continues to publish critical commentary about the government. The level of political activism is high, and the opposition and citizens have been quick in protesting government policies. Corruption, human rights abuses and environmental issues have all been the focus of demonstrations.

Yet at the same time, Kyrgyzstan has been deeply marred by ineffective governance, endemic corruption and dire economic and social straits. Political instability appears inherent in the system, manifested by two extra-constitutional changes of power in March 2005 and April 2010, when a few thousand protesters managed to seize power and force the incumbent leaders out of the country. Both times severe political, economic and social disorder followed, leading country specialists to increasingly question whether any political consolidation is possible at all in the country. Against this backdrop, a general chronologically-structured overview of political development in

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<sup>1</sup> A cursory review of international media reporting in the early 1990s shows the optimism. See for example “Remote Kyrgyzstan Held by West as Model for Reform,” *Reuters News*, January 30, 1994; “Reformist ‘Shock Therapy’ President Wins Referendum,” *Agence France-Presse*, January 31, 1994; Margaret Shapiro, “Kyrgyzstan Votes for Reformer,” *Washington Post*, February 1, 1994; Ian MacWilliam, “Kyrgyzstan-Referendum: Popular President Tightens Hold on Power,” *Inter Press Service*, October 24, 1994.

Kyrgyzstan since independence setting the stage for the subsequent empirical chapters is in order.

## A Note on Pre-Soviet and Soviet History

Historically, the Kyrgyz were a nomadic people strongly organized around large kinship systems. In antiquity and the Middle Ages, the Kyrgyz were inhabitants of southern Siberia along the upper shore of the great River Yenisei. At times, various Kyrgyz tribes made advances southward. For example, in 840 the Kyrgyz advanced into central Mongolia, destroying the Uighur kingdom in the process. Still remaining in Siberia in the 13<sup>th</sup> century, they were incorporated into the expanding Mongol empire.<sup>2</sup> It was not until the 16<sup>th</sup> century that the Kyrgyz came to make their presence permanently felt in Central Asia, mainly on the territory of what is present-day Kyrgyzstan.

The Kyrgyz however were not a unified group, and on the most abstract level, large kinship systems were roughly corresponding to the North and South of the country. At the next level of organization, they were divided into different clans, with the family representing the lowest and most immediate level of organization. Each nomadic tribe had its tribal chief (up until the 19th century known as *biī*, thereafter titled *manap*), regulating judicial and territorial claims with rivaling tribes and settling disputes among his tribesmen. Some suggest that leadership among Kyrgyz tribes gradually came to be regulated through elections,<sup>3</sup> while others argue that the election of a leader was more of an acclamation along hereditary lines.<sup>4</sup>

As of the 17th century, Kyrgyz tribes were of roughly equal size, and since no one tribe could decisively defeat the others and centralize authority, a decentralized balance ensued. As some tribes grew stronger, sporadic efforts were made to politically unite the Kyrgyz. The most prominent example is the attempt by the 19th-century *manap* Ormon, of the Sary Bagysh tribe in northern Kyrgyzstan, to set himself up as the leader of a confederacy of tribes. Still, this and other attempts failed to yield any tangible results.<sup>5</sup>

The origin of the modern Kyrgyz state is intimately connected to Russia, whose influence on Kyrgyz society started more than 150 years ago during the Russian empire's advances into Central Asia. At that time, the Kyrgyz still consisted of many tribal entities, and the Russian authorities used inter-tribal relations and competition as a mechanism for colonial control. With

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<sup>2</sup> Svat Soucek, *A History of Inner Asia* (Cambridge: Cambridge University Press, 2000), 159.

<sup>3</sup> Grigorii Broido, *Vosstanie kirgiz v 1916 godu*, Bishkek: Asaba, 1991 (original from 1925).

<sup>4</sup> Paul Georg Geiss, *Pre-Tsarist and Tsarist Central Asia: Communal Commitment and Political Order in Change* (London: Routledge, 2003), 110-111.

<sup>5</sup> *Ibid.*, 109-110.



the Bolshevik Revolution and the ascent of the new Soviet power, the situation changed. In the period between the Bolshevik Revolution and 1924, the peoples of Central Asia were treated by the Bolsheviks as one nation under the name of the Turkestan Autonomous Soviet Republic. The national delimitation of Turkestan into five Soviet Socialist republics was conducted from 1924-1936. For Kyrgyzstan, this process entailed different forms: first as an “autonomous oblast,” later as an autonomous republic and finally as a full-status “socialist republic” – the Kyrgyz Soviet Socialist Republic in December 1936.<sup>6</sup>

Soviet authorities attempted to replace tribal identities with the notion of class struggle. The new local communist elite of Soviet Kyrgyzstan were heavily formed around the Soviet cadre elite. To eradicate prevalent identities, repression was employed during the 1920s and 1930s when Stalin launched vigorous attacks on these structures to ensure central control over the local leadership. Over time, however, the Soviet experiment introduced more subtle methods to loosen the influence of the tribal and kinship system, including a strong focus on mandatory education. Despite these attempts, the Soviet power was not fully able to eradicate pre-Soviet identities. In fact, during the less repressive post-Stalin era, and especially during Brezhnev’s policies of “cadre stability” in the 1960s- and 70s, the local leadership in Kyrgyzstan, in addition to the other Soviet republics in Central Asia, used these traditional and informal networks behind the scenes to consolidate their positions on the ground.<sup>7</sup>

The essence of the relationship between the center in Moscow and the Communist party leaderships in the union republics followed a patron-client logic. Under Brezhnev, as long as the leadership of the Kyrgyz Soviet Socialist Republic fulfilled its obligations to Moscow, the degree of interference with the daily political life of the republic was quite low. In patron-client terminology, the patron designed specific performance criteria for the clients to meet. As long as the clients met these targets or convinced the patron that they had done so, their use of their share of the patron’s assets was largely unmonitored.<sup>8</sup>

In the Soviet system, the patron-client arrangement was ultimately backed up by strong coercive power. This was clearly manifested in the 1980s when systematic corruption and abuse of the patron’s assets were revealed among regional Communist Party leaders in Central Asia, which included fictitious production reports, private pocketing of surpluses and violations of cadre

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<sup>6</sup> Gregory Gleason, *The Central Asian States: Discovering Independence* (Boulder, CO: Westview Press, 1997), 57.

<sup>7</sup> S. Frederick Starr, “Clans, Authoritarian Rulers, and Parliaments in Central Asia” (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, June 2006), 8.

<sup>8</sup> Steven L. Solnick, “The Breakdown of Hierarchies in the Soviet Union and China: A Neoinstitutional Perspective,” *World Politics* 48, no. 2 (1996): 218. Solnick prefers the principal-agent terminology to characterize this system.

policies by distributing political offices to their cronies.<sup>9</sup> With Gorbachev as the new patron, this was considered a violation of the terms of the tacit agreement and Moscow responded under the banner of anti-corruption, with mass purges of the regional leadership structures in Central Asia. This upset the political equilibrium that had been nourished for 30 years.<sup>10</sup>

In Kyrgyzstan, the local Communist Party leader since 1961, northerner Turdakun Usubaliev, was removed in 1985 with the accusation of failing to fulfill the plan and spoiling the party cadre. He was replaced by Absamat Masaliev from the southern Osh province, who Moscow entrusted to be a Party loyalist. Masaliev quickly denounced the policies of his predecessor, and started redressing the longtime dominance of the northern elites by building up his southern-based patronage networks and promoting clients from the South.<sup>11</sup>

### Emerging Elite Competition within the Disintegrating Monolith

On the eve of independence, Kyrgyzstan represented a deviant case in Central Asia to a certain extent, as some fundamental changes could be seen. In the March 1989 elections of Kyrgyz representatives to the USSR Congress of People's Deputies, Eugene Huskey notes that:

Despite vigorous attempts to preserve the forced unity of traditional rule, the Kyrgyz political leadership was unable to prevent the election from opening – and exposing to public view – serious rifts in the republic. Fault lines emerged within the élite itself ...<sup>12</sup>

Following constitutional changes, the post of President of the Kyrgyz Soviet Republic was introduced in October 1990. The president was to be elected by the members of the legislature (the Supreme Soviet), and the first presidential elections further revealed the illusion of a unified Kyrgyz political leadership. Instead of a coordinated selection of one candidate, three top-level career communists, all members of the Central Committee of the Communist Party, emerged as contenders: Absamat Masaliev, First Secretary of the Communist Party of Kyrgyzstan, Apas Jumagulov, Chairman of the Council of Ministers and Jumgalbek Amanbaev, Party First Secretary for Issyk-Kul oblast. In the words of Medetkan Sherimkulov, member of the Central Committee of the Kyrgyz Communist Party:

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<sup>9</sup> On the informal interlinks between the underground economy and the political elite in Soviet Kyrgyzstan see Konstantin Simis, "The Machinery of Corruption in the Soviet Union," *Survey* 24, no. 4 (1979): 35-55.

<sup>10</sup> Starr, "Clans, Authoritarian Rulers, and Parliaments in Central Asia," 9.

<sup>11</sup> Eugene Huskey, "The Rise of Contested Politics in Central Asia: Elections in Kyrgyzstan 1989-90," *Europe-Asia Studies* 47, no. 5 (1995): 816.

<sup>12</sup> *Ibid.*, 821.

... in the meeting in the politburo of the Central Committee of the Communist Party it was an understanding that the party should nominate one candidate – Absamat Masaliev. But already the next day at the election three candidates immediately appeared. This shows that within the Politburo, there was no unity and mutual trust. Already then, everyone saw themselves as president. The declaration of a united Communist Party of Kirgizia turned out to be a bluff.<sup>13</sup>

Although Masaliev was the Moscow-backed candidate and predicted to be the likely winner, he had been discredited by the ethnic violence between Kyrgyz and Uzbeks in southern Kyrgyzstan during the summer, which claimed the lives of several hundred people. None of the candidates received a majority approval by the parliament and, in accordance with the 1978 Soviet constitution, all candidates were disqualified. This reopened a new nomination process, and one of the new candidates put forth was Askar Akaev, then President of the Kyrgyz Academy of Science. On October 27, 1990, Akaev was elected by a narrow margin as the first president of Kyrgyzstan.

After the election in 1990, the last year of Soviet rule witnessed a dual power structure since both First Secretary Masaliev, supported by the extensive party-state bureaucracy and President Akaev, relying on public support and factions in the parliament, claimed political supremacy.<sup>14</sup> By the time of independence, however, Akaev's power base had been bolstered by his decisive condemnation of the August 1991 coup against Gorbachev.<sup>15</sup> While other Central Asian leaders remained silent and cautiously awaited developments in Moscow, Akaev immediately threw his support behind Boris Yeltsin, and after the coup failed, he declared Kyrgyzstan an independent state on August 31, 1991.

## Central Asia's "Island of Democracy"

Kyrgyzstan was one of the former Soviet Union republics least prepared for independent statehood. For Kyrgyzstan, the breakup of the Soviet Union did not just entail the envisioned transition from authoritarian rule to democratic governance, and from a socialist command economy to a free market economy, as declared by President Akaev. In addition, independence brought up the even more fundamental aspects of state formation and state building where no sovereign state had ever existed before. In the opinion of a high-

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<sup>13</sup> Interview with Medetkan Sherimkulov in *Litsa*, May 17, 2007.

<sup>14</sup> Eugene Huskey, "Kyrgyzstan: The Fate of Political Liberalization," in *Conflict, Cleavage, and Change in Central Asia and the Caucasus*, eds., Karen Dawisha and Bruce Parrot (Cambridge: Cambridge University Press, 1997), 253.

<sup>15</sup> See for example Regine A. Spector, "The Transformation of Askar Akaev, President of Kyrgyzstan," Berkeley Program in Soviet and Post-Soviet Studies Working Paper Series, 2004, 10-11.

level Akaev-era official, Kyrgyzstan was theoretically an autonomous political entity, although this had little practical meaning because Moscow had controlled the republic's economic and political functions for 70 years.<sup>16</sup> Thus, the post-Soviet political elite faced formidable challenges in formulating policies and creating institutions that could independently survive.

## First President Askar Akaev

President Akaev's background was in academia, and he had spent a large part of his adult life outside of Kyrgyzstan. From 1962 to 1976, he studied and worked at the Leningrad Technological Institute. In 1981, he earned a doctorate from the Moscow Institute of Engineering and Physics. His involvement in the Kyrgyz Communist Party began in the early Gorbachev years as Communist Party Secretary for Science and Education in Kyrgyzstan. In 1989, he became president of the Academy of Sciences and was elected as a deputy in the Supreme Soviet legislature. According to Huskey:

... unlike in some other Central Asian countries, President Akaev could not use the Communist Party ... as his base of institutional support. Where Presidents Islam Karimov of Uzbekistan and Saparmurat Niyazov of Turkmenistan inherited intact the traditional institutions of rule, Akaev, like Boris Yeltsin, was forced to build a new structure of political authority, a new 'ruling' vertical. ... he had broken with the republican party leadership by the end of the 1980s, and in his first year as President of Kyrgyzstan – from November 1990 to December 1991 – he ruled in opposition to an unreconstructed, and increasingly discredited, Communist Party apparatus. Akaev entered the independence period, therefore, without the benefit of a national political elite united around him.<sup>17</sup>

Since Akaev partly came from outside the Communist Party structure, lacked significant political experience and wide political backing at the republican level, he was forced to build his political authority.<sup>18</sup> In doing so, he resorted to conventional wisdom by finding people who supported his political vision for Kyrgyzstan. He relied on academic colleagues and people he had close personal ties with. Particularly influential posts were handed to individuals from Bishkek Polytechnical Institute where Akaev had been working as a professor until 1986, as well as younger professionals with a background in economics and natural sciences.<sup>19</sup>

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<sup>16</sup> Author's interview with Rafkat Khasanov, former Deputy Minister of Finance, Bishkek, May 24, 2006.

<sup>17</sup> Eugene Huskey, "An Economy of Authoritarianism? Askar Akaev and Presidential Leadership in Kyrgyzstan," in *Power and Change in Central Asia*, ed., Sally N. Cummings (New York: Routledge, 2002), 75.

<sup>18</sup> Spector, "The Transformation of Askar Akaev," 8.

<sup>19</sup> Prominent examples include Deputy Prime Minister, Osmonakun Ibraimov, Minister of Emergency, Mambetdjunos Abylov, and the Head of the Presidential Administration, Kuba-

## Economic Collapse and Reforms

As a result of the breakup of the unified Soviet economy, whose primary components were direct budget subsidies to Kyrgyzstan from the centralized union budget in Moscow and local enterprises' access to all-union markets, Kyrgyzstan witnessed a dramatic drop in national income.<sup>20</sup> By 1995, the Kyrgyz GDP had officially fallen by 47% from 1989. Although economic growth started in 1996, the per capita GDP of Kyrgyzstan remained lower in the early 2000s than in 1970.<sup>21</sup>

President Akaev described the dire economic situation, and the government's powerlessness in resolving it, in astonishingly frank words in his televised address on National Independence Day, August 31, 1993:

We are celebrating the Independence Day in hard times. Today, we are not thinking about merriment. How to get food? How to heat our flats? How to provide children with clothes and shoes? How to live without fear? Many people ask: 'What has independence given us? Wouldn't we be better off without independence, but with food on the table?' ... I would like to clearly state my position on the goals of the economic reforms. They make sense insofar as they are man oriented and are doing some good for the people. But it is perfectly clear that what we have done and are doing is not enough to ensure a more or less tolerable life for the people. Education, public health and cultural institutions are in dire straits indeed. I fully realize how desperate the situation in the social sphere is, how poor our people are. Believe me, your pain is my pain.<sup>22</sup>

In his speech, Akaev went on by acknowledging that the "state cannot give more than it is giving," and that turning to the international community for support and aid was needed to bring the country out of the crisis.<sup>23</sup>

When all was said and done, external actors came to take a prominent role in forming the post-Soviet Kyrgyz state. For its willingness to adopt all the

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nychbek Jumaliev, all of them from the South. Individuals with a background in Bishkek Polytechnical Institute with a northern regional belonging included Jumabek Ibraimov and Misir Ashyrkulov. Other prominent high-level officials with a background in academia in the early Akaev years included Muratbek Imanaliev, Kenelbek Nanaev, Abdygany Erkebaev, Osmonakun Ibraimov, Talaibek Koichumanov, Dastan and Askar Sarygulov. It is worth noting that the regional origin of individuals at the highest level of political power with a professional background in academia was mixed and included northerners as well as southerners.

<sup>20</sup> Askar Akaev, *Kyrgyzstan: An Economy in Transition* (The Australian National University: Asia Pacific Press, 2001), 46. Also see Lucjan Orlowski, "Direct Transfers between the Former Soviet Union Central Budget and the Republics: Past Evidence and Current Implications," *Economics of Planning* 28, no. 1 (1995): 59-73.

<sup>21</sup> Stanislav Zhukov, "Kyrgyzstan and Uzbekistan: Landlocked Agrarian Economies with an Unlimited Supply of Labor," in *Central Asia at the End of the Transition*, ed., Boris Rumer (Armonk: M.E. Sharpe, 2005), 313.

<sup>22</sup> Askar Akaev, "We have Ploughed the Field of our Common Life," *Central Asia Today* 1, (1994): 37, 40.

<sup>23</sup> Ibid, 40-41.

reforms offered, Kyrgyzstan was sometimes referred to as the “favorite student of the IMF.”<sup>24</sup> According to a country specialist, the influence of international financial institutions, particularly the IMF, on economic policy resembled that of an additional, superior Ministry of Finance, dictating the strategies in a manner similar to the mighty GOSPLAN in Soviet times.<sup>25</sup> Akaev pursued a voucher privatization program similar to Russia’s. By the end of 1994, the privatization of approximately 4,600 previously state-owned small trade outlets, retail and service establishments was largely completed. Land reform began in 1991-92, and by the end of 1995 all state- and collectively owned farms had been reorganized.<sup>26</sup> By 1998, approximately 75% of formerly state-owned enterprises had been transferred to private ownership (excluding the agricultural sector). In the service and trade sectors, 95% of all companies had been privatized.<sup>27</sup>

Other crucial economic decisions included breaking out of the ruble zone and introducing a national currency, as well as liberalizing all exports, tariffs and customs. In 1995, it became the first country in Central Asia to have a freely convertible currency. It was also the first member of the Commonwealth of Independent States (CIS) to join the World Trade Organization (WTO).<sup>28</sup> According to one of Akaev’s major architects of economic reform, this path was deliberately chosen under structural constraints: “We did not have the resources or industries to allow us to conduct protectionism. Our niche in the economic field was to adopt all international solutions and be the first in economic reforms.”<sup>29</sup> Economic reforms were widely hailed as successful, and in a major study of the economic transition in the post-Soviet region, it was argued that by the mid-1990s, the progress made in Kyrgyzstan was trumped only by the Baltic States.<sup>30</sup> As a result, Akaev’s presidency was initially greeted with much enthusiasm, not least in the West where his rapid introduction of reforms was largely embraced.

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<sup>24</sup> Talaibek Koichumanov, Djoormart Otorbaev and S. Frederick Starr, “Kyrgyzstan: The Path Forward” (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, November 2005), 25.

<sup>25</sup> Boris-mathieu Pétric, “Post-Soviet Kyrgyzstan or the Birth of a Globalized Protectorate,” *Central Asian Survey* 24, no. 3 (2005): 323.

<sup>26</sup> Akaev, *An Economy in Transition*, 106. For a discussion of the challenges of land reform, see Peter C. Bloch, “Kyrgyzstan: Almost Done, What Next?” *Problems of Post-Communism* 49, no. 1 (2002): 53-62.

<sup>27</sup> Akaev, *An Economy in Transition*, 21.

<sup>28</sup> For a concise overview, see Richard Pomfret, *The Central Asian Economies Since Independence* (Princeton: Princeton University Press, 2006), 73-88.

<sup>29</sup> Author’s interview with Talaibek Koichumanov, former Minister of Finance, Bishkek, May 18, 2006.

<sup>30</sup> Gertrude Schroeder, “Economic Transformation in the Post-Soviet Republics: An Overview,” in *Economic Transition in Russia and the New States of Eurasia*, ed., Bartolomiej Kaminski (Armonk: M.E. Sharpe, 1996), 11-41.

## Unorganized Democracy

In tandem with the introduction of private property and other economic reforms, Kyrgyzstan initiated political liberalization, including the emergence of a vibrant civil society and a relatively free media that helped develop pluralism; a political opposition formed, including several oppositional political parties. In the early 1990s, Kyrgyzstan was clearly perceived as a country on the road to democracy, and hailed as an “island of democracy” in Central Asia. In Freedom House’s rankings of political rights and civil liberties in transition countries, Kyrgyzstan was the only country until 2001 to rank as partly free in Central Asia.<sup>31</sup>

In 1994, amidst much controversy, Akaev disbanded the 303-member-strong Soviet-elected unicameral legislature. In February 1995, elections were held for a new bicameral legislature. Although international observers noted irregularities, including ballot box stuffing, family voting and voter fraud in some regions, the general assessment was quite positive.<sup>32</sup> In total, the new parliament consisted of 105 members, of which only 15 of those elected had run on a party platform, while the majority ran as independent candidates. On December 24, 1995 Akaev was re-elected as president in an election race against former Communist Party heavyweights Masaliev and Sherimkulov with 71.6% of the vote. OSCE declared the election as generally “free and fair.”<sup>33</sup> By the mid-1990s, Akaev clearly remained the most popular politician in Kyrgyzstan.

The question of whether Akaev’s liberal and market-oriented policies should be interpreted as nothing more than a pragmatic response to Kyrgyzstan’s structural vulnerabilities and a way to strengthen his position vis-à-vis his domestic rivals as most scholars tend to,<sup>34</sup> or whether there was actually an ideological dimension to his policies, is difficult to give an unambiguous answer to. Yet, it should be noted that Akaev emerged as a leading voice for reforms during the late Soviet period. As an intellectual and not a Party apparatchik, he was among the most active in promoting glasnost and perestroika, and as member of the Supreme Soviet in the 1980s he pushed for closer ties with the West and for market reforms.<sup>35</sup>

For economic and political reforms and the related introduction of new citizenry rights to successfully take hold, they needed to be supported with a

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<sup>31</sup> Freedom House, *Nations in Transit 2001* (New York: Freedom House, 2001).

<sup>32</sup> OSCE, “The Parliamentary Election in Kyrgyzstan,” February 5, 1995.

<sup>33</sup> See Freedom House, “Kyrgyz Republic,” in *Nations in Transit 1999-2000* (New York: Freedom House, 2000), 350.

<sup>34</sup> For such accounts, see Pauline Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia: Power, Perceptions, and Pacts* (Cambridge: Cambridge University Press, 2002); Eric McGlinchey, “Paying for Patronage: Regime Change in Post-Soviet Central Asia” (PhD. diss., Princeton University, 2003).

<sup>35</sup> Kathleen Collins, *Clan Politics and Regime Transition in Central Asia* (Cambridge: Cambridge University Press, 2006), 176.

corresponding shift in the functioning of the most basic components of the state. Unfortunately, state building was neglected, or at least the regime lacked the capacity to build up the state. An Akaev-era minister offered the following description of the shortcomings:

Akaev took a democratic position, but he did not understand the fundamentals. He thought of democracy as the meaning of life. But for democracy to function it was necessary to build up the state logically. His main mistake was that he forgot about state building. As a result, up until 1997-98, we had a start-up of democracy, but it was not orderly regulated. And, democracy without rules becomes little but anarchy.<sup>36</sup>

Akaev admitted as much in recalling that: “The legal basis for [mass privatization] was developed along with the privatization itself.”<sup>37</sup> According to Feliks Kulov, once a powerful Akaev-ally at the highest level of government who later turned into his chief rival, Akaev had many ideas and visions, but became frustrated when confronted with administrative matters.<sup>38</sup>

Rivalries within different parts of the inexperienced government were rife. A former minister argued that a basic dividing line cut through the reform-oriented parts of the government, located in the presidential administration and the ministries of economy and finance, while in enforcement bodies, especially the Ministry of Internal Affairs, the old Soviet mentality still remained. “As a result of contradictions within different sectors of the government, there was a severe implementation gap. Many reforms were never implemented.”<sup>39</sup>

Lack of government finances was a particular source of constraint on policymaking. For Kyrgyzstan, independence paradoxically meant the destruction rather than creation of the capacity to collect taxes. As a result of 70 years of socialist command economy, Kyrgyzstan did not have a legal economic sector outside of the state itself at the time of independence. In the Soviet era, central state control over land and industries ensured a high degree of revenue control. Although an income tax existed, it was implicit and collected directly from the state-owned enterprises where people worked, thereby requiring little administration. This tax mechanism was broken with the mass privatization of small- and medium state enterprises in the early 1990s.<sup>40</sup> Initially, the crisis in the tax system was linked to decreasing pro-

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<sup>36</sup> Author’s interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 18, 2007.

<sup>37</sup> Akaev, *An Economy in Transition*, 20 (my brackets).

<sup>38</sup> Feliks Kulov, *Na perevale* (Moscow: Vremya, 2009), 76-78.

<sup>39</sup> Author’s interview with Talaibek Koichumanov, former Minister of Finance, Bishkek, May 18, 2006.

<sup>40</sup> Author’s interviews with tax official, Bishkek, June 7, and spokesperson of the Ministry of Finance, June 8, 2006.



duction in the state sector without being replaced by significant revenues from the private sector, where tax collection was undeveloped.<sup>41</sup>

In creating an independent tax system, a priority was to change the legislative basis needed for the new economic structure. Erratic legislative changes toward a market-oriented tax system were being introduced from the beginning of 1992. On July 1, 1996, a new tax system was codified into law when the Tax Code of the Kyrgyz Republic came into force. A World Bank country study on Kyrgyzstan in 2001 stated that the new tax system was consistent with a modern market economy, and should provide a sound legislative basis for the tax system for the foreseeable future.<sup>42</sup> Nonetheless, statistics indicate the magnitude of the collapsed tax base. Tax revenues in Kyrgyzstan dropped from 27.1% of GDP in 1990 to an average of 16.1% in the period from 1991-95, before reaching just 12.7% in 1996-2000. In the last years of Akaev's rule, tax revenues had stabilized at little more than 14% of GDP.<sup>43</sup>

Moreover, whereas the formal framework could be changed almost overnight, informal norms of behavior changed more slowly. In the Soviet system, policing and judicial bodies were instruments of the one-party state, not public servants. With independence and the introduction of new economic, legal and political rights, the supply of protection was supposed to shift its orientation to the population. Initially, little attention was paid to judicial reform. In policymaking and academic circles, the logic appeared to be that new institutions and the enforcement of them would emerge almost voluntarily to supply the demand produced by liberal economic reforms, i.e. the market would produce a legal order on its own.<sup>44</sup>

Since Kyrgyzstan had undertaken more market reform and privatization, and was a more open society than many other post-Soviet states, the expectation was that the demand for court enforcement would increase.<sup>45</sup> Some important measures were undertaken. Commercial, criminal and civil legislation were rewritten to regulate the protection of new citizenry rights, a Constitutional Court was created to hold the government accountable and economic courts were established to handle commercial disputes. Even so, in

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<sup>41</sup> World Bank, *Kyrgyz Republic: Fiscal Sustainability Study* (Washington, D.C.: The World Bank, 2001), 65; Akaev, *Kyrgyzstan: An Economy in Transition*, 70.

<sup>42</sup> World Bank, *Kyrgyz Republic: Fiscal Sustainability Study*, 63.

<sup>43</sup> To put Kyrgyzstan into perspective, the average tax intake for the post-communist countries in 2001 was 21.9 percent of GDP, while in Kyrgyzstan it was 12.4 percent (the lowest of all countries, even below war-torn Tajikistan 14.1; Georgia 14.3; Armenia 14.3; and Azerbaijan 14.7).

<sup>44</sup> As Kathryn Hendley aptly observed in her call for re-thinking the demand for law, if private property were introduced, individuals and firms would desire to use law to protect their new property interests. See "Rewriting the Rules of the Game in Russia: The Neglected Issue of the Demand for Law," *East European Constitutional Review* 8, no. 4 (1999): 89.

<sup>45</sup> Anders Åslund, "Economic Reform after the Revolution in the Kyrgyz Republic," *Demokratizatsiya* 13 (Fall 2005): 474-475.

the mid-1990s the court system remained very much in limbo, as it was incomplete and underdeveloped. There was a lack of judicial procedures established and positions in the courts were left unfilled. For instance, although the Supreme Court was appointed, its work was delayed in 1995 since the parliament refused to approve the president's nominee as chair of the court.<sup>46</sup> To sum up the situation, while Kyrgyzstan made substantial progress in the 1990s with regard to adopting a new legal framework, less progress was made with regard to fairly and effectively upholding this framework through the court system.<sup>47</sup>

## The Authoritarian Temptation

While Akaev initially appeared to have had a sincere democratic vision for Kyrgyzstan, the authoritarian slide began in the latter part of the 1990s.<sup>48</sup> Following a referendum in 1996 that introduced extensive constitutional revisions, the president consolidated his formal political powers at the expense of the parliament and the prime minister. Akaev justified his increased presidential powers by arguing that:

... the country's president, having received the people's mandate, must be responsible for the country's state of affairs and for the results of reforms ... the one who is responsible must have the corresponding powers.<sup>49</sup>

In his complaints about the lack of necessary powers, he also compared himself to the Queen of England.<sup>50</sup> Among the newly gained powers was the right to appoint regional authorities, while the parliament's control functions in the economic sphere and other sectors were largely removed. The president also gained the right to nominate the Prime Minister, the Attorney General, the Chairman of the National Bank, and he only needed the approval of the new lower house of the legislature, which mostly included local and re-

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<sup>46</sup> Glenn E. Curtis, ed., *Kyrgyzstan: A Country Study* (Washington, D.C.: Federal Research Division, Library of Congress, 1996).

<sup>47</sup> Plenty of research on post-Soviet legal developments has noted that while there is one thing to draft laws that are on the books, to enforce them in practice is another matter. James H. Anderson, David S. Bernstein and Cheryl W. Gray, *Judicial Systems in Transition Economies: Assessing the Past, Looking to the Future* (Washington, D.C.: The World Bank, 2005); Anders Åslund, *How Capitalism was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia* (Cambridge: Cambridge University Press, 2006); Hendley, "Rewriting the Rules of the Game in Russia," 89-95; Koichumanov, Otorbaev and Starr, "Kyrgyzstan: The Path Forward".

<sup>48</sup> See for example, Naryn Aiyp, "Kyrgyzstan: Askar Akaev's Diminishing Democracy," *Transitions* (October 1998), 60-61.

<sup>49</sup> Quoted from Eugene Huskey, "Eurasian Semi-Presidentialism: The Development of Kyrgyzstan's Model of Government," manuscript, 2008.

<sup>50</sup> Bruce Pannier, "President Acquires more Power in Kyrgyzstan," *Transitions* 7 (February 1997), 94.

gional elites appointed by the president. Although, the president was not formally considered the head of the state, the president, and not the prime minister, still appointed the cabinet. The parliament had no role in approving ministers; it was only granted the power to approve the prime minister, who could be dismissed without parliamentary consent.<sup>51</sup> Its formal powers were extended in subsequent referenda in 1998 and 2003.

While formal reforms undertaken from the mid-1990s contributed in bolstering Akaev's powers, there was a complementary informal dimension to the president's increased powers from the latter half of the 1990s. The key for understanding this development was the interference in state affairs by the president's closest family members, who increasingly came to approach the state as their private fiefdom. Under these circumstances, state building was intimately connected to the interests of the members of the presidential family. The most notorious targets of criticism for absorbing public and private resources were the president's wife, son-in-law and eldest son. As President Akaev increasingly abandoned the idea of a free market in favor of a patrimonial approach to power and wealth, the state apparatus was increasingly organized to protect the ruling family's political power and financial interests.<sup>52</sup>

As long as Akaev remained in power, it was naturally hard to estimate the extent to which the presidential family influenced the economy. However, the situation became clearer after the Tulip Revolution, when a commission was set up that compiled an initial list of 42 businesses, and later 178 businesses, reputedly owned or partially controlled by the Akaev group.<sup>53</sup> The three potentially largest sources of state revenues – gold, hydroelectricity and foreign aid – all became major sources of corruption under Akaev.<sup>54</sup> In addition, several other leading government figures, including several of Akaev's prime ministers, were accused of insider dealing with international loans and businesses.<sup>55</sup> Post 9/11, Akaev engaged Kyrgyzstan in the international war on terrorism by hosting a U.S. military base for its operation in Afghanistan. Revenues from this base were reportedly going directly into

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<sup>51</sup> Naryn Aiyp, "With Overwhelming Voter Approval, Referendum Bolsters Executive Power," *Transition* 5 (April 1996), 59, 64.

<sup>52</sup> See for example, Åslund, "Economic Reform after the Revolution in the Kyrgyz Republic," 477; Barbara Junisbai, "Improbable Oppositions: Personalist Rule, Privatization, and Elite Defection in the Post-Soviet Autocracies," APSA 2010 Annual Meeting Paper; Jenishbek Nazaraliev, *Dvijenie mass ili stihiya tolpy* (Bishkek, 2006), 10-13; *Financial Times*, July 22, 2002; *Litsa*, May 17, 2007; Erica Marat, "The State-Crime Nexus in Kyrgyzstan and Tajikistan: Organized Crime, Drug Trafficking, and the Rise of the Mafia in the Post-Soviet Period" (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, July 2006).

<sup>53</sup> Daniel Kimmage, "Follow the Money – The Akaev Investigation," *RFE/RL*, May 4, 2005, available at [www.eurasianet.org/departments/business/articles/pp050505.shtml](http://www.eurasianet.org/departments/business/articles/pp050505.shtml).

<sup>54</sup> Åslund, "Economic Reform after the Revolution in the Kyrgyz Republic," 469-482.

<sup>55</sup> "Kyrgyz Republic," in *Nations in Transit 1999-2000* (New York: Freedom House, 2000), 363.

companies controlled by the president's son and son-in-law.<sup>56</sup> Hence, "most lucrative business and investment projects" were "monopolized by a small group of politically well-connected entrepreneurs."<sup>57</sup>

The symptoms of an ailing democracy were visible on a number of fronts. Rather than engaging in dialogue with the opposition, law enforcement agencies were selectively applied to control the opposition. Leading opposition figures Topchubek Turganaliyev, Daniyar Usenov and Feliks Kulov were all targeted. Media freedom declined, and a number of newspapers, including *Svobodnye Gory*, *Politika*, *Res Publika* and *Asaba*, were closed down or taken to court for having published critical news and commentaries about Akaev's family and its inner circle.<sup>58</sup> Another prominent example was the Constitutional Court's decision in 2000 to allow Akaev to run for a third term as president. Human rights abuses became more frequent. From 2001 and onwards, Freedom House classified Akaev's Kyrgyzstan as not free in its political rights/civil liberties index. The progress of economic reform likewise stalled. The privatization program for large state-owned companies was abandoned. Those deals that were concluded were characterized by non-transparency and corruption (further details will be outlined in Chapter 7). Political power increasingly came to be associated with economic strength. International aid was poorly administered, and the external debt swelled up to 120% of GDP by the early 2000s.<sup>59</sup> Although economic growth recovered after the free fall of the early 1990s, poverty remained widespread, with 43% of the population estimated to be living in poverty in 2005.<sup>60</sup> Unemployment remained high, as did inequality. Increased dissatisfaction with the Akaev regime was also seen in protests and demonstrations against government policies, corruption and human rights abuses. Tensions came fully out in the open in April 2002 when the government cracked down on protesters in the Aksy district in southern Kyrgyzstan, leaving five people dead. This so-called "Aksy event" dealt a serious blow to Akaev's legitimacy.<sup>61</sup>

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<sup>56</sup> Alexander Cooley, "U.S. Bases and Democratization in Central Asia," *Orbis* 52, no. 1 (2008): 65-90.

<sup>57</sup> Rafis Abazov, "Kyrgyzstan," in *Nations in Transit 2003* (New York: Freedom House, 2003), 330.

<sup>58</sup> See for example, "The Independent Press is Having a Rough Time in Kyrgyzstan," *Prism*, January 23, 1998.

<sup>59</sup> Thomas Helbling, Ashoka Mody and Ratna Sahay, "Debt Accumulation in the CIS-7 Countries: Bad Luck, Bad Policies, or Bad Advice?" *IMF Working Paper 04/93*, May 2004, 8.

<sup>60</sup> World Bank, *Kyrgyz Republic Poverty Assessment* (Washington, D.C.: World Bank, September 12, 2007), available at [http://siteresources.worldbank.org/ECAEXT/Resources/publications/454763-1191958320976/Poverty\\_assessment\\_Vol1.pdf](http://siteresources.worldbank.org/ECAEXT/Resources/publications/454763-1191958320976/Poverty_assessment_Vol1.pdf).

<sup>61</sup> Martha Brill Olcott, *Central Asia's Second Chance* (Washington, D.C.: Carnegie Endowment for International Peace, 2005), 134.

## Burgeoning Criminalization of Politics

An unintended consequence of the Akaev regime's attempt to monopolize political and economic power was that involvement in organized crime became the major way to independently rival the presidential family's economic power base. While the Akaev family could manipulate legal businesses through various informal sanctions imposed by law enforcement organs, the criminal economy, such as illicit trafficking in drugs, humans and arms, fell outside its control.<sup>62</sup> A law enforcement officer specializing in combating organized crime described the change in the nature of criminality in the following terms:

The expansion and strengthening of organized crime groups became noticeable in Kyrgyzstan in the late 1990s and early 2000s. Groups expanded into larger units and increasingly turned to especially the drug trade from Afghanistan, but also other highly profitable smuggling activities to complement and expand on their initial racketeering functions.<sup>63</sup>

Of all the drugs originating from Afghanistan, experts estimate that about 15-20% were smuggled through Kyrgyzstan. Moreover, only 1-3% of all the drugs traveling through Kyrgyz territory are estimated to have been confiscated.<sup>64</sup>

Organized crime did not strengthen itself exclusively due to expanded illegal activities, but combined this with political clout. As then-Minister of Internal Affairs Omurbek Suvanaliev noted:

... sportsmen form their own gangs. They join organized crime syndicates. ... Being closely involved in politics gives you influence, it gets you closer to decision-makers – to people who can solve your problems. Criminal gangs want to appear legitimate.<sup>65</sup>

Representing the most high-profile criminal authorities in Kyrgyzstan during Akaev's rule, the cases of Ryspek Akmatbaev and Bayaman Erkinbaev are instructive for understanding how criminals increasingly cultivated legitimate public images. Both men built their authority by exploiting the state's

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<sup>62</sup> Erica Marat, "Impact of Drug Trade and Organized Crime on State Functioning in Kyrgyzstan and Tajikistan," *China and Eurasia Forum Quarterly* 4, no. 1 (2006): 98-99.

<sup>63</sup> Author's interview with police officer from the department for combating organized crime in the Ministry of Internal Affairs, Bishkek, February 18, 2007. For previous scholar reports identifying a similar trend, see Marat, "The State-Crime Nexus in Central Asia"; Kairat Osmonaliev, *Ugolovnaya politika Kyrgyzstana: voprosy teorii i praktiki* (Moscow: Institute of Legal and Comparative Studies, 2005); Osmonaliev, *Organizovannaya prestupnost' v Kyrgyzskoi Respublike* (Bishkek: Ministry of Internal Affairs, 2003).

<sup>64</sup> UNDP, *The Shadow Economy in the Kyrgyz Republic: Trends, Estimates and Policy Options* (Bishkek: UNDP, 2006), 10.

<sup>65</sup> Interview with Omurbek Suvanaliev Minister of Internal Affairs on *Al Jazeera English*, "People & Power: Kyrgyzstan – Killing for Sport," November 20, 2006.

inability to deliver basic public goods for the population and by establishing themselves as informal leaders, initially based on protection rackets in their home regions of Issyk-kul and Osh, respectively. Later, they expanded to become the owner of a large bazaar and a major player in the drug trade (Erkinbaev) and an organizer of protection rings for profitable business in and around the capital of Bishkek (Akmatbaev). Both of them looked after the interests of the local population by providing some basic welfare and infrastructural services, such as roads and electricity, as well as by building mosques, invoking, as Alexander Kupatadze notes, some of the features of Eric Hobsbawm's classical social bandit.<sup>66</sup> In 2006, the country's deputy ombudsman put it bluntly: "They were doing the things the government should do."<sup>67</sup> By building up illegal businesses outside the control of the state, criminal authorities managed to build a locally defined support base by allocating at least some resources at the local level when the state was not. From functioning as a state substitute in the periphery, their authority expanded to the national legislature. Erkinbaev had been a parliamentarian since 1995, and Akmatbaev was elected to the national legislature to fill the vacant seat left by his slain brother after Akaev's fall from power in the spring of 2006, although he was assassinated before taking up his mandate.

## The Tulip Revolution

The consolidation of major industries and political appointments in the hands of the presidential family, and the attempt to monopolize corruption at the expense of several other powerful elite interests, were significant sources of discontent. A high-level official expressed the feelings prevalent in Kyrgyz society:

Akaev's main problem was that he was stealing from his people. His family headed this corrupt business. Different businessmen were connected to Akaev's network of people. Different companies were subsumed under the control of Akaev's family and their friends, including the Manas Airport, natural resources, media and communications.<sup>68</sup>

This created deep resentment among the elites, who had lost their businesses through attacks sanctioned by members of the presidential family or who were prevented from gaining access to sectors reserved for the presidential family and their closest entourage. As a result, Akaev alienated former allies and long-term oppositionists alike.

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<sup>66</sup> Alexander Kupatadze, "Organized Crime Before and After the Tulip Revolution: The Changing Dynamics of Upperworld-Underworld Networks," *Central Asian Survey* 27, no. 3-4 (2008): 290.

<sup>67</sup> Author's interview with Mamat Momunov, Deputy Ombudsman of the Kyrgyz Republic, Bishkek, February 2, 2006.

<sup>68</sup> Ibid.

As the 2005 parliamentary elections approached, there were clear aspects of family involvement in virtually every sphere of politics and business. For example, the president's oldest daughter Bermet supervised the presidential party *Alga Kyrgyzstan* and ran as a candidate for parliament, as did her brother Aidar and two sisters of the president's wife.<sup>69</sup> Given that elite and popular dissatisfaction with the Akaev regime had already reached the boiling point, it all culminated after the fraudulent elections to the national legislature in February 2005. Protests first erupted in different constituencies in the North in support of losing candidates, subsequently spreading to the politically excluded South where the bulk of the opposition to Akaev was concentrated, finally reaching the capital of Bishkek and forcing Akaev and his family out of the country in what was dubbed the Tulip Revolution.

In brief, President Akaev's tenure is a textbook case of a political leader being seen early on by many as a modernizer, only to quickly move to empowering and enriching his own family at the expense of rival families. For this reason, his time in power presented a difficult time for some and a very lucrative phase for others who managed to stay on good terms with the ruling family.

## Kurmanbek Bakiev's Presidency

The Tulip Revolution brought Akaev's former Prime Minister, Kurmanbek Bakiev, to power. Bakiev inherited from Akaev a legacy of a state and economy increasingly captured by the personal interests of the presidential family. Although Bakiev belonged to the same Soviet-trained generation as Akaev, he represented a different background. In Soviet times, he had held positions as a factory manager and chairman of the city committee in his native home region of Jalal-Abad in the South. He later went on to become governor of Chui *oblast* in 1997 and Akaev's prime minister in 2001-02. He was reported to be one of the richest men in Kyrgyzstan in 2002.<sup>70</sup> According to one of the central actors in the opposition coalition that formed against Akaev in 2004 and promoted Bakiev as the leader of the opposition:

Bakiev was the only logical candidate. Why? First, he was from the South, and by far most supporters of the people's movement were from the South. Second, he had money. His background as former prime minister meant that he knew many rich people, and they were supporting him.<sup>71</sup>

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<sup>69</sup> Alisher Khamidov, "For Kyrgyz President, The Parliamentary Vote is a Family Affair," *Eurasianet*, February 9, 2005, available at <http://www.eurasianet.org/departments/civilsociety/articles/eav021005.shtml>.

<sup>70</sup> "100 samykh bogatykh lyudei Kyrgyzstana 2002 goda," *Ferghana.Ru*, October 25, 2002, available at [www.ferghana.ru/article.php?id=1004](http://www.ferghana.ru/article.php?id=1004).

<sup>71</sup> Author's interview with Zamira Sydykova, former Kyrgyz journalist/former Ambassador, Washington, D.C., October 21, 2010.

The Tulip Revolution was initially seen as a genuine popular protest against the Akaev family's ruling practices, a formative moment when reforms could be introduced that would fundamentally alter the nature of the state as it had evolved during Akaev's last years. However, it soon became evident that the opposition now in power had been united by nothing but their common resentment of Akaev. The lack of unity among the new leadership was immediately revealed. In a clear display of divisions along personalities, leading figures such as Almaz Atambaev, Roza Otunbaeva and Omurbek Tekebaev did not accept Bakiev as their leader, and although the former two were given ministerial posts and Tekebaev was elected speaker of the parliament, this was not enough. "They all wanted to be the president."<sup>72</sup>

## Violent Elite Competition

The aftermath of the Tulip Revolution saw a chaotic and ruthless competition for power. Akaev's fall from power produced instability at the system level, following changes in the relative advantages among different competing elite interests. As a government official said in 2006:

Under the previous regime, the Akaev group was the most powerful one. The government was dominated by northern elites coming from the Chui and Talas regions. Today, elites from all regions try to influence the government. New groups emerge and fight the old ones.<sup>73</sup>

Although Bakiev was elected president by a landslide in July 2005, the first year after the revolution was marked by a situation in which no group, let alone any individual, could consolidate political power. Elite actors with a primary background in politics, business or crime formed several alliances. There was little cooperation among these groups, and their inability to neutralize one another was the source of some degree of power balance.

The major political structure after the Tulip Revolution was the so-called tandem between President Bakiev from the South and Prime Minister Feliks Kulov, a northerner. This arrangement was presented as a grand coalition that would preserve unity between North and South.<sup>74</sup> However, during the year and a half the tandem existed, it was primarily a source of state paralysis. The public perception communicated by the media was that Bakiev and Kulov were supported by rivaling political and economic factions as well as being backed by rival criminal authorities. The two men ran the state almost as separate entities.

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<sup>72</sup> Ibid.

<sup>73</sup> Author's interview with Tursunbai Bakir uulu, Ombudsman of the Kyrgyz Republic (2005-08), Bishkek, May 18, 2006.

<sup>74</sup> Kurmanbek Bakiev, interview in *Gazeta.kg*, June 28, 2005.



Outside the government, Bakiev's strongest political rivals consisted of several politico-economic magnates represented in the parliament with extensive economic interests in lucrative spheres such as alcohol, tobacco, trade, construction and bazaars. The group of politico-economic magnates previously operating under the Akaev family's umbrella either shifted their loyalties to Bakiev overnight, or fiercely resisted to be invoked under a new patron, thereby becoming the new president's most bitter foes.<sup>75</sup> A prominent opposition politician characterized the Kyrgyz opposition as "a group of politicians who exploit temporary alliances and associations, which at the same time continue to compete with each other to the detriment of common interests."<sup>76</sup> Indeed, as with the opposition against Akaev, the opposition to Bakiev was defined around narrow competing alliances, with their mutual resentment of the new president as the sole common denominator, not any common political ideas. Nonetheless, the opposition lacked sufficient representation in the parliament and found it difficult to challenge the president through the legislative arena. Instead, the opposition made extensive use of organizing mass demonstrations to pressure Bakiev. The most organized event took place in November 2006 when a loose coalition of opposition figures organized protests for a week in central Bishkek, demanding constitutional reform but increasingly Bakiev's resignation as well. At this point, the opposition came close to overthrowing the regime.<sup>77</sup>

The Tulip Revolution and its aftermath were also severely influenced by organized crime leaders. While the actual role played by organized crime groups in triggering the revolt against Akaev still remains a matter of debate,<sup>78</sup> there is consensus regarding how they affected its aftermath. Criminal leaders openly used intimidation and financial power to up their demands on the government. Political violence reached an unprecedented level, including more than a dozen contract killings of high-profile figures in 2005 and 2006.<sup>79</sup> The series of killings represented a break with the previous rules of the game. Criminal authorities were not only used by political actors in order to secure protection from, and leverage over, competitors in the battle over political and economic power, but criminal kingpins rather tried to seize power independently from the political leadership.

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<sup>75</sup> Author's interviews with Kyrgyz lawyer, Bishkek, February 2, 2006 and official in the Ministry of Education, Bishkek, March 2007.

<sup>76</sup> Bakyt Beshimov, "Kyrgyzstan: Is Democracy on the Agenda for the Country?" in *Democracy and Informal Politics in Kyrgyzstan* (Bishkek: Institute for Public Policy, 2008), 7.

<sup>77</sup> The present author observed these demonstrations first hand in Bishkek.

<sup>78</sup> According to some reports, criminal leaders increasingly dissatisfied with the Akaev regime were amongst those able to monopolize troops first on the local arena and then in the capital ("The Unsung Role of Kung Fu in the Kyrgyz Revolution," *Agence France-Presse*, March 28, 2005).

<sup>79</sup> This process has been seen as the second part of the revolution. See Alisher Khamidov, "Kyrgyzstan's Unfinished Revolution," *China and Eurasia Forum Quarterly* 4, no. 4 (2006): 39-43.

## Bakiev's Power Consolidation

After a two-year period of political instability with recurrent political demonstrations in 2005-2007, Bakiev managed to defeat his main competitors and reestablish vertical autocratic control. There were a number of steps taken in consolidating autocratic rule. The investigation of property allegedly appropriated by the Akaev family initiated after the revolution quickly faded. It did not produce any tangible results regarding either the origins or changes in ownership of these businesses. Among the public and experts, the prevailing attitude was that the new ruling family and its closest associates simply took control of the business interests that previously belonged to the Akaev family.<sup>80</sup> Under Bakiev, these practices expanded to more and more sectors of the economy, including illegal markets.<sup>81</sup>

In early 2007, Prime Minister Kulov was outmaneuvered and briefly replaced by the unknown Azim Isabekov before the premiership was awarded to influential opposition leader Almaz Atambaev in an apparent attempt to split the opposition. Another step was to draft a new, even more strongly presidentialist constitution. It was pushed through by referendum, bypassing parliament altogether. The incumbent parliament was then dissolved and early parliamentary elections were scheduled for December 2007 in order to bring the legislature in line with the new constitutional requirements of elections based on party lists. Bakiev quickly organized a presidential party, *Ak Jol* (True Path). In elections deemed as highly unfair by international observers, *Ak Jol* won 71 of 90 seats.<sup>82</sup>

Bakiev continued the practice of initiating criminal cases against political rivals. In the buildup to the 2009 presidential elections several opposition figures were preoccupied with court cases, including Omurbek Tekebaev, former Minister of Foreign Affairs, Alikbek Jekshenkulov, and former Minister of Defense, Ismail Isakov. According to Jekshenkulov, the main purpose of these charges was not to take them to court, but to manifest a credible threat to bring them down whenever it suited the political leadership.<sup>83</sup> Independent opinions from judicial authorities were not valued in this context. In January 2008, the chairman of the Supreme Court, Kurmanbek Osmonov, was removed from his post after having criticized the new constitution that Bakiev hastily pushed through in the fall of 2007.<sup>84</sup>

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<sup>80</sup> As for example reported by Gulnoza Saidazimova, "Kyrgyzstan: Economic Reforms Seem Stalled," *RFE/RL*, May 5, 2006, available at [www.rferl.org/content/article/1068670.html](http://www.rferl.org/content/article/1068670.html).

<sup>81</sup> For further details, see Johan Engvall, "Flirting with State Failure: Power and Politics in Kyrgyzstan since Independence" (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, July 2011), 66-70.

<sup>82</sup> *RFE/RL Newslines*, October 24, 2007.

<sup>83</sup> Erica Marat, "Kyrgyzstan," in *Nations in Transit 2009* (New York: Freedom House, 2009), 297.

<sup>84</sup> *Ibid.*, 296.

Aided by the Constitutional Court, Bakiev then decided that presidential elections should be held in the summer of 2009 instead of 2010 when the president's term expired. Against a disillusioned and divided opposition, Bakiev was easily re-elected with 76% of the vote. Bolstered by electoral success, the president undertook a significant overhaul of the government system in the fall of 2009. Under the pretext of administrative reforms, the president made away with any that was left in terms of distribution of powers, and transferred practically all powers to himself and his appointees in a number of new agencies directly under his control. The main beneficiary was the president's son, Maksim Bakiev. In clear violation of the Law on State Service, which prohibits the head of state from appointing close relatives to positions that are under his direct supervision, Maksim was appointed to head the Central Agency for Development, Investment and Innovation (CADII) – a brand new agency put in charge of much of the country's economy, and superior to all the other major state financial bodies.<sup>85</sup>

If the president's son was put in charge of economic decision-making, his uncle, the president's younger brother Janysh Bakiev, was commanding the security apparatus. An elite unit of armed forces called *Arystan* (The Lion) was established following the merger of the National Guard and the State Protection Service, which Janysh had headed since 2008.<sup>86</sup> Another powerful law enforcement member of the family, the president's elder son, Marat Bakiev, held the position as deputy head of the most effective state instrument for manipulation, the National Security Service (former KGB). In addition, a second brother of the president was appointed Ambassador to Germany, a third special Trade Representative to China, a fourth informal strongman of the Jalal-Abad oblast, the Bakiev family's native home region, a fifth was a local village administrator and a sixth brother passed away in 2006, but before that he had been in charge of Kyrgyzstan's Agency for Community Development and Investment, which to some extent was a rudimentary predecessor to the mighty CADII created for Maksim Bakiev.

In a display of perceived invincibility, Bakiev greatly accelerated the crackdown on mass media. A number of newspapers, television, radio and internet outlets were either shut down, taken over or blocked. Several journalists were badly beaten up or threatened, and had to flee the country. In December 2009, an outspoken regime critical journalist, Gennady Pavliuk,

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<sup>85</sup> Giorgio Fiacchoni, "Easter Revolution: a Vicious Circle Started with the Tulip Revolution," *Times of Central Asia*, April 13, 2010; International Crisis Group, "Kyrgyzstan: A Hollow Regime Collapses," *ICG Asia Briefing* 102, April 27, 2010; Omurbek Tekebaev, "Prezident Kyrgyzstana privatiziruet gosudarstvennyuyu vlast'," October 26, 2009, available at [www.kyrgyznews.com/news.php?readmore=4032](http://www.kyrgyznews.com/news.php?readmore=4032).

<sup>86</sup> "Kyrgyz President's Brother Creates Elite Military Unit," *RFE/RL*, February 18, 2010, available at [www.rferl.org/content/Kyrgyz\\_Presidents\\_Brother\\_Creates\\_Elite\\_Military\\_Unit/1962177.html](http://www.rferl.org/content/Kyrgyz_Presidents_Brother_Creates_Elite_Military_Unit/1962177.html).

was fatally thrown from a sixth-floor apartment in Almaty in neighboring Kazakhstan.<sup>87</sup>

On the face of it, Bakiev's strategy of increasing control over all levers of state power by constructing a so-called power vertical appeared to have yielded some success. Compared to the failed vertical integration of political power under Akaev when state functions, including control over taxation, territory, legality and the use of force to a certain degree, were dispersed and decentralized, Bakiev gave priority to vertically integrating political authority in order to combat the existence of multiple, competing and predatory loci of power. The police strengthened in relation to organized crime. On the whole, very little infrastructural support and budget funds were provided to the police under the Akaev administration. For the desperately under-funded government, this police system had the advantage of not costing much in terms of budgetary resources.<sup>88</sup> In 2004, the budget was 384.67 million soms (approximately USD 8.82 million), falling way short of the 1.7 billion soms requested by the ministry.<sup>89</sup> Under Bakiev, on the other hand, the budget and expenditure for law enforcement agencies steadily increased. For 2009, the budget for the Ministry of Internal Affairs was 1.8 billion soms, representing a triple increase from 2006 to 2009. After his brother's appointment as head of the state protection service, the budget of this service experienced a 75% increase, landing at 106 million soms (USD 2.49 million) in 2009.<sup>90</sup> Moreover, tax collection saw an improvement, and by 2008, tax revenues had improved to 19% of GDP (see Appendix 1). In short, in 2005 Bakiev inherited a government budget of 18 billion soms (\$500 million) and left with a budget of 50 billion soms (\$1.25 billion).<sup>91</sup> The common view is that improvements are correlated with a strengthening of the organizational, monitoring and coercive capacity of the state, rather than voluntary compliance.<sup>92</sup>

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<sup>87</sup> Erica Marat, "Kyrgyzstan," in *Nations in Transit 2010* (New York: Freedom House, 2010), 289-304.

<sup>88</sup> International Crisis Group, "Central Asia: The Politics of Police Reform," *Asia Report* 42, December 10, 2002, 10.

<sup>89</sup> "Kyrgyzstan" in *World Police Encyclopedia*, eds., Dilip K. Das and Michael Palmiotto (New York: Routledge, 2006), 473.

<sup>90</sup> "On Politics in Kyrgyzstan: A Detailed Interview with Opposition Leader Bakyt Beshimov," *Ohmy News*, March 26, 2009, available at [http://english.ohmynews.com/articleview/article\\_view.asp?no=384981&rel\\_no=1](http://english.ohmynews.com/articleview/article_view.asp?no=384981&rel_no=1).

<sup>91</sup> International Monetary Fund, "Kyrgyz Republic," *IMF Country Report No 10/336*, October 2010, 25.

<sup>92</sup> Author's interviews with senior and junior tax officials Leninskii tax administration, Bishkek, June 6, 2008; Head of the Control for Large Taxpayers of the state tax administration, Bishkek, June 11, 2008; and Akylbek Japarov, Minister of Economic Development and Trade, Bishkek, July 8, 2008. As one tax official said: "Of course no one wants to pay taxes so we have to force them."

## The Bloody April Revolution

As Bakiev dispelled the fellow revolutionaries who helped bring him to power in the Tulip Revolution, the presidential family managed to eliminate any degree of specialization within the ruling coalition. The only individuals allowed to specialize in the use of violence, and in economic- and political activities, were members of the presidential family. Representatives of the president's narrow group headed virtually all the ministries, including internal affairs, defense, justice and emergency situations. Other close Bakiev allies with their regional origin in the southern part of the country held positions as Secretary of the National Security Council, the General Prosecutor and in the Ministries of Transport, Culture, Labor and Tourism, respectively.<sup>93</sup> However, the strategy backfired as he alienated too many powerful elites, which seriously frustrated and radicalized large parts of the population, as well as excluding political families.

Neither competing elites nor the general public believed that Bakiev was ever going to regulate political succession through constitutional means. While Bakiev at times co-opted several rivals by offering them access to power, money increasingly ceased to be effective in ensuring access to influence and power. The opposition radicalized, and the only alternative method to achieving influence was to violently overthrow the incumbent. This perception was communicated by opposition leader Tekebaev's statement in 2008: "We already have 100% certitude that it is not possible to change power by constitutional means, that is by the electoral path. Ask anyone and he will tell you that it is not possible in our circumstances."<sup>94</sup> This was indeed what happened during the bloody revolution of April 2010.

## After Akaev and Bakiev

Much like the Tulip Revolution, the removal of Bakiev in April 2010 raised hopes for a break with the past and for Kyrgyzstan to embark upon a new development path. Yet, the initial optimism was quickly replaced by despair following the aftermath of serious disorders, which culminated in June, when deadly ethnic riots in southern Kyrgyzstan took the lives of about 470 people and displaced more than 100,000 people to Uzbekistan, while another

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<sup>93</sup> Gulnoza Saidazimova, "Three Years on, Kyrgyz President Taken to Task for Rampant Nepotism," *RFE/RL*, July 10, 2008, available at [www.rferl.org/content/Three\\_Years\\_On\\_Kyrgyz\\_President\\_Taken\\_To\\_Task\\_For\\_Nepotism\\_/1182894.html](http://www.rferl.org/content/Three_Years_On_Kyrgyz_President_Taken_To_Task_For_Nepotism_/1182894.html).

<sup>94</sup> Eugene Huskey, interview with Omurbek Tekebaev, August 6, 2008, quoted in Kathleen Collins, "Kyrgyzstan's Latest Revolution," *Journal of Democracy* 22, no. 3 (2011): 155.

300,000 were internally displaced.<sup>95</sup> After this tragedy, a new constitution introducing a semi-parliamentary political system was approved in a referendum on June 27. Subsequent parliamentary elections were held on October 10, 2010, and conducted in a calm atmosphere. These were the first elections in Central Asia to be considered by international observers as “free and fair.”<sup>96</sup> The fact that the elections did not produce any clear winner, but several closely matched parties confirmed that no faction was able to control the process through administrative resources as has been the case in the past.<sup>97</sup> The elections inspired some observers to talk about a historical watershed of democratic politics and parliamentarism in Central Asia, with a democratic breakthrough having taken place.

Given the experience of Kyrgyzstan with two presidents who ruled the country for the benefits of their families and not the people, the idea is understandable: In order to fix the problem of one family monopolizing all the political power and economic resources, it is necessary to change to a parliamentary-oriented system. The new constitution also included specific measures to ensure that no single party would be able to hold power without forming some sort of coalition with another party.

The actual process of forming a viable government following the elections proved to be an arduous task, obstructed by the political aspirations of the leaders of the five parties who gained representation in the legislature. After a month of political stalemate following the elections and no signs of tangible progress, President Otunbaeva intervened in an effort to break the deadlock. She assigned the second largest party – the Social Democratic Party (*SDPK*) – with a mandate to form a coalition. On November 30, three of the five parties – *SDPK*, *Respublika* and *Ata Meken* – agreed on forming a government. However, two days later, the coalition split after the parliament rejected *Ata Meken* leader Tekebaev’s candidacy as Speaker of the Parliament. Following this failure, Otunbaeva instructed the *Respublika* Party to take a second shot at forming a governing coalition. The efforts bore fruit, and on December 15 a new government was finally approved after eight months of provisional rule. The majority coalition was comprised of *Respublika*, *SDPK* and *Ata Jurt*, and holds 77 of 120 seats in the legislature. The leader of the *SDPK*, Almaz Atambaev, was elected as the new prime minister, *Respublika*’s leader and the main broker of the agreement, Omurbek Babanov, took up the post as the first Deputy Prime Minister in Charge of Economic Affairs, while prominent *Ata Jurt* party member Akhmatbek Kel-

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<sup>95</sup> KIC, Kyrgyzstan Inquiry Commission, *Report of the Independent International Commission of Inquiry into the Events in Southern Kyrgyzstan in June 2010*, available at [www.kic.org/images/stories/kic\\_report\\_english\\_final.pdf](http://www.kic.org/images/stories/kic_report_english_final.pdf).

<sup>96</sup> OSCE/ODIHR, “Statement of Preliminary Findings and Conclusions,” October 11, 2010, available at [www.osce.org/odihr/documents/72018](http://www.osce.org/odihr/documents/72018).

<sup>97</sup> The distribution of the 120 parliamentary mandates were as follows: *Ata Jurt* 28; Social Democratic Party (*SDPK*) 26; *Ar-Namys* 25; *Respublika* 23; *Ata Meken* 18.

dibekov was chosen as Speaker of the Parliament. Thus far, the coalition has mainly excelled in the display of continuous infighting, and its sustainability has been highly fragile since the beginning.

## Concluding Remarks

Although Kyrgyzstani specialists may object to some of the interpretations of events offered in this chapter or the relative weight given to certain aspects at the expense of other, it is safe to say that there is consensus in the literature about the general direction of the political development since the independence described in this chapter. The country has been perceived as heading off in a positive direction. After a progressive start in the 1990s, when the international community lauded the bold attempts of President Akaev to introduce democracy and a free market system, Kyrgyzstan turned increasingly authoritarian in the late 1990s. Growing popular dissatisfaction with the Akaev regime led to the so-called Tulip Revolution, an event which raised expectations of renewed democratization. Unfortunately, during new President Bakiev's subsequent five years in power, Kyrgyzstan's downward slide accelerated.

While this general background is rather uncontroversial, the subsequent empirical chapters advance a less conventional view on Kyrgyz politics by arguing that the Kyrgyz state should be understood as an investment market. In the following chapters, I attempt to dissect the anatomy of this state, document its multiple features and discuss the major implications in terms of state performance.

## Chapter 5: Market Access – Recruitment to the State

All states need personnel. Therefore, this chapter examines the recruitment of public officials. I shall start out by framing the issue in light of existing approaches to public employment in Kyrgyzstan. The common approaches to the recruitment of public officials tend to adhere to either of the two following views: First, there are those who see various corrupt practices pervasively infringing upon the formal meritocratic procedures. From this perspective, scholars invariably display a frustration over the lack of efficiently upheld formal rules. The other view approaches informal structures more in their own right, and tries to identify a certain logic of political and administrative organization. Among these, a robustly personalistic dynamic is often seen as the glue that binds the state together. My argument is that recruitment is less traditional and parochial than what previous accounts have suggested, and the more impersonal use of money is often decisive in determining appointments. After situating the issue in relation to dominant scholarly and expert opinions, I turn to examining the importance of money in shaping access to the state. The rise of the sale and purchase of political offices is first analyzed; thereafter, the concrete practice of selling offices in the police, tax and customs administrations and courts is examined. The latter analysis is pursued against the backdrop of the nature of the educational system, which is responsible for preparing prospective public officials. Special reference is made to judicial education and the Police Academy in their capacity of forming future judges and police officers. The salience of job buying is then valued in relation to other factors, including meritocratic criteria and, most importantly, personalistic ties. While sometimes at odds with each other, the relationship between money and personalism is increasingly complementary, with personal connections being an important part of market logic.



# Dominant Views on Recruitment to Public Offices in Kyrgyzstan

## Collapse of the Old Recruitment System

Scholars have identified the problem of recruiting civil servants in post-Soviet Kyrgyzstan as a systemic feature. Rafis Abazov contrasts the post-Soviet appointment system as being based on particularistic ties, and as a system flooded by people lacking expertise and experience with the Soviet system, when recruiting and developing competent staff were taken seriously by those who ran the system.<sup>1</sup> Talaibek Koichumanov, Djoomart Otorbaev and Frederick Starr single out the lack of reform in public administration as Kyrgyzstan's most outstanding problem, including the lack of selection and appointment criteria based on merit.<sup>2</sup> K. M. Abдиеv and Kairat Osmonaliev summarize the changing nature of the bureaucracy as follows:

... after the destruction of the Nomenklatura system, a new system connected to normative acts did not emerge. First of all, recruitment and advancement to state service were not based on professional or moral qualities. As a result, the new wave of bureaucrats includes many rogue officials who enter state service with the deliberate intention to use their official positions for purposes highly remote from the public good. Quite often, it can be observed how people are delegated from commercial or, even worse, criminal structures to act as 'agents of influence' in the state bureaucracy.<sup>3</sup>

Documents by the Kyrgyz government convey the same message regarding the perils of inefficient and unfair public administration. A former deputy director of the Kyrgyz Civil Service Agency described the situation under Akaev's presidency as follows:

Under Akaev, there would be frequent changes of Cabinet: a new minister would fire all of the old staff and hire only his relatives. The next minister would do exactly the same. But the new staff would not know how to work. Just imagine a veterinary surgeon working in the chancellery.<sup>4</sup>

The law enforcement system is illustrative. A retired police general with experience from the Soviet and post-Soviet eras claimed that "during Soviet

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<sup>1</sup> Rafis Abazov, "The Collapse of Public Service and Kyrgyzstan's Endemic Instability," *Central Asia-Caucasus Analyst*, November 15, 2006.

<sup>2</sup> Talaibek Koichumanov, Djoomart Otorbaev and S. Frederick Starr, "Kyrgyzstan: The Path Forward" (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, November 2005).

<sup>3</sup> K.M. Abдиеv and Kairat Osmonaliev, *Protivodeistvie korruptsii: kriminologicheskie, ugo-lovno-pravovye i kriminalisticheskie aspekty* (Bishkek, 2004), 19.

<sup>4</sup> Institute for Public Policy, *Kyrgyzstan Brief* 3, February/March 2006, 17, available at [http://ipp.kg/files/publications/issue\\_3\\_eng.pdf](http://ipp.kg/files/publications/issue_3_eng.pdf).

times, those policemen who had proven to be competent were appointed, while today personal networks and money are much more important.”<sup>5</sup> Another source who used to work for many years in the Prosecutor’s Office complained that the situation is steadily deteriorating: “Earlier, there were at least some prerequisites for being appointed, but under Bakiev the amount of educated people in the police and other state agencies is worsening by the day.”<sup>6</sup> In Soviet-style parlance, he continued by arguing that “today there exist no cadre politics at all in Kyrgyzstan’s law enforcement system.”<sup>7</sup> The deteriorating situation in the civil service has been linked to the lack of bureaucratic reform in Kyrgyzstan since independence.<sup>8</sup> Kyrgyz policemen and other civil servants have largely remained part of an extensive state apparatus. In the opinion of a former Minister of Finance, the main problem was and continues to be the absence of any civil service reforms that could adjust to the new political, economic and social realities. Old structures remain or are just given new names in order to create an impression of institutional reform.<sup>9</sup>

The standard prescription with regard to the recruitment of civil servants lay in improving the level of professionalism, enhancing the value of meritocratic criteria for employment and providing incentives in the form of raised salaries in order to offset the motives to engage in corrupt behavior. In other words, fixing the formal institutions of the state is seen as the remedy for the development of accountable political elites and a fair, efficient and professional corps of civil servants.<sup>10</sup>

In Kathleen Collins’ study of regime development in Central Asia, the state is portrayed as robustly organized along traditional societal ties associated with clan identities. Informal clan politics undergird both elite composition and appointments to public offices. In her analysis of the Akaev regime, the use of clan ties became an effective strategy to undermine open competition for posts. Elites were recruited to leading political positions such as state-owned companies, ministries, state committees and regional positions as *governors* and *akims* on the basis of clan considerations. Collins sees a strong continuity between these practices and the Soviet order, but argues that once the party and the state were separated the clan system re-emerged to the fullest extent:

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<sup>5</sup> Author’s interview with retired police general working in a state company, Bishkek, June 1, 2006.

<sup>6</sup> Author’s interview with former official in the state Prosecutor’s Office, July 3, 2009.

<sup>7</sup> Ibid.

<sup>8</sup> Rafis Abazov, “Policy of Economic Transition in Kyrgyzstan,” *Central Asian Survey* 18, no. 2 (1999): 217.

<sup>9</sup> Author’s interview with Talaibek Koichumanov, former Minister of Finance, Bishkek, May 18, 2006.

<sup>10</sup> For a review of the long-list of measures advocated by international organizations to improve governance, see Merilee S. Grindle, “Good Enough Governance: Poverty Reduction and Reform in Developing Countries,” *Governance* 17, no. 4 (2004): 527-530.

For seventy years ... Soviet institutions had largely been filled with “locals”, cadres more loyal to their local networks than to the Party. Now, however, these institutions could operate without a Party to oversee and limit their actions, and to relegate the practices of clan leaders to subversive backroom dealings. The *oblast’ akims* (governors) held the most powerful regional posts. Akaev could directly appoint the province *akims*, with no oversight from either the cabinet or parliament; the *akims* in turn appointed district *akims*, who appointed local *akims*. At each level, *akims* controlled the appointment of the local procurator, judges, tax inspectors, customs officials, directors of state enterprises, and often MVD officials. They also influenced the privatization of land from former state farms. In short, the *akims’* networks controlled the most lucrative local-level positions. The vast state bureaucracy was ripe for “the exploitation of political patronage, or the clan system”.<sup>11</sup>

According to Collins, employing cadres on the basis of a clan system eventually meant that Akaev headed a government almost exclusively dominated by his and his wife’s clan cronies.<sup>12</sup> Hence, the power of traditional loyalties based on particularistic clan identities strongly determines who is appointed to political and administrative offices in Kyrgyzstan. As I will try to demonstrate in the following, I do not denounce the role played by personalistic ties, or meritocratic criteria for that matter, in influencing recruitment to political and administrative offices. However, my central claim is that neither merit nor personalistic ties are the decisive factors, for posts must normally be purchased.

## The Rise of the Sale of Political Offices

During the first years of independence, the economic assets of the state were the principal target for political elites competing over resources, wealth and power. The late 1990s and early 2000s saw a shift in attention, and access to the state’s administrative and political resources, rather than the pure economic assets, became the crucial source of power and wealth. In Kyrgyzstan, holding office became increasingly synonymous with informal monetary payments organized by the ruling Akaev family.

It is difficult to say exactly when the sale of office became a frequent practice. In the first part of the 1990s, it did not appear to be widespread, but was gradually introduced during Akaev’s second term in office (post-1995), only to become a common practice in the late Akaev era. President Akaev’s wife is alleged to have supervised the selling of government posts, with ministerial posts being the most expensive. After the Tulip Revolution in 2005,

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<sup>11</sup> Kathleen Collins, *Clan Politics and Regime Transition in Central Asia* (Cambridge: Cambridge University Press, 2006), 243.

<sup>12</sup> *Ibid.*, 248.

documents were found with registers of payments from high-level officials and businessmen to the presidential family.<sup>13</sup> In author interviews, the selling of high-level political positions from the mid-1990s was addressed by several informants as a practice “known to everyone.” The following quote recalls the personal experiences of a former high-level official in the presidential administration:

During the first years of independence, I worked directly under President Akaev in charge of law enforcement issues in the presidential administration. My exit in 1995 was mainly due to the fact that this was the point of time when high-level positions started to cost money, and I did not want to pay for my position.<sup>14</sup>

A former deputy ministry official noted that this logic brought about fundamental changes in the administrative organization of the Kyrgyz state:

In the beginning of Akaev’s presidency ... in power were mostly officials from the old Soviet party apparatus ... only later when they [the authorities] realized that the trade with offices is lucrative and that it was possible to put their own people anywhere with impunity, then all this started to happen. It became evident during the second half of the 1990s. The old Soviet generation at the mid-level management – deputy heads, heads of departments – started leaving due to retirement age or inability to cope with the new reality and they [the authorities] began to replace people not based on seniority but on personal connections and money.<sup>15</sup>

These practices started to penetrate most state-controlled spheres. A former rector of a state university described the developments in the following terms:

The sale of offices started in the mid-1990s, and by the end of the 1990s it had become a common practice. Top positions in the central and local governments, and in the tax inspectorate, the police and the customs service, were based on monetary payments. Already in 1994, when I was rector in a university, I was approached by a lady close to Mairam [Akaeva] who told me that I should make a contribution of 300,000 soms to the president’s family. This was a lot of money at the time. I did not answer her yes or no, I just walked out of the room.<sup>16</sup>

Another former official elaborated upon the role of the presidential family in administering the informal pay list:

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<sup>13</sup> *Akipress*, April 21, 2005.

<sup>14</sup> Author’s interview with former high-level official in the presidential administration, Bishkek, May 26, 2007.

<sup>15</sup> Author’s conversation former judge/former Deputy Minister, February 12, 2011.

<sup>16</sup> Author’s interview with Bakyt Beshimov, former member of parliament, Boston, MA, October 12, 2010.

This system escalated. During Akaev's last five years, all candidates to ministries, as well as heads of regional administrations, were monitored and vetted by the president's wife and children. Especially the wife got the nickname "otdel kadrov" [department of cadres]. There were clear procedures. Those who wanted to resolve appointment issues had to resolve them with her. The price of an appointment to a high level position was from \$100,000 to \$250,000. Positions in all ministries were sold to people who wanted to pay for them. Professional skills did not matter; staffing was based on what they paid.<sup>17</sup>

That this method was turning into an integral part of the system was likewise indicated back in 1999, when the prime minister at the time, the late Jumabek Ibraimov, who was the first top official to actually speak out about high-level corruption and the costs of certain posts,<sup>18</sup> admitted that "High-ranking posts in the government had been sold." He further said that he was under constant pressure to accept bribes in exchange for placing relatives and friends in official posts.<sup>19</sup> In an author interview, a former official with experience from the government in the early 2000s recalled how rumors were abounding in the government that the new prime minister had paid \$500,000 for the post.<sup>20</sup> In an interview with a Kyrgyz newspaper, a former member of parliament addressed the issue of how much government posts cost during Akaev's tenure:

For *governor's* posts, \$70,000 was asked, but given for \$40-50,000. And for regional *akims*, a post was \$40,000, but given for \$20,000. Everyone knew about this. The whole country knew. ... Posts were bought and sold that way.<sup>21</sup>

Akaev's fall from power in 2005 did not lead to any substantial changes. The basic institutional architecture inherited from Akaev was left intact, and even expanded upon. For example, even though the importance of the nuclear and extended family was perceived as even greater under Bakiev than under Akaev, this did not coincide with the elimination of the sale of offices. In fact, several respondents perceived an increase in prices to be the main difference. A top level official under Akaev and Bakiev noted:

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<sup>17</sup> Author's interview former high-level official in the presidential administration, Bishkek, May 26, 2007.

<sup>18</sup> Rustam Karaev, "Kreslo-nary ...," *Oazis* 14, no. 14 (September 2005), available at [www.ca-oasis.info/oasis/?jrn=15&id=97](http://www.ca-oasis.info/oasis/?jrn=15&id=97).

<sup>19</sup> *RFE/RL Newsline* 3, no. 27, February 1999, available at [www.friends-partners.org/friends/news/omri/1999/02/990209I.html](http://www.friends-partners.org/friends/news/omri/1999/02/990209I.html).

<sup>20</sup> Author's interview with former official in the Deputy Prime Minister's office, Washington, D.C., October 28, 2010. The same type of informal discussions on payments for offices took place in the presidential administration in the early 2000s (Author's interview with former official in the presidential administration/legal expert, Bishkek, February 14, 2007).

<sup>21</sup> *Zhany Ordo*, January 3, 2006.

Bakiev was already more adapted to the system of selling and distributing posts, and he was able to construct a system of sale and distribution posts that had been initiated in Akaev's last 10 years within a period of two years. Already by 2007, almost everything was resolved this way. Thus, if Akaev began to build this system, Bakiev brought it to automatism. Under both presidents, everyone knew how much this or that position cost, how much was given and from whom to whom. This was no secret and, most worryingly, was taken for granted and not condemned inside the elite.<sup>22</sup>

The intensification of the sale of offices in the aftermath of the Tulip Revolution was communicated by a government official in 2006:

You probably do not understand that when our public officials get their posts, they must give a bribe. In order to become a high ranking official, for example in the customs service or tax service, the bribe rate is now twice as high as under the former power. This is very high, because our officials without fear began working for themselves, for their own pockets and without taking into consideration the people. Currently, this is the main tribute paid.<sup>23</sup>

Characterizing these practices in terms of bribery as the official quoted above may appear to refer to something different than the sale of offices, i.e. more as a small side payment to get the job. However, it refers to much more significant payments than what is normally associated with a "bribe." In this context, it is worth noting that the terms "buying," "bribing" or making a "tribute" in order to become employed are used somewhat interchangeably among Kyrgyz officials and experts. A closer look makes it clear that the sums of money involved are greater, and that the practice is more systematized and rationalized, than if we would simply refer to it as bribery. The same year, a former police official gave the following assessment:

The money involved is higher. President Bakiev and his close relatives participate in these corrupt practices. They sell out posts such as ministries and deputy ministers to persons who pay for them. A brother of the president is working as head of the Transport Police, but in addition to this position he controls all appointments in the Ministry of Internal Affairs. All levels within this ministry, from which there are any profits to be made.<sup>24</sup>

In an interview with Kyrgyzstan specialist Eugene Huskey in 2008, one of the leading opposition leaders, Omurbek Tekebaev, communicated the well-known existence of entry fees for government posts, "Everyone knows how much a post costs, and how much an official can generate from that position

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<sup>22</sup> Author's conversation with former judge/former Deputy Minister, February 12, 2011.

<sup>23</sup> Author's interview with Mamat Momunov, Deputy Ombudsman, Bishkek, February 2, 2006.

<sup>24</sup> Author's interview with Ramazan Dryldaev, ex-police general, Chairman of the Kyrgyz Committee for Human Rights, Bishkek, February 4, 2006.

in a year ... [in some cases] it is millions of dollars.”<sup>25</sup> Consequently, the practice is used to generate income for the leadership, and given the lucrativeness of some posts, the temptation is strong for many economically motivated politicians to succumb and purchase posts.<sup>26</sup>

The purchase of a parliamentary seat is another prominent investment made by politicians. With the growing importance of political parties following the constitutional reforms of 2007 and 2010, candidates are believed to have bought spots on party lists.<sup>27</sup> A somewhat different method is to use illicit financial payments to buy votes or ensure a favorable vote count. A member of the parliament elected in 2005 argued that the most important electoral resource for candidates was financial strength. “Although belonging to some regional grouping or clan is an asset, as is popularity, self-promoting abilities and making promises to the local constituency, the most important factor is money, especially paying those officials counting the votes. In the 2005 parliamentary elections, 30% of the elections were falsified.”<sup>28</sup> According to the OSCE, widespread allegations of vote buying by candidates impacted heavily on the campaign environment in 2005. The Kyrgyz Central Election Committee noted similar worries, and four candidates were deregistered on this basis.<sup>29</sup> While these methods differ from the top-down sale of public posts or spots on party lists, they nonetheless suggest the importance of spending large private financial resources in order to obtain access to the state.

What about the post-Bakiev environment, which raised hopes of a democratic breakthrough and a break with the previous logic of state functioning? Well, within one month of taking power in April 2010, several leading members of the provisional government came under suspicion for selling government positions.<sup>30</sup> In May 2011, some members of parliament spoke out on the alleged sale of positions and appointments based on regional ori-

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<sup>25</sup> Interview with Omurbek Tekebaev in Eugene Huskey and Gulnara Iskakova, “The Barriers to Intra-Opposition Cooperation in the Post-Communist World: Evidence from Kyrgyzstan,” *Post-Soviet Affairs* 26, no. 3 (2010): 239.

<sup>26</sup> Author’s interview with Bakyt Beshimov, former member of parliament, Boston, MA, October 12, 2010.

<sup>27</sup> Zamira Sydykova, “Power to the People?” *Carnegie Endowment for International Peace*, September 10, 2010, available at [www.carnegieendowment.org/2010/09/10/power-to-people/g1z](http://www.carnegieendowment.org/2010/09/10/power-to-people/g1z).

<sup>28</sup> Author’s interview with Melis Eshimkanov, member of parliament, Bishkek, June 2, 2006.

<sup>29</sup> OSCE/ODIHR, Parliamentary Elections, The Kyrgyz Republic, 27 February 2005, “Statement of Preliminary Findings and Conclusions,” p. 8, available at [www.osce.org/odihr/elections/kyrgyzstan/41882](http://www.osce.org/odihr/elections/kyrgyzstan/41882).

<sup>30</sup> For an overview, see “Almazbek Atambaev Gives Press Conference Where He Talks about Corruption, Disagreements in Government and Threats to his Life,” *Akipress*, May 24, 2010. An authentic phone conversation between two of the leading members of the provisional government – Atambaev and Beknazarov – reveals a heated dispute between the two men concerning the sale of offices. The conversation is available on YouTube as “Atambaev-Beknazarov: *torgovlya dolzhnostyami*,” available at [www.youtube.com/watch?v=zmUr3PMu45Y](http://www.youtube.com/watch?v=zmUr3PMu45Y).

gin flourishing in the Ministry of Internal Affairs. Parliamentarians directly laid the blame on Minister Zarylbek Rysaliev. According to a deputy, parliamentary enquires indicated that officers have to pay from \$2,000 to secure an ordinary position. For high-ranking appointments, \$30-40,000 is charged.<sup>31</sup>

The sale of offices has had complementary purposes since it guarantees both control over politics and administration, as well as ensuring a steady source of financial income for the ruling family. This has brought about fundamental changes in the entire recruitment system. The importance of educational ties and the dominance of officials vetted through the nomenklatura system were replaced by personalized informal transactions between officials.

## The Sale of Administrative Offices

### Educational System

Before we proceed with the sale of administrative offices, let us first dwell on the educational system. The state needs specialized knowledge and expertise, and for developing these skills, Samuel Huntington stresses the importance of education and experience as well as the continuous link between theory and practice.<sup>32</sup> Even though the significance of formal educational and professional criteria has decreased dramatically in Kyrgyzstan since independence,<sup>33</sup> it is still a fact that the majority of police officers have undergone a police education, the bulk of judges hold a degree in law and tax administrators can flaunt a diploma in economics. Nonetheless, this feature must be qualified by examining the conditions of an educational system that is generally seen as one of the most corrupt sectors in Kyrgyzstan, with the dire conditions having been increasingly reported in the media.<sup>34</sup> The prac-

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<sup>31</sup> "Deputat parlamenta Kyrgyzstana predlozhil sozdat' spetskomissiya po rassledovaniyu deyatel'nosti ministra vnutrennikh del," *24.kg*, May 13, 2011, available at [www.24kg.org/parlament/100037-deputat-parlament-a-kyrgyzstana-predlozhil-sozdat.html](http://www.24kg.org/parlament/100037-deputat-parlament-a-kyrgyzstana-predlozhil-sozdat.html); "Zhogorku Kenesh poruchil profil'nomu komitetu rassmotret' fakty nezakonnykh deistvii sotrudnikov MVD i ministra Z. Rysaliev," *Akipress*, May 13, 2011.

<sup>32</sup> Samuel Huntington, *Soldiers and the State* (Cambridge, MA: Harvard University Press, 1957), 8-10.

<sup>33</sup> For a report on the decline in education, see International Crisis Group, "Central Asia: Decay and Decline," *Asia Report 201*, February 3, 2011.

<sup>34</sup> "Official, Unofficial School Racket Prospers in Kyrgyzstan," *24.kg*, December 1, 2009, available at <http://eng.24.kg/community/2009/12/01/9785.html>; "University Bribing," *24.kg*, August 17, 2010, available at <http://eng.24.kg/community/2010/08/17/13159.html>; "Kyrgyzstan: Officials Strive to Curb Corruption in Education System," *Eurasianet*, January 21, 2009, available at [www.eurasianet.org/departments/insightb/articles/eav012209b.shtml](http://www.eurasianet.org/departments/insightb/articles/eav012209b.shtml); Hamid Toursunof, "Kyrgyzstan: A Corrupted Future," *Transitions Online*, August 17, 2009, availa-



tice of purchasing enrollment, grades and exams is especially entrenched in higher education. Immediately after the Tulip Revolution in 2005, President Bakiev described the link between the education system and the civil service in the following words:

To be honest, everyone knows that even many public offices are bought and sold. It has reached the point that even in high schools students are not judged according to their knowledge, but depending on how much they are willing to pay. At the institutes, corruption is what they are learning. Even in law schools – it is all about money. And these are the future judges, prosecutors!<sup>35</sup>

Four years later, Bakiev admitted that nothing had changed:

It is easy for students to complete an academic year without attending any lectures. ... Diplomas are just formal documents and no evidence that graduates possess the skills that a normal university course would demand.<sup>36</sup>

Academic reports have also noted that corrupt activities are producing an informal system of education that fundamentally alters the way the educational system serves as the foundation for professional skills and specialization. According to research conducted by Erkaïm Mambetalieva for the National Agency for Preventing Corruption, the sale of admission, grades and diplomas in Kyrgyz universities has reached the level where “only 5 to 10% of graduates can be regarded as qualified specialists.”<sup>37</sup> According to her report, the logic is simple: “The system of education is a marketplace. Often, young people buy their seats on university benches, and then buy working places upon graduation.”<sup>38</sup> She further noted the mutuality of the system:

Students have a favorable attitude toward the corrupt system since all many are concerned about is obtaining a diploma, which will enable them to get a prestigious position. This may be viewed as another source forcing corruption to grow. Everyone benefits from the current status of corruption, including instructors and university management, which receive good benefits from the system eroded by corruption. It is also convenient for students, who can obtain a diploma without studying hard.<sup>39</sup>

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ble at <http://chalkboard.tol.org/kyrgyzstan-a-corrupted-future>; Aibek Karabaev, “Corruption Threatens Kyrgyz Educational System,” *Central Asia Online*, March 3, 2010, available at [www.centralasiaonline.com/cocoon/caii/xhtml/en\\_GB/features/caii/features/main/2010/03/03/feature-02](http://www.centralasiaonline.com/cocoon/caii/xhtml/en_GB/features/caii/features/main/2010/03/03/feature-02).

<sup>35</sup> Interview with President Bakiev in *Kommersant*, March 30, 2005, available at [www.centrasia.ru/newsA.php?st=1112156700](http://www.centrasia.ru/newsA.php?st=1112156700).

<sup>36</sup> Quoted in “Kyrgyzstan to fight corruption,” *Times of Central Asia*, June 25, 2009, 8.

<sup>37</sup> Erkaïm Mambetalieva, “Corruption in Higher Education: Sources, Scale and Solutions,” in *Kyrgyzstan Today* (Bishkek: Social Research Center, American University of Central Asia, 2009), 153.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*, 153-154.

Mambetalieva's depiction was strongly corroborated in author interviews with Kyrgyz scholars. According to one professor, the system is appreciated because it is smooth and beneficial for both parties participating in the exchange. He suggested the following analogy:

You can compare it to automobile inspections. It costs 200 soms [\$5] to get your car cleared informally. You do not even have to bring the car to the inspection and show it. You park it 200 meters away, then you go there and pay and the issue is settled. It is easy and quick. People like it this way. They want every deal to be like this. In education, students are ready to pay; they know what it costs, and they do not have to show if they have any knowledge about the subject or not.<sup>40</sup>

To take a specific personal experience communicated to the present author: A former student revealed that she did not complete her studies in one of the most prestigious universities, and therefore lacked the necessary academic credits for a diploma. Some years later, she needed the diploma for a potential new employer. The problem was resolved quite smoothly by unofficially transferring the credits to a different university with less strict rules. In exchange for a bribe, this academic institution registered the additional credits required for the diploma, as well as legalizing the document, although the former student had never taken a single course at that university.<sup>41</sup>

The practices are hard to break since stakeholders either deny corruption or excuse it due to low pay and poor teacher support.<sup>42</sup> Let us concretize this general picture further by examining two specific sectors of higher education – law faculties and the Police Academy – both of which have important roles in shaping prospective officials tasked with administering law and order.

### **Judicial Education**

Judges and other legal professionals are educated by law faculties. During the Soviet era there was only one law faculty in the territory of Kyrgyzstan, and it graduated no more than 50 to 100 law students per year. After independence, the situation changed dramatically as the legal education became one of the most popular, and the country saw a mushrooming of private and state-funded law faculties. At the end of 2003, the number of law faculties was estimated at approximately 50, with a total enrollment of roughly 26,000 students.<sup>43</sup> Nonetheless, quantity does not equal quality. According to an

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<sup>40</sup> Author's interview with Kyrgyz political scientist, Washington, D.C., September 3, 2010.

<sup>41</sup> Author's discussion with former Kyrgyz student, April 10, 2011.

<sup>42</sup> Eric M. Johnson, "Out of Control? Patterns of Teacher Corruption in Kyrgyzstan and Their Implications for the Study of Street-Level Corruption Control in Weak States," (PhD. diss., Columbia University, 2008).

<sup>43</sup> ABA/CEELI, "The Legal Profession Reform Index for Kyrgyzstan" (Washington, D.C.: American Bar Association and Central European and Eurasian Law Initiative, 2005), 14.

assessment made by the American Bar Association's Rule of Law Initiative in Kyrgyzstan (ABA/CEELI), "the proliferation of law faculties and the lack of a national curriculum that prescribes basic standards for training law students and awarding degrees" has had a negative effect on the quality of education.<sup>44</sup> As for most educational programs, the admission process, as well as the examination and grading procedures, have been marred by corruption:

Many students are known to purchase grades from law professors, who reportedly receive a monthly salary equivalent to \$100. Some professors view the receipt of bribes as a perk that helps offset what is otherwise a small salary. While some students prefer to pay bribes rather than earn a passing grade on their own, others have no other choice but to pay a bribe to ensure receipt of a good grade, even though they may have attended lectures and performed well.<sup>45</sup>

To recall a personal experience, the present author joined a Kyrgyz professor to sit in on the examination of law students' research papers in a private university in Bishkek. The session consisted of an examination committee from the university, which in essence was a formality. Almost without exception, the members of the committee seemed unfamiliar with what the students had written, and some showed up just briefly before rushing on to expedite some more urgent affairs. As the professor said afterwards, "this is just the formal procedure; the grades are not decided here and now."<sup>46</sup>

The ABA/CEELI report notes that the quality of teaching leaves much to be desired. In 2004, it was estimated that the country had no more than five professors with doctoral degrees in law. As for course syllabuses, it has been observed that the academic discipline of law is heavily tilted towards general knowledge in legal theory, while practical knowledge is less prioritized. The evaluation report also noted that education is still very much Soviet in its focus on lecturing and memorization at the expense of critical thinking, problem solving and analytical writing.<sup>47</sup>

## **Police Education**

The formal recruitment criteria for the Kyrgyz police place a substantial emphasis upon academic achievement. This is not controversial, and suggests a closer examination of police education and the kind of skills that students acquire. The Police Academy has the status of a higher academic institution, and is responsible for training specialists for the police. Students graduate with a law degree, and the curriculum is heavily tilted towards theoretical academic learning, with 30% reserved for practical police educa-

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<sup>44</sup> Ibid.

<sup>45</sup> Ibid, 15.

<sup>46</sup> Author's discussion with former Professor in the Police Academy, Bishkek, July 2, 2009.

<sup>47</sup> ABA/CEELI, "The Legal Profession Reform Index for Kyrgyzstan," 16.

tion. The Police Academy is not mandated to approve any changes in the curriculum, but is subordinated to the competing bureaucratic interests of the Ministry of Internal Affairs and the Ministry of Education.<sup>48</sup> Some police officers claim that the five-year education at the Police Academy does not provide any competencies for the police profession.<sup>49</sup> In the opinion of a chief of a department, “after five years training, graduates from the police academy have little knowledge of practical policing methods and have to be trained by colleagues.”<sup>50</sup>

In the OSCE’s police reform program for Kyrgyzstan, which was established in 2003 at the request of the Kyrgyz government, educational reform is one of the major priorities. The director of the program notes the weakly maintained balance between theory and practice:

We are leading various activities in improving police education to bring it in line with international practice. There is still a gap between international standards and the Kyrgyz curriculum, which has a very general and academic approach with some limited special focus on criminal law, etc. It is necessary to make education more practical by training prospective officers in practical police skills. The curriculum is not at all well-adjusted to current needs. A diploma from the police academy gives you the right to apply to any civil service, not just the police.<sup>51</sup>

Both local and international experts emphasize that some prospective officials are not particularly devoted to police work in the first place, but are mainly targeting the diploma. For example, some experts estimated that about 25% of the graduates from the Police Academy never pursue a police career.<sup>52</sup> Respondents with insight into the Academy describe this particular educational establishment as extraordinarily “marketized.” This is how a former professor at the Academy depicts the situation:

It is not uncommon for students to pay \$3,000 before entering the police academy in order to be police officers and they want to be repaid after graduation. If confident that he will receive his money back, a new police officer can give a bribe of \$5,000 in order to secure a lucrative position. Even in one year, before attestation, the officer can “recapture” this money with a substantial interest rate given his investments in corrupt networks. The police

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<sup>48</sup> Raymond Brown, “Kyrgyzstan Militia: A Question of Reform,” June 2004, 9.

<sup>49</sup> Author’s interviews with foreign police officer from OSCE’s Police Reform Program for the Kyrgyz Republic, November 18, 2010 and Kyrgyz police officer/coordinator of OSCE’s Police Reform Program, Bishkek, July 23, 2009.

<sup>50</sup> Brown, “Kyrgyzstan Militia,” 9, 22.

<sup>51</sup> Author’s interview with Evgeny Cherenkov, Operational Program Manager OSCE Police Reform Program to the Kyrgyz Republic, Bishkek, July 15, 2009.

<sup>52</sup> Author’s interview with Kyrgyz police officer/coordinator of OSCE’s Police Reform Program, July 23, 2009. A similar view was expressed by Evgeny Cherenkov, Operational Program Manager OSCE Police Reform Program to the Kyrgyz Republic, Bishkek, July 15, 2009.

education is a major reproducer of corruption by ensuring that people with already corrupt and spoiled reputations will be recruited to office.<sup>53</sup>

Among those students who choose to pursue a police career, they are largely motivated by receiving as big a return as possible on the financial investments they put into their police education, thereby making traditional police work as detectives and investigators less attractive.<sup>54</sup>

Some well-placed sources allege that the informal system of monetary transactions in the police academy is very thoroughly organized from the top. A long-standing member of the OSCE Police Reform Program recalls the Akaev-era head of the Police Academy as “the most corrupt policeman in the country.”<sup>55</sup> The activities of his successor, a protégé of then-President Bakiev’s brother, Janysh Bakiev, were described by one of his former colleagues to a Kyrgyz newspaper:

[When he took over] the Academy was already sinking in the swamp of corruption. [He] quickly organized his team, which developed a powerful corruption network. To be exact, he completely broke down the Academy with corruption. In rough estimates, during his term in the Academy, there circulated in the shadows no less than one million dollars in cash.<sup>56</sup>

After the fall of the Bakiev regime, the rector was dismissed and put on the list of wanted officials.<sup>57</sup> To summarize, higher education in Kyrgyzstan has turned into a system in which financial capacity has been substituted for knowledge in determining future career prospects.

## Buying a Police Job

The police<sup>58</sup> are reported to be one of the bodies in which financial exchange is thoroughly entrenched. In a report on the police system conducted on be-

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<sup>53</sup> Author’s interview with former Professor in the Police Academy, Bishkek, August 1, 2009.

<sup>54</sup> Author’s interview with assistant to the Minister of Internal Affairs, Bishkek, August 1, 2009.

<sup>55</sup> Author’s interview with foreign police officer from OSCE’s Police Reform Program for the Kyrgyz Republic, August 12, 2010.

<sup>56</sup> *Belyi Parus*, April 8, 2010.

<sup>57</sup> After the bloody end of the Bakiev regime in April 2010, the former rector was placed under home arrest for being under investigation for arming his students to protect the government house from the storming crowd.

<sup>58</sup> The police, or “militia”, as it is still called, is under the jurisdiction of the ministry of internal affairs and approved by the government. Supervision of the police is an internal matter, carried out by the minister of internal affairs, who is appointed by the president in coordination with the prime minister. The minister is responsible to the president and government. Recruitment to the police is specified in the law on the organs of internal affairs adopted in 1994. Official selection criteria for recruitment and promotion are very generally held and take into account academic achievements, fitness, character and family history. Promotion through officer ranks is in general automatic after certain periods of service. Ranks in the police are military based and awarded on the basis of education and years of service. The

half of the OSCE Police Reform Program, the recruitment system is described as being characterized by secretive, non-transparent features:

Personnel policies have little regard for equality of opportunity, competitive or skills-based selection. Internal vacancies are not advertised. Rather, vacancies are filled by decree of the ministry or from a reserve list of personnel, which is submitted to the department, together with appraisals of their work. ... In most cases, officer-level postings are made by or are ratified by the minister.<sup>59</sup>

While new officers are generally recruited from the pool of graduates from the Police Academy, the actual selection procedure is heavily influenced by illicit payments. According to a foreign police officer who was involved in starting up the OSCE's police reform program in Kyrgyzstan:

It is clear that you pay for your degrees. You can advance and have a successful career as long as you have money. This holds true for the entire society, which basically functions due to corruption. Low salaries make officials prone to bribe-taking. This is true for schools, health care and other institutions in society.<sup>60</sup>

The salience of marketplace criteria in determining appointments to high-level police offices is suggested by several strategically placed officials. In 2004, a ranking official in the Ministry of Internal Affairs commented on the dynamic at the top level of the system to international media: "If you want to become the deputy head of a district police department in the capital, it is enough to pay 10,000 dollars. And the post of deputy head of Bishkek's internal affairs department costs 20,000 dollars."<sup>61</sup> Ranks are also up for sale. One officer reported to the International Crisis Group that he wanted the rank of captain but lacked the necessary \$10,000, so he had to settle for the rank of lieutenant, which was worth \$3,000.<sup>62</sup> In an author interview in 2007, a then-member of the special department for combating organized crime described the police system, under both Akaev and Bakiev, as consolidated

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personnel hierarchy formally divides into two main categories. On the one hand, there are officer ranks educated in the Kyrgyz police academy who occupy management or specialist posts. On the other hand, there are sergeant ranks or noncommissioned officers engaged in street-level work recruited by and trained at the Center for induction training in the secondary police schools in Bishkek and Osh. See "Kyrgyzstan" in *World police Encyclopedia*, eds., Dilip K. Das and Michael Palmiotto (New York: Routledge, 2006), 472; *Pravookhranitel'nye organy Kyrgyzskoi Respubliki* (Bishkek, 2005), 75-84.

<sup>59</sup> Brown, "Kyrgyzstan Militia," 8.

<sup>60</sup> Author's interview with foreign police officer from OSCE's Police Reform Program for the Kyrgyz Republic, Stockholm, November 18, 2010.

<sup>61</sup> Quoted in "Kyrgyzstan: Police Force in Crisis," *IWPR Central Asia Reporting*, May 11, 2004.

<sup>62</sup> International Crisis Group, "Central Asia: The Politics of Police Reform," *Asia Report* 42, December 10, 2002, 9.

in a well-defined hierarchical structure from the presidential family at the top of the pyramid, via ministers to the heads of special departments:

After the appointment of the new minister, about 15 persons in the anti-organized crime division were dismissed. These positions were sold to new people. A substantial amount of the revenues from this [redistribution of posts] goes ... to the one at the top of the pyramid. The system is quite clear. The president takes bribes from ministers, who collect their revenues from heads of the different special departments. They collect from their personnel, who in turn extort businessmen and ordinary citizens. It is all about making a profit. If a position as a minister is bought for \$100 000, the buyer wants to make sure that the returns from the post are at least double.<sup>63</sup>

With regard to the profitable sections of the police system, a former ranking officer noted that “virtually all positions are considered to be sold.”<sup>64</sup> A foreign police official provided the following illustration of the system:

A person can buy an office. There are police officers who have not had a single day of police education for 20 years. There are officials with, for example, an education in agriculture, who work as police officers. This exists on all levels. The system is built around paying for a job and then “climbing.”<sup>65</sup>

On the basis of these accounts, a distinction can be made between prospective officials who have some meritocratic and professional capacities to substantiate their claim on an office, as well as those who are completely unqualified and whose claim solely rests on personal contacts and the possession of money.<sup>66</sup> In the former case, a candidate might be recommended for office on his merits, but the system of purchases means that the candidate is often required to back up his merits with cash.<sup>67</sup> In the police force, these practices have profound implications for the organizational logic in general and the career structure in particular. The existence of an informal price list for enrolling in the police system means that career prospects are weakly tied to merits deduced from actual police work. Officials lacking finances have limited possibilities of advancing. Thus, the rank an officer holds does not mean that it reflects the official’s actual position in the management hierarchy: “An officer of a higher rank often becomes subordinate to an officer of lower rank as he moves around the organization.”<sup>68</sup>

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<sup>63</sup> Author’s interview with member of the Department for Combating Organized Crime in the Ministry of Internal Affairs, Bishkek, May 26, 2007.

<sup>64</sup> Author’s interview with former ranking police officer, July 21, 2008.

<sup>65</sup> Author’s interview with foreign police officer from OSCE’s Police Reform Program for the Kyrgyz Republic, Stockholm, November 18, 2010.

<sup>66</sup> In a Chinese context, this distinction has been referred to in terms of passive vs. active office buyers. See Jiangnan Zhu, “Why are Offices for Sale in China? A Case Study of the Office-Selling Chain in Heilongjiang Province,” *Asian Survey* 48, no. 4 (2008): 565-566.

<sup>67</sup> Author’s interview with former ranking police officer, Bishkek, July 21, 2008.

<sup>68</sup> “Kyrgyzstan” in *World Police Encyclopedia*, 474.

## Recruiting Revenue Collectors

The practice of job buying is not equally spread within the state. Some state organs are more heavily affected than others. In particular, administrative organs involved in collecting revenues have become very lucrative sources for investment, and therefore acquire distinct purposes in this state building project. Three state bodies were perceived to be the major cash cows of the Akaev family – the customs service, the tax administration and the state-controlled electricity system, and the sale of offices in all of these structures was reported to be widespread.<sup>69</sup> The position as head of the state customs committee is widely believed to have been a key appointment. During Akaev's tenure, one of the reportedly richest men in the country held the position as head of the customs service for a year during the 1990s. His impressive fortune is believed to have been made from controlling the cross-border trade with China. Heads of the customs service have been infamous for their contributions to the ruling families, and are often referred to as so-called *kashel'ki* (purses). As reported in a detailed field study on organized crime in Kyrgyzstan:

... a high-ranking official in the customs department from 1998-2003 was one of the closest people to Akaev's family, and according to Kyrgyz experts, monthly payments, a share of the illegal revenue from illicit trade (around 20%) was paid to the family by him.<sup>70</sup>

Under Bakiev, the subsequent heads of the customs service became known as *kashelek* 2 and 3, respectively.<sup>71</sup> In 2005, rumors flourished about the existence of a price list for the costs of key positions in the customs service. The post as deputy chief of the national customs service reportedly cost \$70,000, the post as chief inspector was estimated at \$30,000 and so forth. A subsequent investigation carried out by the prosecutor's office confirmed that the distribution of portfolios in the customs service followed the reported price list. Still, none of the purchasers were removed from office.<sup>72</sup>

After Bakiev was unseated in April 2010, these practices continued. Indeed, within a week, three different persons were nominated to head the customs service, each of them backed by three different deputy prime minis-

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<sup>69</sup> Author's interviews with former advisor to President Akaev, Washington, D.C., April 11, 2006, and Ramazan Dryldaev, ex-police general, Chairman of Kyrgyz Committee for Human Rights, Bishkek, February 3, 2006. When Bakiev came to power, the heads of these profitable agencies were either replaced or re-negotiated.

<sup>70</sup> Alexander Kupatadze, "Organized Crime Before and After the Tulip Revolution: the Changing Dynamics of Upperworld-Underworld Networks," *Central Asian Survey* 27, no. 3 (2008): 287.

<sup>71</sup> Ibid.

<sup>72</sup> "Bol'shaya semeika," *Vlast'*, July 11, 2005, available at [www.kommersant.ru/doc.aspx?DocsID=589685](http://www.kommersant.ru/doc.aspx?DocsID=589685).



ters in the post-Bakiev interim government.<sup>73</sup> In the end, a Kyrgyz businessman closely familiar with the customs sector alleged that the winner of the prize was the one who had paid a \$100,000 bribe to one of the deputy prime ministers.<sup>74</sup> It was later revealed that the new chief of the customs service held Russian citizenship.<sup>75</sup> Despite that this contradicted Kyrgyz law he still remained in office as of August 2011, several months after the revelation.

In theory, all prospective tax and customs inspectors in Kyrgyzstan are obliged to go through a specific recruitment procedure. Until the early 2000s, the central state tax administration appointed regional directors who in turn appointed district level officials. Since then, the recruitment procedure has been changed to an open application process. The main educational criteria for possessing a diploma in economics and accounting still apply. According to a tax official with an unusual 20 years of experience, since the same formal criteria apply, there are marginal differences between the two recruitment systems.<sup>76</sup> In practice, however, the formal criteria are “soft,” and it is a common practice that inspectors are recruited without passing the stipulated procedures due to personal contacts with government officials or within the tax administration.

In 2004, a United Nations country profile of the public administration in Kyrgyzstan noted the numerous reports about the sale of public positions, “especially in such lucrative public service areas as customs and tax enforcements.”<sup>77</sup> As an official working in a district tax office in Bishkek said:

It is important to change the recruitment to the tax service in order to find more professional people. There is a competitive process to select staff in line with a written procedure. Candidates must go through a health examination, etc. We should recruit staff on this basis, and employ people without knowing them. But many tax officials earn their posts without going through the procedure. They have money, relatives or telephone contacts within the administration.<sup>78</sup>

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<sup>73</sup> Shaïrbek Juraev, “The Third Restart: Challenges for Democracy in Post-Bakiyev Kyrgyzstan,” *PONARS Policy Memo* No. 107, August 2010, 2, available at [http://www.gwu.edu/~ieresgwu/assets/docs/pepm\\_107.pdf](http://www.gwu.edu/~ieresgwu/assets/docs/pepm_107.pdf).

<sup>74</sup> Author’s interviews with Kyrgyz businessman in petroleum sector, Washington, D.C., September 8, 2010.

<sup>75</sup> “Genprokuratura Kyrgyzstana podtverzhaet, chto glava Gosudarstvennoi tamozhennoi sluzhby Kubanychbek Kulmatov yavlyaetsya grazhdaninom Rossii,” *24.kg*, April 28, 2011, available at [www.24kg.org/parlament/99040-generalnaya-prokuratura-kyrgyzstana-podtverzhaet.html](http://www.24kg.org/parlament/99040-generalnaya-prokuratura-kyrgyzstana-podtverzhaet.html).

<sup>76</sup> Author’s interview with senior official in Leninskii district tax administration, Bishkek June 6, 2008.

<sup>77</sup> “Kyrgyz Republic Public Administration Country Profile,” Division for Public Administration and Development Management (DPADM) and Department of Economic and Social Affairs (DESA), September 2004, 19.

<sup>78</sup> Author’s interview with tax district official, Bishkek, June 7, 2006.

Another tax official approached the issue from a time perspective:

Corruption is a legacy from Soviet times when people stole little by little from state property. Of course, psychological values and habits change slowly. To this we should also add the last 15 years, when there have been no rules and officials started doing what they wanted. The corrupted mentality is now so strong that you always have to pay money to get a job.<sup>79</sup>

It must be noted that these practices have resonance in Kyrgyz society. In a public opinion poll, citizens supported the idea of avoiding regular job application procedures and using contacts for job promotion and other services.<sup>80</sup>

A local economist notes the adverse effects money has on the organizational integrity of the tax administration:

It is not a secret that young people try to find jobs in inspection and law enforcement bodies. These young people do not think of lofty goals or service or creativity; in most cases, they only have in mind quick profits from taking bribes. One example is the ... murder of tax inspection personnel. The police statement published in the mass media on September 13<sup>th</sup>, 2008 reported that two tax inspection officers in the Lenin district of the capital of Kyrgyzstan were killed. The car they were shot in held more than 20 reports on private trade inspection made by a tax inspection employee who was also a member of an organized crime group.<sup>81</sup>

The turnover among tax officials has remained stable at a very high level.<sup>82</sup> In 2009, then-head of the state tax committee Akhmatbek Keldibekov, who is now the speaker of the parliament, admitted: "Of course knowledge of our staff leaves much to be desired. Today, we have signed agreements with universities in the Republic in order to practically train students for the tax service."<sup>83</sup>

## Appointing Judges

Judicial power in Kyrgyzstan is regulated in the constitution. The Courts of General Jurisdiction consist of courts of first instance, courts of second instance and a Supreme Court (third-instance appeal court of last resort). As of 2008, there were 68 first-instance courts, with eight of them being specia-

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<sup>79</sup> Author's interview with official central state tax administration, Bishkek, May 21, 2007.

<sup>80</sup> Ilibezova et al, "Corruption in Kyrgyzstan."

<sup>81</sup> Bahtiyar Bakas uulu, "Hotbeds of Corruption in Kyrgyzstan's Financial System," in *Kyrgyzstan Today* (Bishkek, Social Research Center, AUCA, 2008), 161. Three months prior to this event, the present author had been on a "study visit" in the district tax department where these inspectors worked. In the entrance to the administrative headquarter a poster stated: "No Corruption."

<sup>82</sup> Author's interview with senior official Leninskii district tax administration, Bishkek, June 6, 2008.

<sup>83</sup> "Nalogi i bez trevogi," *MSN*, September 8, 2009, available at [www.msn.kg/ru/news/29104/](http://www.msn.kg/ru/news/29104/).

lized courts handling economic and administrative cases, four being military courts and the remaining 56 courts having exclusive jurisdiction over criminal, civil and administrative cases. Courts of second instance consider cases on appeal and the procedure of cassation. In total, there are nine courts of second instance, which are available in all seven oblasts and Bishkek city, as well as the Military Court of Kyrgyzstan. The highest body of the judiciary is the Supreme Court.<sup>84</sup> In addition to this basic court framework, there are the traditional Courts of Elders, which have official status and mainly settle disputes at the district level among families. Lastly, the constitutional court stands as guarantor of the constitution. As of 2008, there were 33 members of the Supreme Court, second instance courts had 128 judges and there were 279 judges at the first instance level. In total, the court system consists of approximately 450 judges.<sup>85</sup>

How strongly do the formal educational and training criteria determine who assumes the bench? According to the constitution,<sup>86</sup> a Kyrgyz citizen may serve as a judge on a provincial or district court if he has a higher legal education and no less than five years of experience in the legal profession.<sup>87</sup> On closer examination, these formal requirements for appointments are far from written in stone. Some experts gave various illustrations on how formal criteria are manipulated, or circumvented altogether. A Kyrgyz scholar working on a dissertation on judicial corruption argued:

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<sup>84</sup> USAID Judicial Reform Assistance Project, Kyrgyz Republic Millennium Challenge Account Threshold Program, *Functional Analysis of the Kyrgyz Republic Judicial System*, October 2008, 38.

<sup>85</sup> Ibid, 4; Almaz Matkasymov and Erkin Toktomambetov, *Sudebnaya vlast' i sudebnaya reforma v Kyrgyzskoi Respublike* (Bishkek: Kyrgyz-Russian Slavonic University, 2008).

<sup>86</sup> Constitutional reforms have been a permanent feature in post-Soviet Kyrgyzstan. Since the adoption of the first Kyrgyz constitution in 1993, this document has been subsequently changed in nearly one referendum every other year. For the functioning of the judiciary, constitutional changes have shuffled the final approval of the appointment of judges back and forth between the executive and legislative branches of power. In the first Kyrgyz constitution from 1993 judges were nominated by the president and approved by the parliament. In the constitutional reform in 1996 that decisively boosted Akaev's formal powers, the president appointed the chairmen, their deputies and all judges of the courts of the regions, the city of Bishkek, districts, and cities, and of the economic courts of the regions and the city of Bishkek, and also of the military tribunals. The president also dismissed judges in cases provided by the constitution and laws without any participation by the parliament. As for judges of the Constitutional Court and the Supreme Court they were nominated by the president and elected for a term of fifteen and ten years respectively by the legislature. Constitutional amendments in 2003 transferred the final say in approving judges to the parliament upon recommendation by the president. The new constitution approved in a referendum in 2007 saw authority returned to the president, including the right to submit to the parliament candidatures for electing to positions of judges of the Constitutional Court and, upon a proposal from the National Council of Justice, nominate candidatures to the Supreme Court, and the right to appoint all judges on a local level upon a proposal from the National Council of Justice. After the fall of the Bakiev government, and the approval of a new constitution by a referendum in June 2010, the parliament regained these powers.

<sup>87</sup> *Konstitutsiya Kyrgyzskoi Respubliki, Prinyata referendumom Kyrgyzskoi Respubliki 11 oktyabrya 2007 goda* (Bishkek: Toktom, 2009),

A common practice is that an individual seeking a position as a judge registers a legal clinic in his name in order to show that he has five years of experience. In reality however, this firm has often only existed on paper, while in practice the prospective judge has no previous experience in the judicial profession.<sup>88</sup>

Neither is the lack of proper legal education a definitive barrier. According to the same source:

It is not uncommon for judges to have graduated in another higher academic institution, for example the Polytech Institute, and worked as a contractor before taking up studies in law for a period of three years instead of the five years that are required for a complete higher legal education. Still, they occupy positions as judges.<sup>89</sup>

In the 1990s and early 2000s, presidential appointment of lower court judges was based on an “attestation” process, not specified in the constitution, but in decrees and regulations. A commission entirely appointed by the president and consisting of senior judges, including representatives of the Ministry of Justice, representatives of the court department and members of the parliament and procurators, organized an oral examination with candidates who possessed the basic qualifications. ABA/CEELI’s comprehensive evaluation of judicial appointments gave the following assessment:

There was no grading of examinations, and it was entirely oral. No explanation was provided for why some judges passed and others did not, and there was no process for appealing the decision of the Attestation Commission. Judges who passed were then recommended for appointment by the President, and they received a three-year commission. After three years they would undergo another attestation process, and (assuming they passed) they would then receive a seven-year appointment. For re-appointment and appointment to higher level courts after that, judges would again need to pass through the attestation process. This ... method of appointing judges was criticized because it left so much power and discretion in the hands of the President and because the attestation process was non-transparent and non-objective. According to many former judges and officials interviewed, it was difficult for people who were otherwise qualified but lacked the “trust” of the President to be appointed. In addition, the process was said to be rife with corruption and that many candidates essentially purchased their judgeships.<sup>90</sup>

Thus, the system of testing candidates had paradoxical outcomes, and exacerbated rather than brought informal practices under control. As an advisor to President Akaev who looked into the question of judicial reform recalls:

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<sup>88</sup> Author’s interview with former police officer/legal scholar, Bishkek, August 5, 2009.

<sup>89</sup> Ibid.

<sup>90</sup> ABA/CEELI, “The Legal Profession Reform Index for Kyrgyzstan,” 7-8.

Repeated certifications of judges were carried out, but these attestations were not successful. The highest leadership of the Supreme Court which supervised this was completely corrupt. The first attestation was good. But in the second one, most of the honest judges were dismissed. The third attestation ended it once and for all.<sup>91</sup>

Following amendments to the constitution in 2003, the involvement of the parliament in the appointment process brought hopes of increased transparency and improved quality of judicial appointments. Yet, in the opinion of a former judge, the major change brought about was that parliamentarians used this power to pressure judges and demand favors in return for supporting their candidacies. He went on to recall the pressure from some members of parliament: “Your term is soon over. If you want to be reelected, you should consider this verdict in this economic case.”<sup>92</sup> As a result, political support for candidates was conditional, and included the right to call in favors from judges in the future.

In practice, then, the formal procedure is accompanied by informal lobbying by political patrons advocating certain candidates. Competition is normally high, and at times can reach the level of 20-25 candidates for each position.<sup>93</sup> Another former judge describes the formal and informal dimensions of the process:

... the system of appointing judges was taken from world practice, that is, the applicant must first undergo training and the competitive test which is organized by the National Council of Justice and composed of representatives from the judiciary, legislature and the executive power, as well as representatives from the private sector. ... Formally, the opinion of the National Council is fundamental in selecting candidates for judicial posts, but in fact virtually everything is decided by the legal department of the presidential administration, the head of the presidential administration or the president himself.<sup>94</sup>

Hence, formal criteria are on the books, but informal contacts play a crucial role. The recruitment of members to the highest instances in the court hierarchy – the Supreme Court and the Constitutional Court – is not regulated by any form of examination, “and their candidacies are reportedly driven by political considerations.”<sup>95</sup>

Both Akaev and Bakiev made several overhauls of the corps of judges in order to demonstrate that judicial reform was taken seriously, but these

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<sup>91</sup> Author’s interview with former advisor to President Akaev, Washington, D.C., September 24, 2010.

<sup>92</sup> Author’s interview with Bekbolot Bekiev, former judge, Bishkek, June 2, 2006. Also communicated in an interview with an official in Bishkek city Prosecutor’s office, July 16, 2009.

<sup>93</sup> International Crisis Group, “Kyrgyzstan: The Challenge of Judicial Reform,” *Asia Report* 150, April 10, 2008, 7.

<sup>94</sup> Author’s interview with former judge/former Deputy Minister, February 12, 2011.

<sup>95</sup> ABA/CEELI, “Judicial Reform Index for Kyrgyzstan,” 7.

changes did not address the core of the problem, and was often done without legal justification. There is consensus among legal experts that while reform programs have been initiated and implemented, the outcomes remain largely disappointing. The prevalent belief is that authorities have paid lip service to judicial reform, but have no intentions to realize it. According to one interviewee in 2009:

There have been many judicial reforms, but in reality nothing has changed. This is because there is no real political will. If the president wants to change the system, it has to be changed in a systematic and structural manner. But he wants to maintain some power and leverage over the system, and this exacerbates corruption. I can say that nothing has changed in the system, on the structural level, from Akaev to Bakiev. There has been some rotation of people, but the mentality is still the same.<sup>96</sup>

Thus, initiatives launched in order to improve the corps of judges, such as attestations and anti-corruption campaigns, have in reality become means for making money, as suggested by the allegation that attestations have served the primary purpose of replacing qualified judges by candidates willing to pay. The financial factor was addressed by a former judge:

The use of bribes in the appointment of judges takes place almost everywhere. The cost of the post depends on position and region. Naturally, the city of Bishkek is much more expensive, as all activities and financial flows are here. [The price] also depends on whether it is a judge of a regular court or of an economic court, a position in the latter is also much more expensive. Moreover, it also differs whether the appointment concerns a judge to the district, regional or Supreme Court. ... [being appointed] a judge of the first court, for instance in Bishkek, will cost from \$10,000 to \$50,000. Still, you must pass the tests, so possession of money may not guarantee you anything.<sup>97</sup>

The perception that bribe-giving is necessary to be employed in the judiciary was revealed by the Prosecutor General, Kubatbek Baibolov, in an open address to students of the Kyrgyz State Law Academy in 2011:

[The new power] does not steal or take bribes. The rules of employment in the Prosecutor General's Office have already changed. Many of you think that you cannot be employed without a bribe. But it is not true. I am waiting for the best of you in the ranks of prosecutor's employees.<sup>98</sup>

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<sup>96</sup> Author's interview with Kyrgyz lawyer American Bar Association, Bishkek, July 2, 2009.

<sup>97</sup> Author's interview with former judge/former Deputy Minister, February 12, 2011.

<sup>98</sup> "Kubatbek Baibolov: Now Judges in Kyrgyzstan are independent," *24.kg*, February 24, 2011, available at <http://eng.24.kg/community/2011/02/24/16473.html>. It should be noted that Baibolov was dismissed by Presidential decree a month later, after which his tone about the government changed, as he lashed out in numerous corruption charges against prominent members of the government.

In sum, the picture emerging is that appointments are determined not by candidates' abilities and reputations, but by money and connections. Despite the steadily increasing attention paid to judicial reform by international donors, and the introduction of the USAID funded Millennium Challenge Account Threshold Program in Kyrgyzstan, which allocated \$16 million to judicial reform in 2007, international experts admit that although some institutional improvements are observable, actual court performance has thus far been elusive to change and courts are, to quote a representative from the U.S. side of the project, "still as corrupt as ever ... Indeed, they are even worse than before. As there is a higher risk for dismissal, the level of bribes has gone up. It is a new incentive system."<sup>99</sup> In this context, Zamira Sydykova, former Kyrgyz Ambassador to the United States, notes:

Under Akaev, judges were dependent on the presidential administration. In Bakiev's time, following the U.S. Millennium Challenge Corporation's Threshold Program on Judicial Reform, courts became a bit more independent, but even more corrupt. Twice in five years, Bakiev changed judges on all levels of the court system. As a result, judges did not know how long they would remain in office, and started making money aggressively.<sup>100</sup>

Consequently, judges developed powers without accountability.

After the fall of the Bakiev government in 2010, the new provisional government decided that the solution to ending corruption and other malpractices inside the court system was to carry out an unprecedented sweep of the corps of judges. First, the Chairman of the Supreme Court, Jana Alieva, was removed from the post and replaced by Kubanychbek Mombekov, who is native of the same Aksy village as the provisional government's supervisor of the law enforcement system, Azimbek Beknazarov. Thereafter, 50 judges were dismissed for malpractice in their work, and another list of 60 judges set to be released was being prepared. In total, it has been indicated that up to 300 judges should be dismissed. As a commentator stated, "It is indeed a judiciary revolution, but most probably not for the best since the people will have to go to young inexperienced candidates who will replace old judges."<sup>101</sup>

A former Deputy Minister of Justice expressed concerns about the measures taken by the post-Bakiev government to clean up the judiciary:

The judicial system is in collapse. When they came to power, members of the interim government single-handedly dissolved the Constitutional Court and then began to the process of removing from office a large number of judges. I

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<sup>99</sup> Author's interview with coordinator of the Millennium Challenge Account program from the U.S. Embassy in Kyrgyzstan, Bishkek, July 15, 2009.

<sup>100</sup> Author's interview with Zamira Sydykova, former journalist/former Ambassador, Washington, D.C., October 18, 2010.

<sup>101</sup> *Times of Central Asia*, September 17, 2010.

do not defend them [the judges] for we need to part with most of them, but not in this way. To remove judges there must be the consent of the National Council of Justice or proof that they have committed criminal acts and removed by presidential decision on the basis of citizens' complaints against these judges.<sup>102</sup>

In the summer of 2011, a new body – the Council for the Selection of Judges – was created and assigned the task of choosing candidates for all posts as judges in the country. All 450 posts were declared vacant in a bid to fully replace the entire corps of judges by the end of October. President Otunbaeva has taken a keen personal interest in the issue of judicial reform in order to finally eliminate corruption in the judiciary. Nonetheless, several local and foreign experts have criticized how the council responsible for selecting judges has been formed, noting a lack of transparency and competition among parliamentary factions in order to get their trustees elected to the new body.<sup>103</sup>

## Money in Relation to Merits and Personal Ties

With the help of interviews, we have examined the practice of purchasing offices. In some cases, informants have recalled their direct personal experiences, while in other cases respondents have expressed a widespread perception that job buying is inherent in state structures. But it has also been suggested that money alone does not define recruitment to political and administrative offices. First, the use of money does not mean that meritocratic criteria and formal procedures are eliminated. The right to purchase an office is embedded in formal meritocratic procedures, including educational achievements. Second, the job buying transaction differs from the impersonal type of exchange found in auction markets. In auction bidding, the only value is the amount of money offered in a one-time transaction. The sale of offices, on the other hand, is surrounded by informal personal contacts. Put differently, a prospective official does not bring a bag of money to a particular ministry and inquire whom to pay in order to be employed. The practice is far more subtle and discrete. Why is that?

A first obvious reason is that job buying is prohibited in law. As an illicit practice, the transaction demands some degree of trust among the contracting parties. Consider the most abstract level of particularistic identities in Kyrgyzstan – ethnicity; it is a fact that public office in practice is monopolized by ethnic Kyrgyz, while for example the substantial ethnic Uzbek minority in the southern part of the country is practically barred from holding of-

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<sup>102</sup> Author's interview with former judge/former Deputy Minister, February 12, 2011.

<sup>103</sup> Joldosh Osmonov, "Judicial Reform Launched in Kyrgyzstan," *Central Asia-Caucasus Analyst*, August 3, 2011, available at [www.cacianalyst.org/?q=node/5603](http://www.cacianalyst.org/?q=node/5603).



fice.<sup>104</sup> As a former advisor to President Akaev stated, “The practice of selling posts never went as far as being independent of contacts and loyalties. ... It was never an option to appoint an Uzbek to a ministerial post.”<sup>105</sup> This cannot be explained in terms of an absence of money on the part of the Uzbeks since they are prominent in economic life, especially trade, and are generally perceived as better off than the Kyrgyz. Moving down the ladder of particularistic identities, President Akaev’s tenure witnessed a significant dominance of fellow northerners in the government, while southerner Bakiev promoted officials from the South during his presidency in the administration of the state at the expense of the once dominant northern elites.<sup>106</sup> The persistence of ethnic and sub-national cleavages in the government clearly suggests that personal contacts based on regional origin, kinship or friendship for high-level positions complemented the monetary aspect.

At first glance, it is tempting to see particularistic ties and money as fundamentally opposed to one another; there is an apparent discrepancy between the use of personal contacts and the use of money for accessing the state. However, if we understand office buying as a reciprocal exchange promising continuing relations between buyer and seller, rather than as an auction bidding in which offices are sold to the highest bidder in a one-time transaction, the salience of loyalty ties for the functioning of the market becomes less mysterious. In fact, in practice the dichotomy between money and nepotism is even misleading. The importance of reciprocity for the transaction to materialize has been noted in other contexts as well. In her study of buying and selling offices in contemporary China, Jiangnan Zhu argues:

It should ... be noted that an office seller – the superior – is not exactly the same as a common seller, for whom monetary profit is the only or most important concern. Officials worry about keeping their current post and having subordinates follow their orders. Therefore, the prices for offices are also differentiated by the personal relations between a superior and a subordinate. A

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<sup>104</sup> The negative effects were suggested in the ethnic clashes between ethnic Kyrgyz and ethnic Uzbeks in June 2010. Reports by human rights organizations indicate that the Kyrgyz side in the conflict was actively assisted by the police and military (Human Rights Watch, “Where is the Justice?” *Interethnic Violence in Southern Kyrgyzstan and its Aftermath* (New York: Human Rights Watch, August 2010); International Crisis Group, “The Pogroms in Kyrgyzstan,” *Asia Report No 193*, August 23, 2010).

<sup>105</sup> Author’s interview with former advisor to President Akaev, Washington, D.C., September 24, 2010.

<sup>106</sup> For an overview of the most notable power figures in the last years of Akaev’s rule with their regional origin in North, see “Politicheskaya elita sovremennogo Kyrgyzstana,” *Gazeta.kg*, May 5, 2002, available at [www.peoples-rights.info/2010/09/politicheskaya-elita-sovremennogo-kyrgyzstana/](http://www.peoples-rights.info/2010/09/politicheskaya-elita-sovremennogo-kyrgyzstana/). For Bakiev’s southern political team, see for example Gulnoza Saidazimova, “Three Years on, Kyrgyz President Taken to Task for Rampant Nepotism,” *RFE/RL*, July 10, 2008, available at [www.rferl.org/content/Three\\_Years\\_On\\_Kyrgyz\\_President\\_Taken\\_To\\_Task\\_For\\_Nepotism\\_/1182894.html](http://www.rferl.org/content/Three_Years_On_Kyrgyz_President_Taken_To_Task_For_Nepotism_/1182894.html).

person showing loyalty and support to a superior could earn a cheaper promotion.<sup>107</sup>

A similar logic is noted in pre-revolutionary France, a polity thoroughly organized around buying and selling offices:

Since the value of the relationship with a family member exceeded the value of a relationship with a stranger – one expects to trade with a family member much more frequently than with a stranger – the future costs of renegeing on credit obligations to one's kin were far greater than repudiating obligations owed to a stranger.<sup>108</sup>

Let us listen to some accounts from Kyrgyz practitioners and experts. According to a former member of the Kyrgyz Parliament, during first President Akaev's tenure loyalty and a willingness to pay for office was increasingly seen as mutually supportive; the best candidates among many were selected on behalf of the presidential family according to two criteria – the amount of money they were willing to pay and their level of loyalty. "The more money you were willing to give, the more loyal you were perceived to be."<sup>109</sup> A former government employee whose family had close personal connections to the Akaev's said: "Two things matter in government appointments: money and connections, and increasingly you need both to be appointed."<sup>110</sup> Therefore, rather than being a matter of choosing either a personalistic or pecuniary strategy for accessing lucrative political and administrative posts, these two practices tend to be mutually supportive, and access to office often requires a combination of personal contacts and money. An official in the Ministry of Internal Affairs indicated that payments are increasingly mandatory, even if you have high-level particularistic personal contacts inside the organization:

I was recently offered a position in the presidential administration's law enforcement department by a friend of mine. He said that I could get the position for no more than \$5,000 considering our good personal relationship.<sup>111</sup>

Thus, money is but one layer in this system; an additional informal layer is personal ties and networks. However, even though personal contacts open access to the state, it is not the decisive factor for appointment. The decisive

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<sup>107</sup> Zhu, "Why are Offices for Sale in China?" 571.

<sup>108</sup> Hilton L. Root, "Tying the King's Hands: Credible Commitments and Royal Fiscal Police during the Old Regime," *Rationality and Society* 1, no. 2 (1989): 245.

<sup>109</sup> Author's interview with Bakyt Beshimov, former member of Kyrgyz parliament, Boston, MA, October 12, 2010.

<sup>110</sup> Author's interview with former official in the Deputy Prime Minister's office, Washington, D.C., October 28, 2010.

<sup>111</sup> Author's interview with assistant to the Minister of Internal Affairs, Bishkek, May 26, 2007.

factor for resolving issues of recruitment, appointment and promotion has increasingly come to be money. The main implication is clear. Contrary to prevalent descriptions of the Kyrgyz political system as essentially defined around robust personalistic ties, the examination of recruitment to public offices conducted here reveals that the Kyrgyz state is not as nepotistic and closed as suggested in much of the existing literature.

That said, not all arrows unequivocally point in the same direction. There are cases when the relationship between financial and personalistic ties is less a matter of being complementary, but instead possible competing strategies employed by prospective officials in order to be appointed. An extensive review of the police system conducted on behalf of OSCE's police reform program in the country noted: "Some officers pay considerable sums of money to secure their jobs or postings. Some secure employment through family connections without the need for interviews or other selection procedures."<sup>112</sup> In terms of money and contacts as two alternate choices of strategy, the value of money in comparison to personal contacts and kinship ties varies along at least two dimensions.

The first is an urban-rural dimension. This point was raised by a police colonel involved in the Millennium Challenge Account Program's efforts at reforming the procedures of recruitment and promotion:

The main problem with realizing these reforms is that people are not prepared. They are used to doing it [recruit] through their tribal and family networks. Especially in remote rural areas, policemen want to appoint their relatives and friends that they can trust, while in the cities paying money is also an important factor for positions.<sup>113</sup>

That the influence of money is particularly strong in the more modernized capital of Bishkek, while more traditional loyalties are prevalent in the countryside, is hardly surprising given the widespread poverty, primitive economy and lack of cash in many rural areas in Kyrgyzstan.

Second, the influence of money relative to other criteria for work also differs within the police. Some types of police work are simply more profitable than others. This becomes particularly evident at the bottom of the police pyramid as represented by those officers engaged in street-level work as traffic police, guards or patrol officers. Experts agree that the relative influence of informal payments, vis-à-vis other criteria for appointment, depends on the revenue-generating capacity of the work. Regarding the patrol police, some respondents assert that the use of money is not significant or, at least, not the decisive factor in recruitment:

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<sup>112</sup> Brown, "Kyrgyzstan Militia," 9.

<sup>113</sup> Author's interview with Aleksandr Zelichenko, Kyrgyz Police Colonel and Coordinator of the Millennium Challenge Account Program, Bishkek, July 31, 2009.

There are little incentives for prospective policemen to take up positions in the patrol police simply because there is no real money available to extract. Patrolling policemen are in a position to arrest some minor street-level offenders and hooligans, but there are small chances to extort any real money.<sup>114</sup>

In the absence of financial incentives, a former assistant to the Minister of Internal Affairs argues that the recruitment pattern for the patrol police has broken down to the extent that:

In less competitive positions of street-level police work, like the patrol police and local sheriff posts, which are neither prestigious nor lucrative, paying for a job is not an obligatory requirement, and officials' can be appointed without paying for it. To fill positions in the patrol police, we even have to recruit young soldiers.<sup>115</sup>

Because of this, there are military officers classified as soldiers dressed in police uniforms that carry out patrols, investigate crimes and deal with incidents, even though they have no training in policing. Despite the apparent division of police work into profitable and non-profitable sectors, other sources argue that the "marketization" is so thoroughly entrenched that job buying also exists in the non-profitable sectors. For example, in a parliamentary investigation in 2004, the chairman of the parliamentary committee on public order, crime fighting and corruption claimed that certain price lists for getting a job in the police existed throughout, and that the price mentioned for acquiring a job as a patrol officer was between \$100 to \$500.<sup>116</sup> These relatively small sums are perhaps more of symbolic significance, and indicate that using financial payments to acquire jobs is becoming a social norm.

The non-lucrative patrol office can be contrasted with the high demand for offices in another street-level police section – the traffic police. Like in many other post-Soviet countries, the traffic police are infamous in Kyrgyzstan for their revenue generating capacity, manifested by policemen routinely pulling over automobiles to extract bribes.<sup>117</sup> A job in the traffic police prom-

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<sup>114</sup> Author's interview with former assistant to the Minister of Internal Affairs, Bishkek, August 1, 2009. For a similar account from policemen, see "Kyrgyz Police Demoralised," *IWPR Central Asia Reporting*, November 19, 2001, available at [http://www.iwpr.net/?p=rca&s=f&o=162640&apc\\_state=henirca2001](http://www.iwpr.net/?p=rca&s=f&o=162640&apc_state=henirca2001).

<sup>115</sup> Author's interview with former assistant to the minister of internal affairs, Bishkek, August 1, 2009.

<sup>116</sup> Quoted in "Kyrgyzstan: Police Force in Crisis."

<sup>117</sup> To recall personal experiences, during my first trip from Bishkek to the Issyk-kul region in 2006, our car was stopped by policemen five times, three years later we were stopped three times. This may be a coincidence. The bribes demanded were in any case higher than before. Of course extortion practices do not apply equally. In another episode I was traveling with a policeman to his house in a village outside of Bishkek when we were stopped by a traffic police officer. After the driver who were off-duty and dressed in civilian clothes identified

ises immense opportunities to extract quick and frequent bribes. Police sources describe paying for these offices as mandatory.<sup>118</sup>

## Concluding Remarks

The focus on recruitment and promotion in the Kyrgyz state apparatus applied in this chapter reveals that there are elements of meritocratic procedures, but that personal ties seem to be much more important. Yet, financial exchange is the real fundament on which appointment, promotion and a successful political and administrative career has increasingly come to rest on. The practice of purchasing public employment does not stand autonomously from other factors, and is not to be equated with open auction bidding. It is interwoven in a formal shell of meritocratic practices and complemented with personal contacts.

The supply and demand for the sale of offices is heavily tilted towards the opportunities to yield returns. The entry fees increase with the amount of money that can be made out of a particular position. Three types of positions are particularly desirable for an office buyer. The first and most profitable sector is top-level political posts in the decision-making institutions of the state, i.e. the government cabinet, the presidential administration and the parliament. The second sector is highly lucrative positions in the heavily politicized state-owned companies in electricity, gold, transportation and communication. The final sector is the state's regulatory, tax and law enforcement agencies, including court offices.

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himself as police officer, the traffic policeman shook his hand, apologized and urged him to go, of course without demanding any payment.

<sup>118</sup> Author's interviews with former assistant to the minister of internal affairs, Bishkek, August 1, 2009; former ranking police officer, Bishkek, July 21, 2008; former Deputy Minister of Internal Affairs, Bishkek, May 20, 2008.

## Chapter 6: Why Invest?

### Motives for Buying Public Offices

The previous chapter showed that the sale of offices has a pyramid structure, and is organized from the top. The ruler sells to ministers or regional governors, who release offices for sale at subordinate levels and down to street level officials, who extend the financial exchange by collecting their proceeds from citizens and businesses. Hardly surprising, a similar dynamic is known to exist in profitable state-owned enterprises. The practices of purchasing posts and then advancing constitute a specific career system for those in possession of money and the necessary personal contacts. Educational and professional merits are of secondary importance. The present chapter turns its attention to the issue of why offices are bought and sold.

What is it about public office that makes it a lucrative investment? More specifically, why do people purchase offices, sometimes even at the price of getting in debt, although there is basically no official salary attached to offices? In order to specify the motive for investing in public offices, I take a broader political economy perspective on the Kyrgyz state. The bulk of the literature on post-communism either focuses on the “grabbing hand” practices of state officials in the relationship between the state and the economy, or focus on the reverse relationship of how private firms and interests target the state through influence or state capture.

My perspective differs from both of these. I question the presumed separation of politics and business and the public and private spheres. In what can be seen as being inverse to the state capture approach, public officials, rather than private firms in possession of resources that are autonomous from the state, have privatized the state, i.e. they have created a private market inside the state. Fiscal affairs and the supply of goods and services under the state’s *de jure* and *de facto* jurisdiction are subject to the private management of public officials. Basic state functions like protection and jurisdiction can be thought of as “commodities” salable for profits. Accordingly, the state is the main arena for the opportunity to earn and invest. Moreover, although I discuss the political and administrative levels separately, this is primarily for purposes of clarity since a main message conveyed in this study is that high and low corruption should be understood as more organically linked to one another. They are both parts of a more unified system than typically assumed.

Political elites are in the position to shape the formation of the basic political and economic rules of the game, and use this influence over the political, economic and judicial system to allow for making money. To recall the parallel to the license system mentioned earlier: As licensees, high-level political officials are given permission to benefit from activities that are legally prohibited, such as profiting on governmental budgetary resources, and secure comparative advantages for their business holdings, e.g. by enacting legislation serving special interests. Turning to bureaucrats, they are tasked with implementing official rules and policies. Their most notable “asset” is the rubber stamp. Tax officials possess the right to inspect enterprises; policemen are entitled to arrest people and make raids, judges are the ones who have the right to settle legal disputes, and other officials administer the rights to obtain licenses and permits. As part of a license system, street-level officials use their position and authority in the administrative apparatus to supply goods and services, that according to law should be free of charge, in return for payments.

An understanding of the value of investing in public office is further demonstrated in light of the weaknesses and poor functioning of alternative markets for investment and enrichment in Kyrgyzstan. In the end, analytical input for understanding the motives for office buying is provided by delving further into the insights from the literature on precedent historical cases of buying and selling offices, mainly in Western Europe.

## Administrative Motives

It is well known that in order to secure administrative compliance and professionalism, it is important that government employees receive their salaries from the state budget. The prevalent explanation for the high level of corruption observable in Kyrgyzstan, emphasized in concert by Kyrgyz scholars and practitioners as well as their foreign counterparts taking an interest in the country, is that low public wages force officials to engage in bribery and extortion in order to survive. For example, the average monthly salary of a street-level police officer or tax inspector is around \$70-\$100, compared to \$20-\$40 in the late 1990s. Taking into consideration the rate of inflation, this difference is not felt in everyday life. Still, salaries are mostly reported to be paid on time in contrast to before, when it was chronically delayed from up to three to six months.<sup>1</sup> In 2004, the monthly total wages of similarly ranked senior officials in different public service agencies had the following distribution.

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<sup>1</sup> K.M. Abdiev and Kairat Osmonaliev, *Protivodeistvie korruptsii: kriminologicheskie, ugovno-pravovye i kriminalisticheskie aspekty* (Bishkek, 2004), 19.

Table 1: Monthly wages for public servants<sup>2</sup>

Tax officer	\$98
Customs officer	\$98
Ministry of Justice	\$98
Ministry of Finance	\$98
Public Prosecutor	\$116
Judge	\$87
Boundary service	\$158
Ministry of Defense	\$158
Army	\$158
National Security	\$158
Ministry of Internal Affairs	\$68

Source: Kyrgyzstan Militia: A Question of Reform, p. 23.

Official remuneration is not much better at the highest echelons of the state. In 2004, the parliament passed a new law on asset declaration of politicians, after which President Akaev declared his monthly income to be \$300.<sup>3</sup> A plausible estimation seems to be that the monthly salary of a minister around 2005 was approximately \$500.

How then can we explain why people pay for an office, or even go into debt, in order to acquire an office to which there is basically no official salary attached? Obviously, it is because official remuneration by no means equals actual remuneration. An official in the Ministry of Finance remarked in an informal discussion: “My salary is \$100, but every month I spend for my family \$1000. Do not ask me from where I get the money, I hardly know myself.”<sup>4</sup> A ranking official in the Ministry of Internal Affairs communicated a similar personal experience when recalling: “For my work last month, I received \$500 in an envelope directly from the Minister.”<sup>5</sup> Hence, the key is to understand the alternative resources attached to offices.

## Special Means and Remuneration by Fees

In Kyrgyzstan’s administrative system, the financing of state bodies is usually divided into two parts: one-half from the state budget and one-half

<sup>2</sup> While the monthly wage for a senior tax inspector until 2007 was \$100, a low rank inspector earned no more than \$40 per month. Similarly, while a senior policeman had a monthly salary of \$70, a low rank police officer’s official remuneration was \$20. After President Bakiev announced a rise in salaries for civil servants in 2007, the ground salary of tax officials in 2008 ranged from \$65-\$115 plus an extra percentage bonus for every year of work, which in the rare case of 30 years of working experience amount to about \$150 (Author’s interviews with tax officials and policemen, Bishkek, June-July 2008).

<sup>3</sup> “Kyrgyz Republic: Corruption Timeline,” *Global Integrity Report*, 2008 Assessment, available at <http://report.globalintegrity.org/Kyrgyz%20Republic/2008/timeline>.

<sup>4</sup> Author’s conversation with official in the Ministry of Finance, Bishkek, October 10, 2006.

<sup>5</sup> Author’s interview with ranking official in the Ministry of Internal Affairs, Bishkek, July 24, 2008.



through various “special means.” According to the Regulation on Special Means and Deposited Amounts of Budget-Financed Institutions, “special means” are proceeds received by budget organs themselves, in addition to funds allocated to them through the governmental budget. They are defined as revenues from the sale of products, the conducting of works, the provision of services or other types of activities. Earlier, revenues obtained from such activities entered into a separate account, but to an increasing extent most of the extra-budgetary funds and special means have been integrated into the budget, somewhat improving fiscal transparency. Yet, in 2008 the IMF noted that the development of clearly defined and transparent government fiscal activities is still hampered by the use of “special means” (equivalent to 1.8% of GDP), as well as the creation of a state development fund (equivalent to 4.3% of GDP) in 2007.<sup>6</sup> In 2009, the fund was placed under the personal control of the president. In particular, it has been noted that the sale of paid services and other extra-budgetary practices performed by state bodies easily translates into extortion and blackmailing. Anders Åslund illustrated the situation back in 2000:

The State Customs Committee receives no state budget financing. The State Tax Committee receives 50% of all penalties for itself, which naturally stimulates to impose many penalties. As the powerful State Tax Service and the State Customs Committee collect substantial revenues from fees or penalties, they are widely seen as the most corrupt bodies in the countries.<sup>7</sup>

As noted in the previous chapter, there has been a lack of any real civil service reform in Kyrgyzstan since independence. Old state bodies remained in place and new bodies were created, causing the state administration to swell. For much of Akaev’s rule, Kyrgyzstan had a tax inspectorate, a customs committee and a tax police, all of whom were involved in revenue collection, and often competed over the same revenues. While the merger of the tax inspectorate and the customs committee into the Committee on Taxes and Collections eliminated the worst features of competition between these two organs, particularly improved customs revenue collection,<sup>8</sup> competition was maintained due to the creation of additional structures. After coming to power, Bakiev issued decrees to create both a Financial Intelligence Service in September 2005 and a new Financial Police Service in November 2005 to replace the tax police.<sup>9</sup>

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<sup>6</sup> International Monetary Fund, “Kyrgyz Republic: Report on Observance of Standards and Codes – Fiscal Transparency Module,” *IMF Country Report No. 08/151*, May 2008.

<sup>7</sup> Anders Åslund, “State and Governance in Transition Economies: Lessons for the Kyrgyz Republic,” *UNDP Report*, October 2000.

<sup>8</sup> A point expressed, for example in author’s interview with Baktybek Ashirov, deputy Head of the department for Economic and Social Policy in the presidential administration, Bishkek, June 13, 2008.

<sup>9</sup> *RFE/RL Newslines*, September 12, 2005; *RFE/RL Newslines*, November 29, 2005. See also “What is Happening with the Financial Police?” Kyrgyzstan Country in Transition, Carnegie

The police system provides another prominent illustration. Apart from very small salaries, the state budget only funds facilities (housing, heating, etc.) for law enforcement agencies. All operational expenditures of the police are covered by special accounts. Police officers work as security guards in commercial firms, banks and exchange offices. In turn, the Ministry of Internal Affairs accumulates income from these activities.<sup>10</sup> It goes without saying that the police's provision of paid services for the private sector, something that in most other countries is performed by private security companies, leaves the function of the police as ambiguous, and creates an uncertain institutional environment regarding whether services are provided for on a free or chargeable basis. The lack of a clear specification of these functions in both law and practice undermines the financial transparency of the police and other state agencies, creates room for an abuse of authority and makes it difficult for citizens to know the rules.<sup>11</sup>

In field studies conducted by the International Crisis Group in 2002, the consequences of a grossly underfunded police were described in the following words:

The Ministry of Interior in Kyrgyzstan receives less than 25 per cent of its funding from the budget; the rest comes from a mixture of business, protection rackets, and extortion ... The police have to break the law simply to carry out their duties.<sup>12</sup>

Some improvements have been noted since then, including the donation of police cars and other equipment from Russia and Western donors. Other necessary equipment such as computers, vehicles, petrol and even clothing (all staff have to wear police officer's uniforms) are not guaranteed in the budget. These needs are instead maintained by policemen who buy their own uniforms and use their private cars, including paying for the fuel themselves.<sup>13</sup>

To summarize, the widespread practice of financing government agencies, in part through so-called "special means," facilitates the commercial side of public administration. The range of paid services of government bodies is constantly growing, and the services they supply are increasingly charged for, thus blurring the distinction between state officials as representatives of

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Endowment for International Peace, July 29, 2010, available at <http://kyrgyzstan.carnegieendowment.org/2010/07/what-is-happening-with-the-financial-police-2/>.

<sup>10</sup> *Pravoohranitel'nye organy Kyrgyzskoi Respubliki* (Bishkek: Raritet, 2005), 78.

<sup>11</sup> Oleg Tarbinsky and Kuvanychbek Shadybekov, "Gosudartvennye uslugi: vse li v poryadke v etoi sfere?" *Otkrytyi Kyrgyzstan*, August 12, 2010, available at [www.open.kg/ru/analytics/?id=198](http://www.open.kg/ru/analytics/?id=198).

<sup>12</sup> International Crisis Group, "The Politics of Police Reform," p. i.

<sup>13</sup> Author's interviews with Evgeny Cherenkov, Operational Program Manager OSCE Police Reform Program for Kyrgyzstan, Bishkek, July 15, 2009 and Kyrgyz police officers, Bishkek, July, 23, 31, 2009. The situation is reported to be particularly dire in the South where the police are in severe need of logistics and cars, and communication is by pen and paper.

public bodies or commercially-driven organizations. In fact, some Kyrgyz experts argue that many public agencies have become commercialized bodies financing themselves on a fee basis.<sup>14</sup> According to local expert Kubanychbek Omuraliev:

During recent years, the scope of paid services that public authorities render has constantly increased. In reality, public authorities make their own business, while rendering paid services. In addition, state structures have the right to establish norms, and then control on their own their performance; this leads to conflict of interests. Officials are always developing laws that maintain their own supervisory functions, and thus justify the existence of the public authorities themselves.<sup>15</sup>

Civil servants have adapted to a situation in which they are financially detached from the central government. Financing state bodies through the means of fees has a number of implications. First, inspectors can receive bonuses or commissions based on the amount of taxes they manage to collect, which gives incentives to officials to extract as much as possible. An alternative strategy is that inspectors take bribes in exchange for taxes not collected. Both these practices undermine the relevance of the official salary, and contribute to arbitrariness and discretionary powers in the administrative ranks.

## Administrative Rights

The most important motivation for investing in a civil service office is the administrative rights associated with office holding. One example is the tax service's legal right to conduct tax inspections, with officials having strong discretionary powers in applying this right. Several local specialists note that the Kyrgyz tax system is based on the assumption that taxpayers are inherently dishonest and assumed guilty, and must then prove his/her innocence. Under this "authoritarian" tax regime, tax officials abuse their positions and create extra charges that have no basis in law.<sup>16</sup> According to local analyst Sergei Sabko, the extra-legal practices of tax collection are no coincidence, but carefully planned and executed:

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<sup>14</sup> Tarbinsky and Shadybekov, "Gosudartvennye uslugi: vse li v poryadke v etoi sfere?" Also author's interviews with Talaibek Koichumanov, former Minister of Finance, Bishkek, May 18, 2006 and Akylbek Japarov, Minister of Economic Development and Trade, Bishkek, July 8, 2008.

<sup>15</sup> Kubanychbek Omuraliev, "Reducing Regulatory and Administrative Barriers for Private Enterprise Development in Kyrgyzstan: Key Results and Unsolved Issues," in *Kyrgyzstan Today* (Bishkek: Social Research Center, American University – Central Asia), 166.

<sup>16</sup> Sergey Sabko, "Tax Reforms: Myths and Reality," *Kyrgyzstan Brief* 9 (Bishkek: Institute for Public Policy, May 2, 2007), 17-20, available at [www.ipp.kg/files/publications/KG\\_Brief\\_9\\_eng.pdf](http://www.ipp.kg/files/publications/KG_Brief_9_eng.pdf). A number of tax experts in Kyrgyzstan corroborated this view in author's interviews, Bishkek, June 13, July 8 and 10, 2008. Not surprisingly a number of businessmen shared this opinion.

... tax rates in Kyrgyzstan are artificially overstated. It is not done accidentally ... It is done to chase businesses out of the legal field. A business that is chased out of the legal field is forced to solve problems using corruption. Thus, the tax system in Kyrgyzstan is worked out and supported in such a way by officials that bribe takers get serious shadow financial revenue besides their budget salary.<sup>17</sup>

According to law, tax inspections are restricted to one per year in an enterprise, and the inspector can only act on the basis of a special order from the head of the district tax administration. Nonetheless, unplanned checks are extremely common. For example, companies report that they have given bribes a minimum of four times during the last two years, meaning that tax inspectors check them at least twice a year despite the law restricting such inspections to once a year. Enterprises also complain about the multitude of inspectors they have to confront. In addition to tax inspectors, there is the audit chamber, the Social Fund, the Sanitary and Epidemiological Office, the Fire Inspectorate, the Customs Service, the Architecture and Construction Commission and a range of officials from the various bodies of internal affairs. In short, there is a lack of division of responsibilities both vertically, i.e. in relation to central and local government bodies, as well as horizontally, as manifested by duplications of functions by different fiscal and inspecting bodies. An obvious implication of this arbitrary tax system is that it is almost impossible for taxpayers to know how much they should pay.<sup>18</sup> Moreover, whereas inspections are regulated through numerous laws and administrative instructions, there is no single clear regulation for the scope, duration and frequency of inspections, leaving the practice open to officials' own interpretations. On average, Kyrgyz firms reported spending more than 16 working days per year with inspections from tax officials in 2005.<sup>19</sup>

The state budget does not benefit much from tax inspections since it has been noted that tax checkups only contribute to 3% of all tax collections. Rather, as reported by Kyrgyz businesses and foreign experts, "the mechanism of tax checkups is designed only for the staff of the Tax Service to charge money and exactions."<sup>20</sup> On average, it is estimated that the average cost of a single tax inspection is about \$400 for a business.<sup>21</sup> Experts involved in drafting the new tax code adopted in 2009 agreed that tax inspectors have huge discretionary powers, and that one of the main aims of tax reform was to therefore reduce contact between taxpayers and tax inspec-

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<sup>17</sup> Ibid, 18. For a similar analysis, see Omuraliev, "Reducing Regulatory and Administrative Barriers for Private Enterprise Development in Kyrgyzstan," 163-171.

<sup>18</sup> Author's interview with Kyrgyz businessman, Bishkek, April 21, 2007.

<sup>19</sup> The World Bank, *Kyrgyz Republic Investment Climate Assessment*, Washington, D.C.: World Bank, April 2005. This number of inspections can be compared to eight days per year in former post-communist countries Moldova and Poland, and six in neighboring Tajikistan.

<sup>20</sup> As reported by Sabko, "Tax Reforms," 18.

<sup>21</sup> Ibid.

tors.<sup>22</sup> Even so, the head of the tax unit in the Ministry of Economic Development held a contrary opinion on the effects of the new tax code:

While it is argued that the new tax code will minimize the contact between taxpayers and tax inspectors, there is little doubt that the new tax code gives a lot of power to tax collectors. Normative acts and all types of tax controlling procedures are in the hands of the tax administration. The tax inspection is free to decide when, how and what entities they will inspect, without having to consult with other state organs. In my opinion, the tax administration should not develop on its own, independently from other state organs. The problem with predatory tax inspections will remain since it allows continued extraction of bribes.<sup>23</sup>

Hence, while the new tax code has reduced the number of taxes, the total tax burden has not been reduced, and administrative control has become even more difficult. For example, the introduction of a real estate tax was done without specifying which government body was in charge of assessing and evaluating the value of real estate to be taxed, instead leaving this to the whims of the tax administration to impose heavy fines for those evading this tax.<sup>24</sup> The right to hold inspections and audit enterprises are highly valued and extensively practiced by officials. According to an estimate made by the Kyrgyz Investment Council, “they [inspectors] carry out more than 65,000 of absolutely unnecessary, and from our viewpoint economically inexpedient or even harmful, audits and inspections in the country.”<sup>25</sup>

In sum, the most important motivation for investing in a tax office is the tax service’s legal right to conduct tax inspections, and officials dispose this right with impunity. Tax checkups conducted by tax inspectors are however not primarily a method to finance the state budget, for the rights of tax officials, including conducting on-site inspections, fills the purpose of charging money and exactions. Likewise, officials in the customs service have a small basic salary, but the agency is extensively self-financing, and has emerged as a privileged agency following Kyrgyzstan’s emergence as a regional hub for cross-border trade in goods and bazaar activities.

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<sup>22</sup> Author’s interviews with Akylbek Japarov, Minister of Economic Development and Trade, Bishkek, July 7, 2008; Baktybek Ashirov, Deputy Head of the Department for Economic and Social Policy in the presidential administration, Bishkek, June 13, 2008; Andrei Krasnikov, legal expert of the Aiten Consulting Group, Bishkek, July 10, 2008

<sup>23</sup> Author’s interview with Kuban Aidaraliev, Head of the Department for Fiscal Policy in the Ministry of Economic Development and Trade, Bishkek, July 7, 2008. For a similar assessment, see Anvar Rahmetov, “Kyrgyzstan’s New Tax Code: A Mixed Blessing?” *Central Asia-Caucasus Analyst*, March 11, 2009, available at <http://www.cacianalyst.org/?q=node/5062>.

<sup>24</sup> Bakhtiyar Bakas uulu, “Hotbeds of Corruption in Kyrgyzstan’s Financial System,” in *Kyrgyzstan Today* (Bishkek: American University-Central Asia, Social Research Center, 2008), 168-162.

<sup>25</sup> Quoted in *ibid.*

From a formal point of view, the police system has remained largely unchanged in its form and function since Soviet times. The basic legal status of the police is found in a number of documents: the constitution, the law on the organs of internal affairs, the law on operational-investigative work, the criminal procedural law, presidential decrees, governmental resolutions, instructions and other normative acts of the Ministry of Internal Affairs and, finally, international agreements and treaties.<sup>26</sup> The tasks of the police are specified in the law on the organs of internal affairs. The most basic duties are to secure social order, provide security on individual and societal level, combat crime, execute criminal punishments and administrate enforcements within its limits of competence, controlling and licensing activities in traffic safety, in addition to registration and examination.<sup>27</sup> The police remain politicized, with emphasis placed upon its function as an arm of the state rather than as a service of the public.<sup>28</sup>

Neither official remuneration nor a stable long-term career provides individuals with incentives to invest money in police posts. The main “resource” of the police is the status of being the legally armed force specializing in the use of violence, therefore entitling them to conduct raids and arrest people. This mandate is used for collecting bribes and kickbacks that comprise the remuneration for officials. In extreme cases, there is even the non-budgetary police officer, i.e. police in uniform not paid by the state, who need to finance themselves by imposing fees.<sup>29</sup> This border on institutionalized state racketeering since the source of the threat and the protector against that threat are the very same law enforcer.<sup>30</sup> Moreover, while fighting crime is the task of the police, this mandate can be used to establish cooperation between the police and organized crime groups for clear-cut profit-making purposes. In the 1990s, the supply of protection was largely unorganized, as competition ran high among various law enforcement bodies as well as between law enforcement officials and private racketeers. In the 21<sup>st</sup> century, however, cooperative arrangements between the police and crime groups have become more organized and rationalized.<sup>31</sup> The outcome is what Vadim Volkov iden-

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<sup>26</sup> *Pravoohranitel'nye organy Kyrgyzskoi Respubliki*, 78.

<sup>27</sup> *Ibid.*, 76.

<sup>28</sup> Raymond Brown, “Kyrgyzstan Militia: A Question of Reform,” June 2004, 3.

<sup>29</sup> Anders Åslund, “Sizing Up the Central Asian Economies,” *Journal of International Affairs* 56, no. 2 (2003): 80.

<sup>30</sup> Frederic C. Lane, *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises* (Albany: State University of New York Press, 1979), 52; Charles Tilly, “War Making and State Making as Organized Crime,” in *Bringing the State Back In*, eds., Peter B. Evans, Dietrich Rueschmeyer and Theda Skocpol (Cambridge: Cambridge University Press, 1985), 169-191.

<sup>31</sup> See Erica Marat, “The State-Crime Nexus in Kyrgyzstan and Tajikistan: Organized Crime, Drug Trafficking, and the Rise of the Mafia in the Post-Soviet Period” (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, July 2006); Johan Engvall, “Flirting with State Failure: Power and Politics in Kyrgyzstan since Independence” (Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, July 2011); Alexander Kupatadze, “Organized Crime Before and After the Tulip Revolution: The Changing

tifies as “combined roofs.”<sup>32</sup> This institutional arrangement reflects the synergism in the motive and behavior of the police and organized crime. As a result, the tribute collected is greater, the profits have increased and the prices for police offices have gone up.

### Ineffective Monitoring, or Office as a Franchise?

A conventional depiction of the weak organizational integrity in states such as Kyrgyzstan runs along the following lines: Weak central monitoring has negative consequences for the state’s organizational integrity, and bolsters the opportunities for officials to take advantage of their officialdom for private purposes. There is certainly an element of truth to this characterization. For instance, interviewed officials from the central tax administration provided vivid illustrations of the many difficulties encountered in exercising vertical monitoring within the administration. One aspect concerns monitoring the activities of tax inspectors from regional and district offices. An official in the central tax administration said:

A very difficult part of [the] work is to control how local tax inspectors carry out their work. They organize the most generous receptions. You have to eat and drink until very late in the night, then in the morning you have to control their work.<sup>33</sup>

Said another:

There were cases when I saw that the district inspection had problems. I told them to bring the head of the inspection to me for a meeting, but he did not show up. Later the same day I was invited to someone’s home for lunch. It was only after the lunch that I found out that the host was the head of the local office. Under these conditions, finding information and controlling revenues were always very difficult.<sup>34</sup>

Thus, the lack of elementary vertical control within the state apparatus is a general feature of the Kyrgyz law enforcement system, which increases the impunity of street-level inspectors.

The low level of material and technical standards is another factor inhibiting greater administrative coherence, which would decrease the opportunities for street-level officials to engage in “freelance” activities of various kinds. In interviews, tax officials complained about suffering from a persis-

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Dynamics of Upperworld-Underworld Networks,” *Central Asian Survey* 27, no. 3 (2008): 279-299.

<sup>32</sup> Vadim Volkov, *Violent Entrepreneurs: the Use of Force in the Making of Russian Capitalism* (Ithaca: Cornell University Press, 2002), 170.

<sup>33</sup> Author’s interview with official in the central state tax administration, Bishkek, May 21, 2007.

<sup>34</sup> Author’s interview with former tax official/businessman, Colpon-Ata, July 2008.

tent lack of funds for modernizing their working procedures. For example, no nationwide computerized register exists, and there is a lack of efficient phone and postal communications between different regions.<sup>35</sup> As of 2007, only 16 out of 64 regional, city and district offices were equipped with computers, and a lack of sufficient computer skills means that the work continues to be manual and paper-based.<sup>36</sup> In the absence of computer programs, regional inspectors have to search among millions of folders.<sup>37</sup> The lack of standardization of programs for collection and working procedures throughout the territory means that no centralized tax structure exists in the country. It is only in Bishkek that some modernization of the tax administration has been carried out thanks to a modernizing grant from the Asian Development Bank (ADB), while in the three southern oblasts of Jalal-Abad, Osh and Batken, as well as the northern oblasts of Naryn and Issyk-kul, tax operations follow a different logic.<sup>38</sup>

A weak central monitoring suggests state weakness. But does state weakness tell us the whole story or could the impunity of public servants be understood differently? I argue that while ineffective monitoring enables us to understand some of the discretionary powers of civil servants, it fails to capture the important links connecting officials at various levels of the commercialized state hierarchy. On the other hand, a parallel to a licensing of a franchise system indicates what is often taking place. In a way, holding a tax office can be compared to acquiring the right to use the authority, mandate and resources of the state for personal gain. For obtaining the license, the licensee is required to provide the combination of paying a fee and proving a tangible capability (loyalty) to the licensure. A former member of the parliament specified the logic:

The top jobs are customs and tax offices, law enforcement state agencies on each level - national, regional and local – state-owned enterprises and all lucrative places. Therefore, for instance senior members of the interim government struggled for customs office precisely after coup. Usually nominees should pay in advance and after appointment provide money regularly each month to recruiter and boss.<sup>39</sup>

An analytical interpretation of the relationship between seller and buyer in terms of a license-like agreement is further supported by the former head of

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<sup>35</sup> Respondents estimated that on average there is one computer for five tax officials.

<sup>36</sup> Asian Development Bank (ADB), "Proposed Asian Development Fund Grant and Technical Assistance Grants Kyrgyz Republic: Tax Administration Reform and Modernization Project," May 2007.

<sup>37</sup> Author's interview with tax district official, Bishkek, June 7, 2006. Also, see ADB, "Tax Administration Reform and Modernization Project."

<sup>38</sup> Author's interviews with tax district official, Bishkek June 7, 2006 and official in the central state tax administration, May 30, 2008.

<sup>39</sup> Author's conversation with Bakyt Beshimov, former member of Kyrgyz parliament, January 7, 2011.



the tax administration, Tokotobek Akmatov. In an interview with the Kyrgyz newspaper Bely Parokhod, he revealed the complex and sophisticated situation in the tax administration in very interesting terms, which is therefore worth quoting at some length:

When I took up my current position [director of the state tax inspectorate], the first thing I did was to gather all the heads of regional and district inspections, and openly talked to them about ... our burden. For example, why have we established the practice that on 18<sup>th</sup> each month ordinary inspectors, especially those inspecting shops and restaurants, must pay a kind of tribute of 15,000 soms to their chiefs? You can take money wherever you want and how you want, but you must pay. In personal conversations with inspectors, I asked how you with a salary of 2,000 [soms] can give 15,000 [soms]? What is left for living, housing and family? The answer is 5-7,000. A similar situation exists in the units of external controls. There work an average of 25-27 people, and each of them on the 24<sup>th</sup> each month should give \$300 to bosses. Such was the rate in the city. And then – as with steps – the money went to the top of the hierarchy. Oblast inspections, in their turn, gave five and a half thousand dollars a month. Can you imagine? ... Recently ... there was a meeting in the South with the participation of a few members of the parliament. We talked about work ... At this moment one of the heads of inspection stands up and says: It is thanks to you that this practice has been abolished. Now we do not have to go on the 20<sup>th</sup> every month to Bishkek to pay. If we did not [pay], we would have to say goodbye to our work.<sup>40</sup>

Essentially then, the practice is far more organized than what first appears to meet the eye. In the first step, ordinary inspectors are obliged to provide continuing payments to their superiors at a set date every month. In turn, the superior is obliged to undertake a monthly trip to the capital in order to pay his superiors. In sum, office can be understood as a license to collect proceeds granted to an individual in return for regular charges to a superior. This metaphor is especially pronounced in law enforcement bodies. In the words of former minister and current parliamentarian Akylbek Japarov: “Prosecutor’s offices, courts and police are corporations where money flows bottom-up.”<sup>41</sup> In other words, the informal financial exchange tying together different levels of the state hierarchy is significantly more sophisticated than simply allowing us to dismiss corruption in Kyrgyzstan as a chaotic and uncontrolled distortion.

To summarize the three components discussed here – remuneration by fees, administrative rights and the licensing of offices – all have certain simi-

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<sup>40</sup> “Kak budet reorganizovana nalogovaya sluzhba,” Interview with Toktobek Akmatov, Director of the State Tax Inspection, *Kriminal’nye khroniki Kyrgyzstana*, available at <http://biom.org.kg/bribe/106-kak-budet-reorganizovana-nalogovaya-sluzhba.html>.

<sup>41</sup> “Akylbek Japarov: Kyrgyzstan – edinstvennaya strana, gde berut vzyatki i u obvinyayemykh, i u poterpevshikh,” *24.kg*, June 27, 2011, available at <http://mirror24.24.kg/community/103626-akylbek-zhaparov-kyrgyzstan-ndash-edinstvennaya.html>.

larities with the historical practices known as “office farming” and, in the case of tax collection, “tax farming.”<sup>42</sup> Yet, the “tax farming” parallel requires a cautionary note. In the tax farming contract, a private tax collector pays the government a fixed amount (generally determined by auction) for the right to collect a certain tax, which keeps the remaining revenues in a particular territorial area.<sup>43</sup> In our case, the relationship between the principal and agent in the contract is continuous and reciprocal, as officials are not free to dispose collected proceeds at will, but understand that they need to continuously share the proceeds with superiors. Moreover, although the type of revenue-related bonuses offered to collectors in Kyrgyzstan, as well as the license-like agreement, are similar to tax farming, there is an important difference in the sense that the collector is subject to the hierarchical organization and constraints of the state, and is not a private farmer with no such administrative constraints.<sup>44</sup> Finally, tax farming was perceived as an efficient solution to state tax collection problems and a way of financing the state treasury. Of course, there were inherent flaws in this system in comparison to a standardized and hierarchically controlled modern tax administration, not least due to the existing tension between the long-term revenue maximizing interests of the ruler and the tax farmers’ ambition to make a profit on their investment as quickly as possible due to the limited time period they were granted this right (normally three years). In Kyrgyzstan, the interest of the principal and the agent is in fact less conflicting with regard to the motive, i.e. to make personal profit. Consequently, the link between the state treasury and the investment into the legal right to collect revenues is much less pronounced, and does not primarily serve as a mechanism to finance the state budget, instead creating an unofficial market in exchange for the proceeds collected.

## Why the State is Valuable for Elites

It is plausible to argue that investments made by street-level bureaucrats are primarily survivalist in nature, and only provide relatively small returns. The really profitable market is located at the highest echelons of state power. At the top level, the main “resource” is influence over the political, judicial and economic system, and potential profits are in the millions of dollars. The key is the supremacy of politics. The one who controls the state and its constitu-

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<sup>42</sup> Max Weber, *Economy and Society* (Berkeley: University of California Press, 1978), 965-966.

<sup>43</sup> Edgar Kiser, “Markets and Hierarchies in Early Modern Tax Systems: A Principal-Agent Analysis,” *Politics & Society* 22, no. 3 (1994): 284-315; Eugene N. White, “From Privatized to Government-Administered Tax Collection: Tax Farming in Eighteenth-Century France,” *Economic History Review* 57, no. 4 (2004): 636-663.

<sup>44</sup> Peter Stella, “Tax Farming: A Radical Solution for Developing Country Tax Problems?” *Staff Papers – International Monetary Fund* 40, no. 1 (1993): 217-225.

tive organs uses this leverage to construct economic monopolies. Likewise, those who start out their careers in the business field subsequently enter politics to protect and monopolize their holdings. There are two principal reasons for why representation in the state is seen as the most profitable way to invest and earn. First, there is the privatization of the state, meaning that the state has essentially turned into a private market. Decision-making policies, regulations, fiscal affairs and the enforcement of rules have turned into commodities largely at the private disposal of officials. Second, acquiring an office is an elite insurance strategy. Elites seek direct access to the state in order to protect, or at least reduce, the vulnerability of their property and wealth from the ruler and/or other competitors.

## Economic Assets of the State

Let us start with an examination of how the value of the state has evolved since independence and how access to the state has become necessary for the opportunity to earn and invest. In the Soviet system, wealth was concentrated in the hands of the state and the Communist Party. When the Party dissolved, a myriad of competing interests on the central level of state power immediately emerged out of the nomenklatura ruling elite. To use the terminology of Mancur Olson, the collapse of the Soviet Union implied a transfer from a rather homogeneous stationary Soviet bandit to a post-Soviet system featuring a number of competing elite actors engaging in competition for authority, and control, if not theft, of the state's economic resources.<sup>45</sup> At the time of independence, President Akaev had to therefore confront different interests and branches of the government that had previously been parts of the vast Communist Party apparatus. The ultimate price for elites within the state was access to the economic resources belonging to the state. There is largely a consensus in the literature that the main winners in the initial phase of rapid privatization of economic assets in post-communist countries were the old nomenklatura officials. Upon the collapse, "administrative capital was converted into economic capital."<sup>46</sup> As a representative of the Kyrgyz business community expressed, "these people were not brought up as businessmen, but profited from privatization because of their political positions."<sup>47</sup> The enrichment of a small elite was extensive in the 1990s, and in 1993 just weeks before his ouster due to corruption charges, Prime Minister

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<sup>45</sup> Mancur Olson, "Why the Transition from Communism is so Difficult," *Eastern Economic Journal* 21, no. 4 (1995): 437-461.

<sup>46</sup> Georgi Derluguian, *Bourdieu's Secret Admirer in the Caucasus: A World System Biography* (Chicago: University of Chicago Press, 2005), 140. Also see Venelin I. Ganey, *Preying on the State: The Transformation of Bulgaria after 1989* (Ithaca: Cornell University Press, 2007), 66-67.

<sup>47</sup> Author's interview with Ainura Cholponkulova, Chairwoman Kyrgyz-American Chamber of Commerce, Bishkek, February 18, 2006.

Tynychbek Chyngyshev said that “almost everything of any value in Kyrgyzstan has already been stolen.”<sup>48</sup>

Initially, Akaev presided over a very heterogeneous system of governance. In a book authored by Kasym Isaev, the head of the Department for External Relations and Foreign Investments, who was directly under Prime Minister Apas Jumagulov (1993-98) in the mid-1990s, the hyper-fragmentation of the government is the outstanding feature. The country appeared to have had as many governments as there were ministries and committees. The story portrays President Akaev as an abstract figure weakly attached to the actual implementation of policies, and underneath him the picture described is one of a total absence of coordination – and the functioning of the government was left to the whims of various personalities. Consequently, the State Property Fund did one thing, the Ministry of Finance another and the Ministry of Interior and the Foreign Ministry yet something completely different.<sup>49</sup> In this environment, Prime Minister Jumagulov is depicted as devoid of any real authority over his cabinet or as the person signing government decrees “without looking” at them. To this, we should also add the interests of the powerful presidential administration paralleling the cabinet of ministries, and it is clear that the central structures of the newly independent state were operating as the lawless private fiefdoms of their lords (ministers and heads).<sup>50</sup>

Despite the unfair favoring of insiders, the liberalization of the economy helped to spread wealth in Kyrgyz society in the early transition. Far from all of the Soviet-era party and bureaucratic elites were able to successfully adapt to the new economic reality, and some found it difficult to retain their powers and social statuses.<sup>51</sup> Indeed, in tandem with privatization, new spheres of economic activity mushroomed, particularly in trade and services. As a result, a new group of businessmen prospered outside of the ruling coalition in those states that, like Kyrgyzstan, introduced significant economic reforms after independence. According to Scott Radnitz:

... early economic reforms and flirtation with democratic reforms shaped a more favorable environment for the private accumulation of capital and network formation among elites. New economic and political elites arose with their own ambitions and source of political power.<sup>52</sup>

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<sup>48</sup> Martha Brill Olcott, *Central Asia's New States: Independence, Foreign Policy, and Regional Security* (Washington, D.C.: United States Institute of Peace Press, 1996), 103.

<sup>49</sup> The same information was communicated in an author interview with Talaibek Koichumakov, former Minister of Finance, Bishkek, May 18, 2006.

<sup>50</sup> Kasym Isaev, *‘Vostok – delo tonkoe’ ili litso Kyrgyzskoi vlasti glazami ochevidtza* (Bishkek: TAS, 2006).

<sup>51</sup> Gil Eyal, Iván Szélenyi and Eleanor Townsley, *Making Capitalism Without Capitalists: The New Ruling Elites in Eastern Europe* (London: Verso, 2000).

<sup>52</sup> Scott Radnitz, “It Takes More than a Village. Mobilization, Networks, and the State in Central Asia” (PhD diss., Massachusetts Institute of Technology, 2006), 78.

With many of the economic assets in the resource-poor country divided early on, elites subsequently turned their attention to exploiting the state itself.

## The Power of Decision-Making and Enforcement

What changed in the latter part of the 1990s was that the ruling regime used the powers of the state to reverse the trend of relative economic dispersion. As a result, the relatively independent business elite that showed signs of developing in tandem with the introduction of market mechanisms in the first years of independence was swiftly defeated. The opinions of some officials at the highest level of power under Akaev are instructive. A former minister reflected:

In the first 4-5 years, Akaev was going in the right direction. But in the second half of the 1990s the influence of his family got stronger, and from 1998 he dropped the idea of democracy ... The Akaev family gradually took control over the economy and corruption. This control was a terrible mistake, a disastrous way of destroying national businesses. The independent business elite that showed signs of developing strongly in the first years of Akaev's rule were defeated and had to go into politics to protect themselves against the political leadership.<sup>53</sup>

Another former Akaev minister argued that, "businessmen who paid the full amount of taxes were outcompeted since they could not compete on the market with 'favored' companies who had access to political decision-makers."<sup>54</sup> Finally, a minister in the post-Akaev government who also held high-level positions under Akaev argued that independent businesses did not have to be particularly big in order for the presidential family to try to control them. Even successful restaurants and shops were targeted.<sup>55</sup> In 2003, Anders Åslund noted that "Kyrgyzstan's key governance problem is, untypically, its defense of big private enterprises."<sup>56</sup>

Law enforcement bodies were formidable tools for amassing resources. According to an Akaev-era colonel in the security service, the presidential family destroyed the national law enforcement system and replaced it with a corrupt law enforcement clan. The highest leaders of law enforcement agencies were appointed by Akaev to protect the interests of the presidential family and its entourage. The administration of the National Security Service is a

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<sup>53</sup> Author's interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 25, 2007.

<sup>54</sup> Author's interview with Talaibek Koichumanov, former Minister of Finance, Bishkek, May 18, 2006.

<sup>55</sup> Author's interview with Akylbek Japarov, Minister of Economic Development and Trade, Bishkek, July 7, 2008.

<sup>56</sup> Anders Åslund, "The Kyrgyz Republic: Improve Governance and Expand Exports," UNDP Report, May 2003, available at [www.carnegieendowment.org/publications/index.cfm?fa=view&id=1281](http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1281).

particular case in point. From the late 1990s, the National Security Service under Akaev protégés turned into an amorphous body that duplicated the functions of the fiscal police in order to assist the presidential family's ascription of resources.<sup>57</sup> Insecure property rights were part and parcel of the evolving system, and law enforcement agencies were sanctioned to raid businesses in order to force owners to sell, for otherwise their businesses would be confiscated.

During the late Akaev era, and even more significantly under Bakiev's rule, these attacks were refined through government sanctioned "reiderstvo," that is, raids or hostile takeovers of valuable resources. Seizures through raids may include important business assets like land, property and contracts, or even licenses, patents, inventions or specific companies. The main difference compared to the early 1990s was that the raiders were no longer private crime groups, but public officials.<sup>58</sup> In a revealing article, lawyer Oleg Pankratov argues that the target is often a special key enterprise in a profitable sector of the economy. This enterprise in turn provides a stepping stone for launching more attacks and absorbing more enterprises within that particular industrial sector or related industries. Raids are also solely conducted for short-term financial benefits, i.e. businesses are taken over just to be sold for profit without any intention of doing any business.<sup>59</sup>

According to Pankratov, raiders are usually disguised as investment companies, while in reality they are government officials: "Under the pretext of upholding the national and public interest, government agencies actively execute these raids."<sup>60</sup> Pankratov notes that a common example is when law enforcement agencies start pressuring a certain business, either on their own or on behalf of some other government officials. The practice is highly efficient since the system is constructed in a manner that means that virtually everyone is guilty of some crimes, most likely tax evasion. After being harassed and subject to the initiation of criminal cases by law enforcement agencies, many owners succumb and sell their shares at a low price, after which the criminal case is normally dropped.<sup>61</sup>

Thus, the key is that the major asset displayed by raiding corporations is not financial strength, but political resources; raiders are high-ranking officials who control administrative resources. The practice of "reiderstvo" illustrates how political power easily translates into economic wealth in Kyrgyzstan. Importantly, raiders differ from traditional racketeers in that:

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<sup>57</sup> Interview with Alik Orozov in *Litsa*, May 17, 2007.

<sup>58</sup> Criminals try to engage in similar practices at times but systematically organized raids with impunity can be traced back to government officials and law enforcement agencies.

<sup>59</sup> Oleg Pankratov, "Reiderstvo kak novoe yavlenie v ekonomike Kyrgyzstana," *Nalogi i pravo* 9, September 2009.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

The most important form of crime against businesses in the 90s in Kyrgyzstan and the CIS countries was racketeering, that is, forcing the entrepreneur to pay tribute for the security of his business. In some cases, this was accompanied by the direct capture of businesses, formally or informally. Rackets can be considered the prototype of the current raid. However, there is a big difference between racketeering and corporate raiding. ... The raider uses the power of state structures for his own purpose, making them essentially complicit in the actions. ... In Kyrgyzstan, it has emerged in the early 21st century and was gaining momentum after the March 2005 events. Although before these events, raids took place, like the seizure of the newspaper "Vecherniy Bishkek." The revolution in 2005 directly contributed to the redistribution of property because they were accompanied by the slogans "steal back the stolen" and "down with the corrupt regime," and based on the fact that the former class of owners "got rich at the expense of the people" using the power of the state.<sup>62</sup>

While the racketeer leans on the threat of physical violence aimed at forcing businesses to pay tribute, the raider, while also sometimes violent, prefers to act through state organs, especially law enforcement agencies and the judiciary, giving the practice a veneer of legality. State officials and raiders are either one and the same person, or non-state raiders collude with officials in executing the act. In any case, for the corporate raiding business to be successful, the involvement of government officials in some way or another is necessary.<sup>63</sup> Furthermore, the price, i.e. the wholesale takeover of businesses, is much greater than that of the tribute collection associated with racketeering.

The person who took "reiderstvo" to a new level in Kyrgyzstan was Maksim Bakiev, the younger son of President Bakiev. A Kyrgyz businessman commented on his personal experience with Maksim's team:

Being a businessman under Bakiev's regime was very tough. We had no chance to breath. There were no limits in what they tried to control. Everything had to go under the family. They had a crew of experts who collected information on every profitable business. In the first instance, regular persons are sent to come to talk to you. They could say: we allow you to work, but you have to do this and that. If you exceed these limitations, then, first the tax committee would come and in the next stage the financial police will be set loose and check everything. They artificially pressured you to run into bankruptcy.<sup>64</sup>

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<sup>62</sup> Interview with Nurlan Sadykov, director of the Institute of Constitutional Policy in "Reiderstvo – kak podumat' ob oborone do nachala voyny?" *Otkrytyi Kyrgyzstan*, February 9, 2009, available at [www.open.kg/ru/theme/interview/?theme\\_id=85&id=87](http://www.open.kg/ru/theme/interview/?theme_id=85&id=87).

<sup>63</sup> "Zherstvy reiderov hodyat ryadom," *MSN*, July 30, 2010, available at [www.msn.kg/ru/news/32982/](http://www.msn.kg/ru/news/32982/).

<sup>64</sup> Author's interview with Kyrgyz businessman in the petroleum sector, Washington, D.C., September 8, 2010.

On the follow-up question of whether his company complied, the response was: “Of course, because there was no alternative if we wanted to remain in business.”<sup>65</sup>

After Bakiev was toppled in April 2010, competitors for power immediately engaged in attempts to redistribute wealth and power through hostile takeovers. Media outlets, cell phone operators, petroleum companies and banks were some of the businesses raided by teams belonging to competing politicians.<sup>66</sup> All of these concrete cases are part of a larger redistribution of properties which has been ongoing since April 2010. As a Kyrgyz expert sighed, “new people, the same practices.”<sup>67</sup> To repeat, the subtleness of government raids is that they take place underneath a veneer of legality. The use of the state machinery and its law enforcement organs render the target largely defenseless. Thus, although economic assets are redistributed in this manner, it is the control or influence over the state as a source of legitimacy and legality that makes the claims on assets possible. In short, accumulation of wealth through these methods is generally beyond the claims of ordinary crime groups. Changes in high political offices are regularly followed by changes in the ownership of the most lucrative companies.<sup>68</sup> In this system, courts are often reduced to an instrument of legitimizing illegal business takeovers.

A few quotes from various interviewees capture the essence of the phenomenon and the terminology used to describe it. In the opinion of a former police officer: “There has never been a regular mafia in control of Kyrgyzstan. Our ‘mafia’ can rather be characterized as political, and consists of bandits at the highest level of state power.”<sup>69</sup> A similar assessment was made by a high-level government official, who argued that: “In other countries the mafia is always separate from the government. Here the situation is another. We have to fight it in another way since it has political power.”<sup>70</sup> A third view, echoing these statements, comes from an entrepreneur: “In comparison to the political mafia that enacts laws, controls the economy and law enforcement organs, organized crime groups are small potatoes.”<sup>71</sup>

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<sup>65</sup> Ibid.

<sup>66</sup> Author’s interview with Kuban Ashyrkulov, Executive Director International Business Council, Washington, D.C., October 26, 2010.

<sup>67</sup> Author’s interview with Bakyt Beshimov, former member of parliament, Boston, Ma., October 12, 2010.

<sup>68</sup> Kumar Bekbolotov and Shairbek Juraev, “The Dangers of Property Redistribution,” *Kyrgyzstan Brief 2*, Bishkek: Institute for Public Policy, December 2005-January 2006; Author’s interview with Kuban Ashyrkulov, Executive Director, International Business Council in Kyrgyzstan, Washington, D.C., October 26, 2010.

<sup>69</sup> Author’s interview with former assistant to the Minister of Internal Affairs, Bishkek, July 2, 2009.

<sup>70</sup> Author’s interview with Tursunbai Bakir uulu, Ombudsman of the Kyrgyz Republic (2005-08), Bishkek, May 18, 2006.

<sup>71</sup> Author’s interview with Kyrgyz businessman, Bishkek, July 20, 2009.



## Access to the State and the Protection of Wealth

When courts are politicized and unable or unwilling to protect property rights, seeking access to the state becomes an insurance strategy for elites. The parliament appears to have been the major political arena through which the process of protecting wealth was played out. After Akaev successfully orchestrated the dissolution of the Soviet-elected first parliament, which had been a particularly strong source of constraints on presidential power in the first years of independence, a new much smaller, and fundamentally differently constituted, legislative assembly was elected in 1995. At the time of its inauguration, only six of the deputies had previous parliamentary experience. Rather than Soviet-trained deputies, the dominant faction in the new parliament was the emerging post-Soviet class of politicians/businessmen with a strong geographically-defined political support base. Many of them had made their wealth from transactions on the outskirts of the legal framework. It has been reported that following the 1995 parliamentary elections, nearly 30% of the new deputies were being investigated by the State Prosecutor's Office for illegal financial activities, prompting a Western analyst to note that parliamentary immunity from further investigation and criminal prosecution provided corrupt businessmen and criminal figures with incentives to seek election to the legislature.<sup>72</sup> Eugene Huskey noted the change brought about with the 1995 elections:

If the 1995 parliamentary elections represent a defining moment, it is not in the consolidation of democracy, but in the criminalization and regionalization of politics in Kyrgyzstan. The entry of large numbers of corrupt businessmen into the legislature was certain to complicate attempts by Akaev to clean out his administration and to make less likely elite adherence to democratic rules and procedures. To insure its sway over the distribution of such products as tobacco, alcohol, petroleum, and opium, "the mafia" already participates in the political process inside the country.<sup>73</sup>

In the subsequent elections in 2000 and 2005, respectively, the influence of criminal interests over the parliament consolidated. Informants vary in their estimations, but according to some experts at least a handful, perhaps up to a dozen, of the 75 members of the parliament elected in 2005 had connections with organized crime, either as direct leaders of organized crime groups or by providing *krysha*<sup>74</sup> ("roof") for the interests of organized crime.<sup>75</sup>

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<sup>72</sup> Ian Pryde, "Kyrgyzstan's Slow Progress to Reform," *The World Today*, June 1995, 115.

<sup>73</sup> Huskey, "The Fate of Political Liberalization," 265.

<sup>74</sup> The Russian term *krysha* is derived from the criminal world, and is regularly used among local observers to refer to protection from the state or competitors.

<sup>75</sup> All in all, after the Tulip revolution five lawmakers, all reputedly linked to organized crime, were assassinated.

Anthropologist Boris Petric has noted how the parliament developed into an increasingly powerful branch of the Kyrgyz government.<sup>76</sup> However, as Regine Spector notes, the parliament's political power became less connected to its legislative duties than its mutation into an extralegal state body for protecting legally questionable or plainly illegal transactions<sup>77</sup> through direct influence over lawmaking, the use of immunity from prosecution, networking and vote trading, as well as information-gathering help to protect property rights for special interests through representation in the legislature.<sup>78</sup> For example, it has been claimed that President Bakiev initially controlled the unruly parliament elected in 2005 by financial means. According to one parliamentarian, certain policies and ministerial candidates were approved by a sufficient number of parliamentarians in exchange for individual payments in the range of \$5,000-10,000.<sup>79</sup>

The assistant to the minister of internal affairs referred to Sanjarbek Kadyraliev, who was identified as the leader of one of the most influential organized crime groups in the southern capital Osh and a member of the national parliament from 2005 until his assassination in March 2009, as an illustration of how a parliamentary seat transformed the status of one of the country's most well-known criminal authorities:

He [Kadyraliev] was registered by the police as an official leader of organized crime in Osh. Then he became a member of parliament [2005], acquired immunity and had to be removed from the list of wanted criminals. His younger brother is still an open criminal who tries to control organized crime, including racketeering bazaar traders, in Osh.<sup>80</sup>

According to some local observers, a seat in the parliament during the late Akaev era started serving as one of the most powerful tools for protection against tax authorities, the financial police and even the political leadership.<sup>81</sup> Securing special access to the state translated into an advantage against competitors. Yet, failing to follow, or disloyalty to, the informal rules was associated with risks spanning from bankruptcy, threats and blackmailing to

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<sup>76</sup> Boris-mathieu Pétric, "Post-Soviet Kyrgyzstan or the Birth of a Globalized Protectorate," *Central Asian Survey* 24, no. 3 (2005): 323-325.

<sup>77</sup> Cf. Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge, MA: Harvard University Press, 1993).

<sup>78</sup> Spector, "Securing Property in Contemporary Kyrgyzstan," 165.

<sup>79</sup> Author's interview with Melis Eshimkanov, member of Kyrgyz parliament, Bishkek, June 2, 2006.

<sup>80</sup> Author's interview with assistant to the Minister of Internal Affairs, Bishkek, May 26, 2007, re-interviewed July 24, 2008.

<sup>81</sup> Author's interviews with Kyialbek Toksonbaev, National Democratic Institute, Bishkek, February 6, 2006, Shairbek Juraev, Institute for Public Policy, Bishkek, February 10, 2006, Azamat Ababakirov, Press and Public Information Officer OSCE center, Bishkek, May 28, 2008.

the actual use of force.<sup>82</sup> Both Akaev and Bakiev frequently used these strategies to maintain order.<sup>83</sup> In this sense, the right to profit on budgetary resources granted to certain individuals and groups is conditional, and requires political loyalty, paybacks and services.

### **Magnates in Politics**

The rise of magnates in politics largely stems from two factors. First, from the mid-1990s, the early privatization started to pay dividends. The amount of money circulating in the system increased exponentially and drove the process of marketization of the state. Second, as a consequence of the ruling technique initiated by Akaev's informal policies, larger businesses could hardly survive without access to the state and decision-makers. Thus, the effects of privatization and the regime attacks on private property combined to produce a burgeoning fusion of politics and business in Kyrgyzstan. This fusion is revealed from lists of the country's 100 wealthiest individuals. In an unscientific survey by the respected Central Asian newspaper *Fergana*, readers were asked to nominate people to the list, and experts from around the country winnowed it down to 100. The survey was conducted for three straight years from 2002-04. Similar, more recent lists have been compiled by the newspapers De-Fakto (2008) and Asman-Press (2009), although based on less clear procedures. While these rankings should be handled with some care since they do not represent any exact assessments, they still indicate the monopoly on wealth and power held by this new type of "politicians/businessmen" and the absence of any separation between politics and capital. A closer look at the Fergana list from 2002 demonstrates that approximately 80% of the individuals in the list either held or had held political office, such as being a member of parliament, a ministry post, or other profitable state-connected positions such as a head of a state-owned company, a rector of a university or a director of a medical establishment. A handful led smaller political parties or had unsuccessfully run for seats in the legislature.

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<sup>82</sup> Keith Darden, "Blackmail as a Tool of State Domination: Ukraine under Kuchma," *East European Constitutional Review* 10, no. 2-3 (2000): 67-71.

<sup>83</sup> Law enforcement as a tool against potential political rivals became a frequent practice. The most notable case was the imprisonment of Akaev's main rival Felix Kulov, on charges of embezzlement and abuse of power. According to the beliefs of international and local observers the verdict was politically motivated. Other cases included political activist Topchubek Turganaliev convicted of economic crimes and successful shady businessman-politician Daniyar Usenov whose business empire was targeted by the machinery of law enforcement bodies in the build-up to the 2000 presidential election. See International Crisis Group, "Political Transition in Kyrgyzstan: Problems and Prospects," *Asia Report* 81, August 11, 2004. Or in the words of prominent journalist Zamira Sydykova, the judiciary was used against competitors who found themselves charged for "God only knows what." See her *Za kulisami: demokrati po-kyrgyzski* (Bishkek: Res Publika, 1997), 31. On Bakiev's more ruthless and violent tactics, see commentaries by Bakyt Beshimov, Omurbek Tekebaev and Jenishbek Nazaraliev in *Al Jazeera English*, "People and Power – Kyrgyzstan: Price of Corruption," August 5, 2009; Erica Marat "Kyrgyzstan," in *Nations in Transit 2009* (New York: Freedom House, 2009), 296-297.

Of the remaining individuals, a few were promoted to top-level government positions after the fall of the Akaev regime, including ministerial posts. The approximate number of individuals on the list who were more independent businessmen with no obvious direct ties to the state or politics was in the single digits. The subsequent lists confirm the lack of separation between politics and business, with the only change being the advancement of more recent politicians and civil servants and/or new businessmen turned politicians.<sup>84</sup>

Consequently, a new group of businessmen/politicians has increasingly replaced the old nomenklatura in the state government in Kyrgyzstan. The three leading figures in the new coalition government formed in December 2010, including Prime Minister Almaz Atambaev, First Deputy Prime Minister Omurbek Babanov and Speaker of the Parliament Akhmatbek Keldibekov, all made their name as successful businessmen before entering politics to combine business activities with political influence. What has emerged in the process is clearly not the expected market-oriented capitalism, but a politically-oriented capitalism. Out of necessity, all of the big economic entities in Kyrgyzstan are also political organizations. As a result, the strongest politician concomitantly needs to be the biggest business executive. "Businesses have administrative resources. Power is motivated by money."<sup>85</sup> While the close ties between politics and business is common throughout the post-communist sphere, a characteristic feature in Kyrgyzstan is the fact that the country's major financial-industrial leaders are concomitantly the leading politicians. This direct and bluntly overt role in politics contrasts with many of the financial-industrial groups sponsoring certain political leaders or parties behind the scenes in countries like Russia and Ukraine.<sup>86</sup>

Another characteristic is that Kyrgyzstan's shadow economy fosters a complexity not captured by conventional modeling on the shadow economy that departs from a separation between the official and unofficial spheres. Jeffrey Sachs advocates a simple model, in which the economy is either in a good equilibrium (official sector) or bad equilibrium (unofficial sector):

A firm can choose to go underground to evade taxes. In doing so, however, the enterprise loses some of the public goods provided by the government, such as police protection, enforcement of contracts, and ready access to the banking system. A firm should balance the benefits of the public good against the costs of tax payments. Its decision depends on what other firms

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<sup>84</sup> Author estimates based on "100 samykh bogatykh lyudei Kyrgyzstana 2002 goda," *Fergana*, October 25, 2002, available at [www.ferghana.ru/article.php?id=1004](http://www.ferghana.ru/article.php?id=1004). See Appendix 1 for the complete list and the short bios of the individuals included in Fergana's 2002-04 surveys, De-Fakto's ranking "100 samykh bogatykh lyudei Kyrgyzstana," March 27, 2008 and Asman-Press, April 9, 2009, available at <http://www.report.kg/people/199/>.

<sup>85</sup> Bakyt Beshimov, "Tandem 'Vlast'-Oppozitsiya' v 2007 godu," *Kyrgyzstan Brief* 9 (Bishkek: Institute for Public Policy, March-April 2007), 7.

<sup>86</sup> On Russia, see Henry E. Hale, "Why Not Parties? Electoral Markets, Party Substitutes, and Stalled Democratization in Russia," *Comparative Politics* 37, no. 2 (2005): 147-166.

are doing. If other firms are paying their taxes, the government is able to provide a significant scale of public goods. In that case, it pays to remain legal. But if other firms have stopped paying their taxes, the state is in near-collapse and cannot provide public goods on a significant scale. The firm sees no reason to keep paying taxes and goes underground.<sup>87</sup>

The Kyrgyz logic can be interpreted as the opposite: Here, large enterprises that do not pay taxes still have access to public goods like police protection, enforcement of contracts and access to the banking system because they have political influence. Hence, in order to understand the tax dilemma in Kyrgyzstan, the near complete disentanglement of exchanging tax payments in return for public goods, in addition to the fusion of political power and the shadow economy, are critical components. Therefore, the shadow economy is a case in point: a widespread social practice and an integral feature of the economic and political system, rather than a transient phenomenon.<sup>88</sup>

## Alternative Investment Markets

Individuals seeking to invest their saved or borrowed money in the hope of making a profit have to make a choice regarding which market to invest in. As indicated above, an important motivation for investing in public office is the lack of alternative avenues to enrichment. A market for making profits out of controlling state regulations, decision-making procedures and enforcement practices has emerged. In this system, there are virtually no markets outside the orbit of the state and its high-ranking officials.

The financial system in Kyrgyzstan is dominated by an underdeveloped banking sector. The state-controlled banking sector inherited from the Soviet system was cautiously restructured in the 1990s, but faced a serious crisis partly related to the aftermath of the 1998 Russian financial crash. Three of the four largest banks collapsed, with a total of half of the country's 16 commercial banks going out of business during the period from 1998-2001. The public suffered and lost confidence in the banks. Banking sector assets fell from \$160 million before the crisis to \$90 million by the end of 2000. The banking sector was reconstructed in the 2000s, and began to recover under the heavy influence of banks from neighboring Kazakhstan.<sup>89</sup> Until

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<sup>87</sup> Jeffrey D. Sachs, "Russia's Struggle with Stabilization: Conceptual Issues and Evidence," *Proceedings of the World Bank Annual Conference on Development Economics 1994* (Washington, D.C.: The World Bank, 1995), 60.

<sup>88</sup> Akylbek Japarov, *Problemy sovershenstvovaniya nalogovoi politiki Kyrgyzskoi Respubliki* (Bishkek: Sham, 2004), 1. This description is backed by some tax officials who claim that the biggest tax evaders are government officials. Author's interview with tax district official, Bishkek, June 7, 2006 and former tax official/businessman, Cholpon-Ata, June 27, 2008.

<sup>89</sup> Richard Pomfret, *The Central Asian Economies Since Independence* (Princeton: Princeton University Press, 2006), 77-78; Kazimierz Kloc, "Banking Systems and Banking Crises in Ukraine, Georgia, and Kyrgyzstan," *Problems of Economic Transition* 45, no. 8 (2002): 6-71.

late 2007, deposits grew and dollarization fell. However, following the effects of the global economic crisis, the dollarization of deposits increased again, while overall bank deposits fell.<sup>90</sup> The inherent instability of the banking sector was again brought into the limelight in the aftermath of the fall of the Bakiev regime in 2010. The country's largest bank, the Asia Universal Bank, which had nearly 50% of all financial system deposits prior to April 7 and was believed to have been closely associated with the president's son Maksim Bakiev, was liquidated, and a number of other smaller banks were put under opaque temporary administration by the government.<sup>91</sup>

Because of this, citizens have a tenuous and suspicious attitude towards the banking system, and most investments and savings are outside the banking system. Cash holdings are substantial, and the dollar in particular has had a dominant role in the circulation of money, while the national currency is used mostly for everyday transactions. Financial markets remain underdeveloped, even by low CIS standards, which is manifested by a low level of banking participation in funding the economy<sup>92</sup> and a low, albeit increasing, ratio of bank deposits to GDP.<sup>93</sup> Other financial institutions such as capital markets, insurance and pension sectors are all extremely small and in the primary stage of development.<sup>94</sup> It has been noted that strengthening these markets is a distant long-term objective.<sup>95</sup> The IMF sums up the situation: "Financial markets could become more active only after gaining investors' interest."<sup>96</sup>

Another potential market to invest in is the real estate market, which grew considerably in the mid-2000s. For example, from 2003 to 2007 the average price for a three-room apartment in the capital of Bishkek increased from \$10,000 to \$35,000. An important reason for this was the instability of the dollar, which led many Kyrgyz citizens to invest in real estate rather than keep their savings in U.S. currency. Another reason was the provision of mortgage loans, which was virtually non-existent until 2004, but saw an impressive increase in the period from 2004-07. In 2007, 40% of all apart-

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<sup>90</sup> International Monetary Fund, "Kyrgyz Republic," *IMF Country Report No 09/209*, July 2009, 23.

<sup>91</sup> European Bank for Reconstruction and Development Transition Report 2010, "Kyrgyz Republic", available at [www.ebrd.com/downloads/research/transition/assessments/kyrgyzrepublic.pdf](http://www.ebrd.com/downloads/research/transition/assessments/kyrgyzrepublic.pdf). Giorgio Fiacchoni a foreign businessman and long-time resident in Kyrgyzstan and founder of one of these banks (Kyrgyz Credit Bank), describes how he was forced to sell the bank by the Bakiev regime but that the new government rejects his claim on the bank and has had it confiscated with the ample assistance of the National Bank. See *Times of Central Asia*, March 24, 2011.

<sup>92</sup> "EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS)," 2005.

<sup>93</sup> World Bank Data, available at [http://devdata.worldbank.org/PSD/kgz\\_psd.pdf](http://devdata.worldbank.org/PSD/kgz_psd.pdf).

<sup>94</sup> International Monetary Fund, "Kyrgyz Republic: Poverty Reduction Strategy Paper – Country Development Strategy (2007-2010)," *IMF Country Report No. 07/193*, June 2007, 14.

<sup>95</sup> "Kyrgyz Republic Financial Sector Assessment," World Bank and IMF, April 2003, 7.

<sup>96</sup> *IMF Country Report No. 07/193*, 15.

ments were sold under the mortgage system.<sup>97</sup> Nevertheless, the entire real estate market in northern Kyrgyzstan – the country’s financial center – including residential places, resorts, hotels and office spaces has largely come under the orbit of the economy in Kazakhstan. The generous approval of bank credit from Kazakh banks and an increasing number of Kazakh citizens and businesses investing in the Kyrgyz real estate market were the main driving forces. Consequently, due to similar reasons as in the United States, the banking crisis that erupted in Kazakhstan in late 2007 led to a decline in the Kyrgyz real estate market. The market is also vulnerable because of an insecure property rights system and the problem of legal titles for land and real estate. This is a constant feature, although the anarchical attitude to the right to land and housing are especially obvious in times of upheaval. In the aftermath of the regime changes in 2005 and 2010, mass attempts to seize land and properties for residential and investment purposes spread throughout the country. The corrupt judicial system means that formal contracts proving ownership by no means provide legal protection against fraudulent sales or violent intruders.<sup>98</sup>

The primary reason for why alternative markets function poorly is political. Indeed, the state as investment object is in a superior position to all other markets. Therefore, while many scholars dealing with the post-communist world draw a sharp distinction between those countries that, like Kyrgyzstan, undertook significant privatization and those that did not, the distinction is difficult to maintain in reality. As noted by Henry Hale, this is because in this type of system even state-owned corporations can have significant room to maneuver in how they dispose of their resources, whereas at the same time the state can also exert a very strong degree of informal control over enterprises that were formally in the private sector.<sup>99</sup>

Consequently, financial-, real estate-, automobile- or trade markets are subsumed by the state; access to the state also opens access to economic markets. Although in a comparative post-Soviet perspective Kyrgyzstan generally ranks favorably with regard to enacting a large amount of laws, their lack of consistency, effectiveness and implementation has been a recurrent theme since independence. In 2006, the Bertelsmann Transformation Index noted that: “The banking system and capital markets are sectors of particular concern. Since 1999, the EBRD Transition Report has rated Kyrgyz reform efforts in the financial sector as not very successful. The legal

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<sup>97</sup> Lyubov Ivashenko, “Rynok nedvizhimosti v Kyrgyzstane,” *AllKyrgyzstan.com*, October 16, 2007, available at [www.allkyrgyzstan.com/business/real-estate.htm](http://www.allkyrgyzstan.com/business/real-estate.htm).

<sup>98</sup> Author’s interview with Kyrgyz lawyer from American Bar Association, Bishkek, July 2, 2009.

<sup>99</sup> Henry Hale, “Great Expectations,” Unpublished manuscript, presented at Uppsala University, May 27-28.

environment is weak and political interference gives reason for concern.”<sup>100</sup> Additionally, the property rights system is shaped by a judicial system that no market participant can afford to trust without using informal contacts, money or other means of extra-legal influence. The bulk of market transactions are therefore organized in a manner that stands in sharp contrast to long-term contracting under the rule of law. The failure to organize the judiciary in an uncorrupt manner favors personalized forms of exchange, either in spot markets (bazaars) or in internal forms of quasi-judicial organization within hierarchies.<sup>101</sup>

## Kyrgyzstan in Historical Comparison: Same Practices, Different Purposes

Returning to the historical precedents of buying and selling offices discussed in Chapter 2, important similarities can be identified, including remuneration by fees, a flourishing in trade and the rapid rise of capital as a force that helped in dismantling the old ruling group's (the *nomenklatura*) monopoly on political posts. As for remuneration by fees as a motive for buying offices, Koenraad Swart says that:

The most widespread of all factors contributing to sale of offices was the practice of remunerating officials by means of fees, or other payments made by the population. Until recently it was very common for officials to receive no salary, or only a small one. Instead, the judicial official demanded fees, the financial agent imposed taxes, and the military commanders held the population for ransom. The size of the income of the official therefore largely depended on his rapacity and ingenuity. He was financially almost independent from the central government.<sup>102</sup>

This sounds almost like the definition of contemporary Kyrgyzstan. In fact, although official remuneration is virtually non-existent, political and administrative offices are investment objects in a political market requiring pay-back. As will be discussed in the following, the “assets” connected to offices are used for collecting unofficial fees in order to repay the initial investment, hopefully with an astute profit on top of it.

Swart points out that a certain degree of economic prosperity is necessary: “Offices could not be sold unless people existed who were willing and able to buy them. If trade and commerce flourished, the fees from the offices

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<sup>100</sup> Bertelsmann Transformation Index 2006, “Kyrgyzstan Country Report,” available at [http://bti2006.bertelsmann-transformation-index.de/index.php?id=154&tt\\_news=&type=98&L=0](http://bti2006.bertelsmann-transformation-index.de/index.php?id=154&tt_news=&type=98&L=0).

<sup>101</sup> Oliver Williamson, “The Institutions and Governance of Economic Development and Reform,” *Proceedings of the World Bank Annual Conference on Development Economics 1994* (Washington, D.C.: The World Bank, 1995), 181-182.

<sup>102</sup> Koenraad W. Swart, *Sale of Offices in the Seventeenth Century* (Utrecht: Martinus Nijhoff, 1949), 113.



would increase and this would in its turn, influence the degree of eagerness of the place-hunting.”<sup>103</sup> The flourishing of trade and commerce is a relevant factor for the Kyrgyz experience. As a component of the highly specific Soviet command economic system, the role of money as an instrument for organizing society had been rejected in Kyrgyzstan until the 1990s. As mentioned in Chapter 4: Since the collapse of the Soviet Union, Kyrgyzstan witnessed dramatic economic changes, including an extensive liberalization program for the economy. The liberal economic policies and market mechanisms introduced had a dramatic impact throughout the whole of society – connecting state, individuals and economy. Kyrgyzstan became a regional hub for trade, and the amount of cash circulating in society increased exponentially. Thus, in a purely primitive economy the sale of office could not take place, but in Kyrgyzstan there exist a segment in society who has access to money and are willing to spend them on political and administrative offices.

Historically, the sale of offices has had transformative effects on the governance of the state. In states dominated by a small land-owning aristocracy, buying offices was a way for classes that had been excluded under the rule of the nobility to exert influence and power, and to further their social mobility. According to Swart, “This was the case in France in the sixteenth and seventeenth centuries when by means of purchase of offices the bourgeoisie replaced the nobility in the government of the state.”<sup>104</sup> Scott makes a similar argument, and even argues that the sale of office actually had a stabilizing effect on the political system in 17th century Europe in general, as it signaled a widening of political power. In addition to the market for political and administrative offices, the alliance between politics and business was further enhanced by the prevalence of a politically-oriented capitalism, including the contracting out of taxes and revenue collection to syndicates of businessmen and financiers, and the bidding for state-controlled monopolies and franchises.<sup>105</sup>

On the face of it, a bureaucracy governed by aristocratic principles appears alien in light of Kyrgyzstan’s Soviet legacy. However, in the Soviet Union the equivalent to the dominant position enjoyed by a small aristocracy elsewhere was the status of the *nomenklatura*. Some scholars argue that the ruling *nomenklatura* in fact was akin to a new class of aristocrats.<sup>106</sup> The *nomenklatura* controlled everything, was closed to all other social classes

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<sup>103</sup> Ibid.

<sup>104</sup> Ibid, 122.

<sup>105</sup> Scott, *Comparative Political Corruption*, 45.

<sup>106</sup> Herschel I. Grossman, “Kleptocracy and Revolutions,” *Oxford Economic Papers* 51 (1999): 268; Gil Eyal, Iván Szélenyi and Eleanor Townsley, *Making Capitalism Without Capitalists: The New Ruling Elites in Eastern Europe* (London: Verso, 2000), 167; Michael Voslensky, *Nomenklatura: The Soviet Ruling Class* (New York: Doubleday, 1984); Georgi Derluguian, *Bourdieu’s Secret Admirer in the Caucasus: A World System Biography* (Chicago: University of Chicago Press, 2005).

and reproduced itself through marriages and family ties. At the time of independence, this group continued to dominate political power in Kyrgyzstan, although the election of prominent academician Akaev as president meant that some of the top level nomenklatura officials lost power in favor of the mid-level and representatives of what could be labeled the cultural nomenklatura, of which President Akaev was number one.<sup>107</sup>

Gradually, however, the old nomenklatura has been replaced in politics and bureaucracy, begging the question of how the old nomenklatura was defeated? The answer is by the use of money. As I will argue in the following, the state has today been taken over by magnates, who have adapted to and spurred the political and administrative transformation of the country. The demise of the Bakiev regime and the formation of a coalition government by businessmen turned politicians only represent the decisive culmination of a process initiated by two critical decisions taken by President Akaev in the 1990s. The first was his decision to initiate rapid mass privatization, which loosened the nomenklatura's control over the economic assets of the state, although members of this group were initially in a favorable position to reap the benefits from privatization. The second major decision was to clamp down on independent businesses in the latter part of the 1990s, thereby forcing business-oriented individuals to seek access to the state for protective purposes and increasing the "marketization" of the state. In sum, the use of money has granted new groups access to the state. In the process, a dramatic recasting of the human make-up of the post-Soviet state in Kyrgyzstan has taken place.

Illuminating the "marketization" of the Kyrgyz state in the light of other eras reveals one outstanding commonality: This is a process finding its place in a special historic context of fundamental societal transformation. This condition applies to the "bastard feudalism" of medieval England, the formative moment of 17th century early modern Europe and Kyrgyzstan at the turn of the millennium. Nonetheless, the argument advanced here is that Kyrgyzstan still differs from many historical cases for one chief reason – the motive for selling and buying office. Take the example of Western Europe, where the sale of office was a fairly widespread practice at least up until the early- and mid-19th century, although purchasing an office was more politically oriented and motivated by status and prestige for purchasers, while for the seller it was an important source of state revenues. While investments for economic profit also played a role in earlier cases, whenever it did it seems to have been more of a long-term insurance since when purchased, offices sometimes were held for life or even as inheritable properties.<sup>108</sup>

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<sup>107</sup> Bakyt Beshimov, "Kyrgyzstan: Is Democracy on the Agenda for the Country?" in *Democracy and Informal Politics in Kyrgyzstan* (Bishkek: Institute for Public Policy, 2008), 5.

<sup>108</sup> James C. Scott, "The Analysis of Corruption in Developing Nations," *Comparative Studies in Society and History* 11, no. 3 (1969): 315-341; Swart, *Sale of Offices*, 112; William Doyle, *Venality: The Sale of Offices in Eighteenth-Century France* (New York: Oxford University

In contrast, the chief purpose in contemporary Kyrgyzstan is dominated to a high extent by the desire to make immediate pecuniary profits. Offices can be sold and bought for the short term, which is not very different than for example quick trading on financial markets. At the maximum, the right to a purchased office spans over a few years. From this perspective, it could be argued that it has more in common with a license-like agreement than a private property.<sup>109</sup> The absence of the practice as a means of financing the state treasury is especially striking. This behavior is defined from the top. Under Akaev, political power became largely motivated by money and personal enrichment. In 1993, Prime Minister Chyngyshev, who was later removed for corruption, uttered the winged words: “In Kyrgyzstan, only fools and lazy people do not steal.”<sup>110</sup> During Bakiev’s tenure, this motivational force became even more obvious. The motto was to get rich as quickly as possible.<sup>111</sup>

Another warranted clarification pertains to the relationship between the sale of office and political corruption. In the contemporary world, no state would admit the sale of office as a legally-regulated practice, for it is prohibited. In reference to bribe taking for providing a position, Article 312 of the Criminal Code of the Kyrgyz Republic reads:

The acceptance by an official personally or via an intermediary of a bribe in return for providing a position within the system of public service –

shall be penalized with imprisonment for a term from five to eight years with deprivation of the right to occupy certain positions or engage in certain activities for a period up to three years and confiscation of property.

Similar actions committed:

repeatedly;

on a large scale;

by a high-ranking official -

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Press, 1996); Bo Rothstein, “Anti-Corruption: A Big-Bang Theory,” *QoG Working Paper* 3, 2007, available at [http://www.qog.pol.gu.se/working\\_papers/2007\\_3\\_Rothstein.pdf](http://www.qog.pol.gu.se/working_papers/2007_3_Rothstein.pdf).

<sup>109</sup> To own a property in any meaningful way require protection from confiscation as well as the right to pass it over to children or sell it. In Kyrgyzstan, public offices are not private properties in that fundamental sense. For a good summary of the definition of property rights and references to the literature, see Federico Varese, “The Transition to the Market and Corruption in Post-Socialist Russia,” *Political Studies* 45, no. 3 (1997): 579-596, particularly 580-582.

<sup>110</sup> *Res Publika*, March 4, 1994, 1.

<sup>111</sup> Eric McGlinchey, *Chaos, Violence and Dynasty* (Pittsburgh: University of Pittsburgh Press, 2011); International Crisis Group, “Kyrgyzstan: A Hollow Regime Collapses,” *Asia Briefing* 102, April 27, 2010;

shall be penalized with imprisonment for a term from eight to 15 years with deprivation of the right to occupy certain positions or engage in certain activities for a period up to three years and confiscation of property.<sup>112</sup>

This was not the case in the 17th century, when the practice was established as a codified, written institution. The case of Kyrgyzstan more closely resembles a more patrimonial version of the sale of offices found in places such as Qajar Iran in the late 19th century, where “there was no set of regulations, written or understood, governing the manner of the sale, the relationship between the purchaser and his superior, the purchaser’s authority and his rights, which would have been binding upon both parties in the sale.”<sup>113</sup> This helps explain the risky, short-term investments that surely circumscribe the practice in Kyrgyzstan, which is something I will elaborate on in the following chapters.

## Concluding Remarks

In Kyrgyzstan, the state has become a source of private benefits for officials. When vital functions of public authority like decision-making, the administration of the budget and the implementation of decisions are the principal means for making private profit, it is no longer warranted to speak about cases of corruption, but instead the privatization of public authority and public services. The key feature of the state as a private market is not that wealthy elites who are exogenous to the state try to influence government actions by building alliances with political leaders, engaging in collusive rent-seeking ventures with high-level government officials or in purchasing certain laws, decrees, contracts, funds, court verdicts or certain public goods and services. Although these conventional forms of influence from the private sector on the state take place, they do not capture the heart of the phenomenon in Kyrgyzstan. First of all, the privatization of public power has mainly been initiated from within the state itself. High-ranking government positions provide individuals with opportunities to earn and invest that are firmly beyond the reach of individuals outside the state. Moreover, in the investment state the distinction between public and private ceases to hold merit in describing the system. Put simply, in the informal politics of Kyrgyzstan, public assets are treated as “objects” for temporary private disposal.

It has been argued that the investments made by high-ranking officials can hardly be understood without considering how the polity and the economy have come to converge after a brief period of tentative differentiation in

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<sup>112</sup> OECD, *Fighting Corruption in Transition Economies, The Kyrgyz Republic*, Annex 1, Abstract from the Criminal Code of the Kyrgyz Republic, 2005, 131-132.

<sup>113</sup> A. Reza Sheikholeslami, “The Sale of Offices in Qajar Iran, 1858-1896,” *Iranian Studies* 4, no. 2-3 (1971): 105.

the 1990s. Contrary to some other post-Soviet states, the biggest business directors in Kyrgyzstan are not trying to influence the political system by backing certain politicians or political parties, for they concomitantly hold positions as prime minister, ministers, heads of government agencies and members of parliament. Since the most powerful politicians are simultaneously the biggest businessmen, it makes more sense to distinguish between influential officials and captor officials, rather than between the influential firms and captor firms found in the literature on state capture. The latter refers to those individuals who started out as businessmen in the 1990s and then turned to politics. The former often refers to individuals with Soviet-era experience as party officials, who used political power in the 1990s to amass significant personal fortunes. Following the April Revolution in 2010, the category of captor officials appears to have decisively defeated influential officials with strong connections to the Soviet past. However, irrespective of which type of official we may identify, the bottom line is that they need the state. A main driver of this process has been individuals' need to turn to the state to protect their property and wealth. In a poor country with weakly developed alternative markets, this process has further elevated the state's position as the major avenue to enrichment. Access to the state equals access to all types of markets, and has become a necessary condition for earning and investing.

The Kyrgyz elite are not only equally familiar with politics and business, but there is also a fusion of economic and political power in what is essentially a politically-oriented capitalism.<sup>114</sup> Moreover, public administration is commercialized, informal payoffs from citizens are carefully organized and the spoils divided according to an institutionalized pattern.<sup>115</sup> Failing to acknowledge that connection as the fundamentals for rule is likely to produce a flawed analysis, both in terms of the political system and the economic system. The one who controls the state and its constitutive organizations uses this leverage to construct economic monopolies. Likewise, those who start out their careers in the business field subsequently enter politics to protect their holdings and monopolize them.<sup>116</sup> The state is the arena through which wealth and status are assured. Control over the state means being in possession of a credible threat to others' property rights.<sup>117</sup>

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<sup>114</sup> Scott, *Comparative Political Corruption*, 49-52.

<sup>115</sup> Kairat Osmonaliev, "Judicial Corruption in Kyrgyzstan: Magnitude, Types and Counter-measures" in *Kyrgyzstan Today* (Bishkek: American University-Central Asia, Social Research Center, 2008), 144-151; Bakhtiyar Bakas uulu, "Hotbeds of Corruption in Kyrgyzstan's Financial System," in *ibid*, 158-162.

<sup>116</sup> For a general discussion, see North, Wallis and Weingast, *Violence and Social Orders*.

<sup>117</sup> Keith Darden, "The Integrity of Corrupt States: Graft as an Informal Political Institution," *Politics & Society* 36, no. 1 (2008): 35-59; Konstantin Sonin, "Why the Rich May Favor Poor Protection of Property Rights," *Journal of Comparative Economics* 31, no. 4 (2003): 715-731; Barbara Junisbai, "Reform Regimes, Elite Defections, and Political Opposition in the Post-Soviet States: Evidence from Belarus, Kazakhstan, and Kyrgyzstan, Paper presented at the annual meeting of the Midwest Political Science Association, Chicago, April 2-5, 2009.

In this context, any attempt to draw a clear line between the public and private sectors is likely to provide a distorted picture of the performance and behavior of the Kyrgyz state. Moreover, although the motives for establishing a market in public offices in post-Soviet Kyrgyzstan has been treated along two lines – the profits guiding high-level political offices and the pecuniary rewards to be reaped from street-level bureaucratic offices – the “marketization” of politics and bureaucracy is organically linked. The different levels in the state apparatus are connected by informal financial exchanges. While most people can bribe themselves off the hook, not everyone is entitled to control or participate in the sale of “public” goods and services. In this market, there are profits to be made from being in the position to influence decision-making (legislation) and enforcement (implementation), which we will now turn to for further enquiry.

## Chapter 7: How to Make a Return on the Investment

The previous chapter laid out the main reasons for investing in public offices. For civil servants, remuneration by fees, administrative rights connected with public offices and office holding as a license (to turn public sector assets into private business) open up many possibilities to yield returns. For the political elite, the fusion of business and politics means that access to the state is indispensable for protecting property and wealth. As a result, there is largely a lack of alternative avenues for enrichment. Moreover, decision-making and enforcement are privatized state functions providing high-level officials with ample opportunities to make immense personal profit. Due to the organization of the Kyrgyz state in relation to purchasing posts and taking advantage of the state's political and administrative resources in order to make a return on their investment, the term public goods has lost its meaning in Kyrgyzstan.

This chapter highlights a number of the concrete methods utilized by officials in order to convert office holding into private profits. In this context, the state is commercialized at its core. Corrupt practices, whether rigged privatizations, embezzlement of state funds, rent seeking, the manipulation of the state regulatory, legislative and decision-making functions, or bribery and extortion at the implementation level, are mostly variations on the theme of how to yield personal proceeds out of political and administrative capital. As regularized patterns of behavior, these practices – usually referred to as violations against universal rights – are interpreted here as logical outcomes in a state organized on the basis of informal pecuniary exchange. Still, monetary exchange is not everything, and some non-monetary means of influence are identified and examined. Like the two preceding chapters, the bulk of information is collected from the spheres of police protection, tax administration and court jurisdiction. How crime control by the Kyrgyz police is actually exercised, how state inspectors compete over tax payers and how justice is sold are all highlighted.

# Converting Political Power into Economic Capital

## Sustained Operation of Inefficient Forms of Production

As rapid privatization concomitantly occurred in the spheres of private property, housing and small- to medium-sized businesses, the privatization of large-scale enterprises turned out to be more complicated in Kyrgyzstan. Early on, a number of large industrial enterprises and electrical power distribution networks were transformed into joint-stock companies, although this did not lead to any substantial changes in their working methods, and they remained state-controlled. Coinciding with Akaev's increased power concentration in the late 1990s, the plan to privatize these entities was called off. An independent study of the shadow economy conducted by the UNDP argued that a great leakage of revenues was taking place in large enterprises:

The organizationally more complex legal type of firms experience higher levels of scrutiny, especially the limited liability companies and joint-stock companies; however, between a quarter and almost half of their sales, profit and wages are concealed. This suggests that the policy focus should be primarily on these enterprises, rather than the other forms which are more ... survivalist in nature.<sup>1</sup>

A Kyrgyz expert writes:

It is no secret that public officers have a vested interest in breaches of the law. Through these mercenary motives, public officers at various levels maintain illegal actions by accepting bribes. As a result, the state effectively merges with shadow business. The scale of quasi-state activities remains high, and many "private" for-profit enterprises are linked to high-ranking officials, thus creating a large, informal public sector in which officials receive their "rent" as regular income.<sup>2</sup>

According to the ADB:

... the blurred distinction between public and private sector activity, poorly defined property rights in practice and the absence of effective mechanisms for conflict resolution through the judicial system both inhibit investment and contribute to pervasive corruption. According to official estimates, the private sector now accounts for 75% of GDP and 80% of employment. However, the amount of quasi-public activities remains large, and many "private" busi-

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<sup>1</sup> UNDP, *The Shadow Economy in the Kyrgyz Republic: Trends, Estimates and Policy Options* (Bishkek: UNDP, 2006), 7.

<sup>2</sup> Kubanychbek Omuraliev, "Reducing Regulatory and Administrative Barriers for Private Enterprise Development in Kyrgyzstan: Key Results and Unsolved Issues," in *Kyrgyzstan Today* (Bishkek: American University-Central Asia, Social Research Center, 2008), 170.



nesses are linked to senior officials, thus creating a large informal public sector from which officials derive rent.<sup>3</sup>

This “sustained operation of inefficient forms of production,” to use Clifford Gaddy’s terminology, is a critical component in Kyrgyzstan’s political economy; competitive organizational forms are prevented by actors that enjoy profits that would not be possible under a rules-based market economy.<sup>4</sup> In other words, while this form of economic organization means a loss of revenues into state coffers, it allows the political leadership some flexibility in distributing resources among a selected few. Moreover, since political power in the Akaev and Bakiev eras was constructed around economic superiority to competing potentates, these economic sources were not allowed to be opened up to free competition.<sup>5</sup> This holds irrespective of whether they were privatized or not, and helps explain why government properties are rarely sold in transparent and competitive processes.

The lack of public transparency is part and parcel of this system. Data on gold mining has been treated as a state secret.<sup>6</sup> The energy system is notorious for lacking any transparency, and theft from government officials and managers in this sector is reported to be endemic.<sup>7</sup> The bulk of foreign aid and strategic rents have likewise helped the political elite retain their hold on power, while very little has been used for the intended purposes.<sup>8</sup> In short,

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<sup>3</sup> Asian Development Bank, *Kyrgyz Republic Joint Country Support Strategy 2007-2010*, August 2007, 5.

<sup>4</sup> Clifford C. Gaddy, “The Russian Economy in the Year 2006,” *Post-Soviet Affairs* 23, no. 1 (2007): 38-49. Or a transparent democracy for that matter as Eva Bellin notes in her analysis of the relationship between state elites and private capital in patrimonial states. See “Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries,” *World Politics* 52, no. 2 (2000): 181.

<sup>5</sup> This phenomenon has been labeled “partial reform equilibrium” and refers to the concentration of the gains from partial initial reforms in the hands of a small group of winners who were poised to develop vested interest in preserving the existing system of partial reforms and undermining more extensive reform initiatives. See Joel S. Hellman, “Winners Take All: The Politics of Partial Reform in Postcommunist Transitions,” *World Politics* 50, no. 2 (1998): 203-234.

<sup>6</sup> Zamira Sydykova, “A small matter of corruption,” *Index on Censorship* 2, 1998; Jumakadyr Akeneev quoted in Aziza Turdueva, “Kyrgyzstan Takes Stock in Revised Gold Deal,” *IWPR Reporting Central Asia* No. 509, September 18, 2007, available at <http://iwpr.net/report-news/kyrgyzstan-takes-stock-revised-gold-deal>.

<sup>7</sup> Anders Åslund, “The Kyrgyz Republic Reinforce Economic Growth through Lower Taxes and Better Governance,” UNDP Report, June 17, 2004, available at [www.carnegieendowment.org/publications/index.cfm?fa=view&id=1564](http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1564); Institute for Public Policy, “Reforming the Energy System of Kyrgyzstan,” Roundtable transcript, *Kyrgyzstan Brief* 5, June-July 2006; International Crisis Group, “Kyrgyzstan: A Hollow Regime Collapses,” *Asia Briefing* 102, April 27, 2010; Erica Marat, “Kyrgyz Minister of Energy Sacked, but Corruption Continues,” *Central Asia-Caucasus Analyst*, November 26, 2008, available at [www.cacianalyst.org/?q=node/4992](http://www.cacianalyst.org/?q=node/4992); Erica Marat, “Corruption in the Hydro-Energy Sector Becomes Clearer in Kyrgyzstan,” *Eurasia Daily Monitor*, September 25, 2008, available at [www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=33970](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=33970).

<sup>8</sup> Eric McGlinchey, *Chaos, Violence and Dynasty* (Pittsburgh: University of Pittsburgh Press, 2011).

rather than improving public finances, profits are privately captured and informally redistributed by the political elite. State monopolies in these sectors such as the state gold company Kyrgyzaltyn, the hydroelectricity conglomerate Kyrgyzenergo and state organs in charge of foreign credits, as well as aid and investments, have been especially attractive sources of personal enrichment, which we now turn to.

## Gold, Electricity and Foreign Aid

In Kyrgyzstan, the financial basis of the ruling elite is the monopolization of non-tax revenues, while taxes play an insignificant role.<sup>9</sup> The single most important natural resource in Kyrgyzstan is gold. The main site is the Kumtor gold mine, which started operating in 1997 with the help of a \$450 million investment by the Canadian company Cameco. Since then, the country's economy has largely been dependent on the output from this gold mine.<sup>10</sup> Under the original joint venture, the Kyrgyz government held two-thirds of the stakes through the state gold company Kyrgyzaltyn. In 2004, however, the Akaev regime overruled the parliament and signed a decree that allowed for a reorganization of the initial contract. In the new venture, the state's share was cut substantially. The new deal was fiercely criticized by the opposition in the parliament, who complained about a lack of transparency, corruption and a failure to consider the state's interest.<sup>11</sup>

Bakiev rearranged the Kumtor deal. In early 2007, the government concluded a partial renationalization contract, increasing the government's share to 50%. This decision also sparked considerable controversy within the opposition, who criticized the president for seeking to obtain a new source of large-scale corruption schemes under the façade of nationalization. Besides Kumtor, another notable case is the second-largest gold mine in the country, Jeruy. Contracts for developing the Jeruy gold mine were negotiated between the Kyrgyz government and international investors in the first years of independence, but it was not until 2003 that the British gold mining company Oxus Gold was given the license to seriously start operating at the gold site. However, in 2005 the new leadership decided to strike a new deal. The contract with Oxus was annulled, and the rights were transferred to the unknown Austrian company Global Gold. The bitter dispute between the Bakiev government and Oxus, which drew the attention of British Prime Minister Tony Blair, culminated in June 2006 when a foreign businessman representing Oxus in the dispute was ambushed and shot outside his home in

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<sup>9</sup> Cf. Mick Moore, "Revenues, State Formation, and the Quality of Governance in Developing Countries," *International Political Science Review* 25, no. 3 (2004): 297-319.

<sup>10</sup> One of the world's ten largest, in 2006 Kumtor accounted for 40 percent of the country's exports, 6-7 percent of GDP and almost 10 percent of the country's budget. See "Kyrgyz Restless Industry," *Vedomosti*, May 16, 2006.

<sup>11</sup> "Gold Mine Reorganization in Kyrgyzstan Spurs Political Controversy," *Eurasianet*, July 19, 2004, available at [www.eurasianet.org/departments/business/articles/eav072004.shtml](http://www.eurasianet.org/departments/business/articles/eav072004.shtml).

central Bishkek.<sup>12</sup> The businessman survived, but a couple of months later, the government seized the gold mining production site and its assets, estimated by Oxus representatives at approximately \$52 million. The staff was thrown out and the state gold company, Kyrgyzaltyn, installed its own security guards at the facility.<sup>13</sup> According to Kyrgyz commentators, the forceful redistribution of the Jeruy property represented the most obvious case of the Bakiev administration's efforts to secure personal control over profitable economic assets and contracts.<sup>14</sup>

In the energy sector, the state company Kyrgyzenergo has been notorious for its inability to provide the state with considerable revenues. During Soviet times, and in the early years of independence, Kyrgyzenergo functioned as a single entity. By 2001, the company was divided into eight separate companies, including a generating company, the national grid and a handful of regional distribution companies, yet all of them remained state owned. Corrupt schemes dominated, and several sources reported that the hydroelectricity sector had been constructed by insiders to sock away money, rather than being able to collect direct cash payments.<sup>15</sup> Productive activity in the hydroelectricity sector further deteriorated under Bakiev. In 2006, a ranking official in the Ministry of Finance acknowledged that the problem had reached the point where the electricity company was not capable of receiving money for its production.<sup>16</sup> The mystery of electricity losses has been investigated in articles in the Kyrgyz press, most notably in *Bely Parokhod*. According to the newspaper, the state collected only 30% of the payments due for its hydropower generation, and the annual commercial losses in the energy sector were estimated at 35%. Rather than primarily being a consequence of an inability to collect from consumers, the losses were a result of complex arrangements orchestrated by insiders to divert money to private pockets instead of the state budget. The annual private pocketing from the electricity system has been estimated at \$30 million.<sup>17</sup> By 2008, it was openly discussed in Bishkek how the acute water deficits, which forced the government to turn off electricity for several hours every day even in Bishkek, were a result of electricity having been sold unofficially to Kazakhstan and Uzbekistan. Given the country's meager national economy, the control over external financial flows to the government is perhaps the most lucrative form of revenue control. In the 1990s, Akaev's government benefited from the highest

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<sup>12</sup> "British Businessman from Oxus Shot in Kyrgyzstan," *The Independent*, July 8, 2006.

<sup>13</sup> "Authorities seize factory assets of British-owned Kyrgyz gold mine," *International Herald Tribune*, September 8, 2006.

<sup>14</sup> For example emphasized in author's interview with Melis Eshimkanov, member of Kyrgyz parliament, Bishkek, June 2, 2006.

<sup>15</sup> Anders Åslund, "The Kyrgyz Republic Reinforce Economic Growth through Lower Taxes and Better Governance," UNDP Report, June 17, 2004, available at [www.carnegieendowment.org/publications/index.cfm?fa=view&id=1564](http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1564).

<sup>16</sup> Author's interview with spokesperson Ministry of Finance, Bishkek, June 8, 2006.

<sup>17</sup> *Bely Parokhod*, October, 30, 2007.

level of multilateral and bilateral aid in Central Asia.<sup>18</sup> It is no secret that much of the aid became the target of large-scale squandering by the political elite. An international advisor to Akaev, for example, estimates that half the project aid from the World Bank and the ADB went to kickbacks to various relevant ministers.<sup>19</sup> As Alexander Cooley reports:

In Kyrgyzstan, external credits designated to build pharmaceutical, mineral water, and baby food plants – all from different external donors – were almost totally embezzled by various state agencies and bureaucracies. None of the projects made it past the design stage.<sup>20</sup>

The government stood as guarantor of foreign investments and aid and decided how they should be distributed. According to estimations by the Kyrgyz Prosecutor's Office in 2005, only 20 percent of the one billion soms of credit guaranteed by the government had been returned to state coffers.<sup>21</sup>

Following 9/11 and the subsequent war on terror, in which Kyrgyzstan became a strategic partner to the U.S. government by hosting an airbase at the Manas International Airport outside of Bishkek, the nature of foreign rents changed. Rather than falling into the hands of a wider layer of government officials, rents for the airbase as well as rents from logistics and supply contracts became concentrated to a few private Kyrgyz entities tied to the president's son and son-in-law, whose business interests competed in this sector.<sup>22</sup> Once in power, the Bakiev administration quickly turned its attention to securing a more profitable agreement for leasing the Manas airbase to the U.S. government. In 2006, a new deal was concluded which raised the annual basic rent from \$2 million to \$17 million. In 2009, Bakiev stepped up his extortion further in playing the U.S. and Russia against each other for influence in Kyrgyzstan. The outcome resulted in a tripling of the annual U.S. rental payment to \$60 million. In addition, there were revenues from logistics, funds, etc. "For the Kyrgyz opposition excluded from these base-related revenues, Manas became a daily reminder of the Bakiev family's greed, corruption and use of Kyrgyzstan's state assets for their private purposes."<sup>23</sup> International credits and loans were also treated as part of the president's son's private financial flows. For example, a \$300 million loan from Russia intended for constructing the Kambarata-1 hydroelectric cascade was instead used for lending. As a prominent foreign businessman in the country

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<sup>18</sup> McGlinchey, *Chaos, Violence and Dynasty*.

<sup>19</sup> Author's interview with former international advisor to President Akaev, Washington, D.C., April 11, 2006.

<sup>20</sup> Alexander Cooley, "International Aid to the Former Soviet States: Agent of Change or Guardian of the Status Quo?" *Problems of Post-Communism* 47, no. 4 (2000): 39.

<sup>21</sup> Almaz Kenenbaev, "Kyrgyz Corruption Threatens Economic Ruin," *IWPR*, February 21, 2005, available at <http://iwpr.net/report-news/kyrgyz-corruption-threatens-economic-ruin>.

<sup>22</sup> David Stern, "Kyrgyz President Admits Relative Sells to US Base," *Financial Times*, July 22, 2002.

<sup>23</sup> Alexander Cooley, "Manas Hysteria," *Foreign Policy*, April 12, 2010.

noted: “The money received from Russia moved in a carousel of bank transfers from the Ministry of Finance to the National Bank of Kyrgyzstan, then to the Development Fund and finally to a commercial bank. Of course, each transfer came with an interest charge.”<sup>24</sup> In brief, the Russian loan was used for making private profit, not building up an electricity system on the brink of collapse.

## Rigged Privatizations

Among all methods of enrichment from state power, the most attention has been paid to rigged privatizations. Similar to other liberalizing post-Soviet countries, privatization in Kyrgyzstan was unfair, and the redistribution of profitable assets belonging to the Soviet party-state largely emerged among a select number of elite insiders with access to the state. On several occasions, enterprises were privatized by insider management buyouts. In November 1997 the entire leadership of the State Property Fund, who were responsible for the privatization of state-controlled assets, was dismissed for organizing fraudulent privatizations. The Fund’s powerful director and close Akaev ally Askar Sarygulov was charged “for directing inside deals of large-scale factories in the privatization sell-offs of 1996 and early 1997.”<sup>25</sup> His punishment was to be appointed Kyrgyz Ambassador to Malaysia and chief of the Mercedes Benz office in Kyrgyzstan.<sup>26</sup>

In his memoirs, Akaev recalls some illustrative examples of how valuable economic assets were taken over for pittance during the period of privatization. In a memorable case, one official in the State Property Fund privatized cross-country vehicles - new UAZ 469s - all for 78 Kyrgyz soms (\$2).<sup>27</sup> In 1997, the country’s then-largest department store, Tsum, was sold to former deputy Prime Minister Atashev for \$20,000, even though the estimated value of the property stood close to \$250,000.<sup>28</sup> Following these and many other cases, the privatization process was suspended in May 1997 due to pending investigations into price rigging and corruption. Although the Akaev government later formulated a new plan for the privatization of large enterprises, including natural monopolies in telecoms, energy, mining, railways and aviation, the plan failed to materialize, partly due to lack of political interest and partly because of the lack of foreign interest.

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<sup>24</sup> Giorgio Fiacchoni, “Easter Revolution: a Vicious Circle Started with the Tulip Revolution,” *Times of Central Asia*, April 13, 2010.

<sup>25</sup> “Kyrgyz Republic,” in *Nations in Transit 1999-2000* (New York: Freedom House, 2000), 367.

<sup>26</sup> Kathleen Collins, *Clan Politics and Regime Transition in Central Asia* (Cambridge: Cambridge University Press, 2006), 245.

<sup>27</sup> Askar Akaev, *Pamyatnoe desyatiletie* (Bishkek, 2001), 257-258.

<sup>28</sup> *Nations in Transit 1999-2000*, 367.

As Bakiev consolidated power, he decided to relaunch the privatization program for state-owned companies that had been stalled for a decade. Selling off joint-stock companies in the energy sector was the first priority. In April 2009, the government sold its 80.49% share in Vostokelektro, the energy distributing company serving the eastern regions of Issyk-kul and Naryn, to the Chakan GES Company for \$1.2 million. In early February, the procedure was repeated as one of the most profitable parts of the energy distribution system, Severelektro, which served the northern Chui and Talas regions as well as Bishkek, was sold once again to Chakan. The price was a mere \$3 million, although it had been valued less than two years earlier at \$137 million.<sup>29</sup> Chakan's owner, Alexei Shirshov, allegedly the mastermind behind the schemes in the energy sector, which he started overseeing under Akaev when he was appointed financial director of state-owned Elektricheskie Stantsii, a position he retained under Bakiev, was a member of the inner circle around President Bakiev's son Maksim. Shortly afterwards, the joint-stock phone company Kyrgyztelekom was privatized in a similarly non-transparent fashion. According to the Bakiev's successor as President, Roza Otunbaeva, the buyer was an offshore company registered in the Canary Islands belonging to friend of the president's son.<sup>30</sup> The privatizations in energy and telecom were followed by "multifold increases in the prices for electricity, heating and water," as well as new levies for every successful mobile phone connection.<sup>31</sup> Consequently, the new owner would reap great benefits.

## Embezzlement

Perhaps the most provoking case of embezzlement concerned President Akaev's engagements with a shadowy commodities trader named Boris Birshtein and his Toronto and Zurich-based company, Seabeco. Birshtein held the double function as advisor to Akaev and purchaser of Kyrgyz gold.<sup>32</sup>

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<sup>29</sup> John C. K. Daly, "The Impact of Energy Issues on the Kyrgyz Upheaval," *Central Asia-Caucasus Analyst*, June 23, 2010, available at [www.cacianalyst.org/?q=node/5351](http://www.cacianalyst.org/?q=node/5351).

<sup>30</sup> "Kyrgyzstan's head reveals overthrown president left only \$80m in the budget," *The Guardian*, April 9, 2010, available at [www.guardian.co.uk/world/2010/apr/09/kyrgyzstan-roza-otunbaeva-broke](http://www.guardian.co.uk/world/2010/apr/09/kyrgyzstan-roza-otunbaeva-broke).

<sup>31</sup> International Crisis Group, "Kyrgyzstan: A Hollow Regime Collapses," *Asia Briefing* 102, April 27, 2010; Venera Djumataeva, "The Roots of Kyrgyzstan's Uprising," *RFE/RL*, April 23, 2010, available at [www.rferl.org/content/Commentary\\_Roots\\_Of\\_Kyrgyzstan\\_Uprising/2022430.html](http://www.rferl.org/content/Commentary_Roots_Of_Kyrgyzstan_Uprising/2022430.html).

<sup>32</sup> During the one and a half year Birshtein worked as advisor to Akaev, he had an honorary office on the seventh floor in the White House, next to President Akaev, and the Prime Minister. Birshtein was also active in Russia where he operated under the government protection of former KGB-chief Viktor Barannikov and the deputy Minister of Internal Affairs. See Paul Klebnikov, "The Rise of an Oligarch," *Forbes Magazine*, September 4, 2000. Details on the relationship between Akaev and Birshtein were also given in an author interview with former high-level official in the presidential administration (1991-95), Bishkek, May 26, 2007.

In 1993, a scandal ensued when 1.5 tons of state-owned gold were shipped out of Kyrgyzstan in a private helicopter to a Swiss Bank. The operation, which was widely believed to have been orchestrated by Akaev and Birshstein, provoked a public outcry and the parliament undertook an investigation of the leadership's murky gold dealings. The parliamentary report accused Seabeco of involvement in the transfer of gold with the complicity of the president's entourage, including head of the Presidential Guard, Joomart Boshkoev, the Consul General of Kyrgyzstan to Switzerland, Sanjar Aitmatov, the head of the National Bank, Kemelbek Nanaev, the Director of the State Commission on Foreign Investments, Askar Sarygulov, and his brother, Dastan Sarygulov, head of the state gold company, Kyrgyzaltyn.<sup>33</sup> Akaev himself survived the parliament's investigations, but his Prime Minister Tursunbek Chyngyshev was forced to resign amid accusations of corruption.<sup>34</sup> Chyngyshev's successor, Apas Jumagulov, remained in office from 1993 to 1998 when he resigned "after it was reported that he helped to establish an Austrian firm charged with selling Kyrgyz gold abroad and of controlling the country's oil and alcohol industries."<sup>35</sup>

In 1996, the speaker of the new upper house of the legislature, Mukhtar Cholponbaev, was removed at the initiative of opposition deputies for having embezzled legislative funds worth several hundred thousands of dollars. However, he retained his seat in the parliament.<sup>36</sup> Unsurprisingly, embezzlement also reached deep inside strategically important state-owned companies. In early 1999, a large-scale fraud was detected in the state gas company, Kyrgyzgasmunaizat. Director Shalkar Jaisanbaev went into hiding, accused of having used ancillary companies to launder and steal \$18 million dollars. Several banks in the highly undercapitalized financial sector had links to the state gas company, and had to be liquidated.<sup>37</sup>

Influence over the non-transparent fiscal system also holds promise for making personal profit. For example, regarding tax collection, a local tax inspector suggested that: "Collection is no longer the main problem. The real problem is how revenues are distributed. There is no transparency in this system, so it is impossible to know."<sup>38</sup> A minister expressed it in even more vivid terms:

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<sup>33</sup> Zamira Sydykova, *Za kulisami demokratiï po-kyrgyzski* (Bishkek: Res Publika, 1997), 42-48; Sydykova, *Gody ozhidaniï i poter'* (Bishkek: Res Publika, 2003), 18.

<sup>34</sup> This did not prevent him from winning a legislative seat in 1995, and later For the former prime minister's own view on these events, see his memoirs Tursunbek Chyngyshev, *Vospominaniya: sobytiya, lyudi* (Bishkek: Biiiktik, 2008), 253-293.

<sup>35</sup> "Kyrgyz Republic," in *Nations in Transit 1998* (New York: Freedom House, 1998), 334.

<sup>36</sup> Collins, *Clan Politics and Regime Change in Central Asia*, 228.

<sup>37</sup> European Bank for Reconstruction and Development (EBRD) *Transition Report 1999* (London: EBRD, 1999), 235; Almaz Kenenbaev, "Kyrgyz Corruption Threatens Economic Ruin," *IWPR*, February 21, 2005, available at <http://iwpr.net/report-news/kyrgyz-corruption-threatens-economic-ruin>.

<sup>38</sup> Author's interview with tax official Karakol city, Karakol, May 5, 2007.

People need to know where tax payments go. We need a transparent system of payments and governmental services. But it is not studied where the money ends up after tax payments. We have little knowledge about this. The gap makes it difficult to tell whether tax payments are financing the state budget or something completely different.<sup>39</sup>

The perception, then, is that a substantial amount of tax revenue falls into corrupt exchanges at higher levels of the government, while very little is provided as benefits for taxpayers, who then naturally see little connection between the taxes they pay and the social services they should receive in exchange. As a government official said: “I understand why people do not pay taxes. Why would they? They get nothing back from what they pay.”<sup>40</sup> This explains why improved tax collection under Bakiev did not translate into any improvements in the provision of public goods and services and tangible economic improvements, since they are not spent for these purposes.<sup>41</sup> In short, proceeds are not used for production-enhancing expenditures, but for yielding profits to those who control tax returns or financial flows. Under these conditions, the state budget has ceased to be a tool for sound economic policies, and becomes the major source for the informal distribution of revenues. Rather than strengthening public finances, the role of major revenue generating bodies such as the tax- and customs services, in addition to the hydroelectricity system, is to fill the private pockets of officials.

There are also cases of outright plunder. Two of the most spectacular events refer to the looting of the National Bank’s regional office in Jalalabad in the build-up to the Tulip Revolution in March 2005<sup>42</sup> and the plunder of the country’s largest bank – Asia Universal Bank – after the fall of the Bakiev government in April 2010. It has been documented on tape how armed men paid visits to several commercial banks the day after Bakiev had fled the capital. Representing the new power, they seized safe deposit boxes in a number of commercial banks believed to have been under the financial orbit of Bakiev’s son, Maksim. Interim Finance Minister Temir Sariiev claimed that a total of \$21 million had been seized and handed over to the National Bank. Despite Sariiev’s claim, interim deputy Prime Minister Azimbek Beknazarov told the media that \$35 million had been collected. Others have questioned these “official” figures, believing much larger sums

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<sup>39</sup> Author’s interview with Akylbek Japarov, Minister of Economic Development and Trade, Bishkek, July 7, 2008.

<sup>40</sup> Author’s interview with Mamat Momunov, Deputy Ombudsman, Bishkek, February 2, 2006.

<sup>41</sup> As Frederic Lane observed: “Whether the tribute collected by a government was made productive as capital depended on how it was spent. If it was used to build roads and drain swamps, it served to increase future production.” *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises* (Albany: State University of New York Press, 1979), 86.

<sup>42</sup> *Delo No*, September 8, 2010; “Den’gy revolyutsii,” *Gazeta.kg*, June 21, 2005, available at <http://gazeta.kg/article/2005-06-20/13970>.



had been expropriated.<sup>43</sup> Be that as it may, the new leadership has thus far not managed to provide a convincing explanation on how these funds were distributed, helping to fuel public perceptions that most of it was simply stolen.<sup>44</sup>

## How Come Generals are so Wealthy?

The profitability of government posts can be further exemplified from law enforcement agencies. Several top policemen and other law enforcement officers are believed to be among the country's wealthiest individuals. The basic resource supplied to the police is protection. In Kyrgyzstan, officials at the top of the organizational police pyramid can accumulate substantial private wealth from controlling how this resource is supplied. Several former ministers are believed to have accumulated impressive private wealth. The aforementioned lists of the wealthiest people include six individuals with a stint as Minister of Internal Affairs on their CV,<sup>45</sup> as well as a handful of other individuals with a police background.<sup>46</sup> With the approximate monthly salary of a minister being estimated up to \$500 in the mid-2000s, the accumulation of wealth obviously comes from other sources.

The reasons singled out as explanations for some ministers' remarkable accumulation of wealth are found in how they exploit their positions. Three extralegal practices appear to be of particular importance. First, they benefit from the sale of offices. For instance, in an episode dating back to 1996 the Minister of Internal Affairs was forced to resign after he was caught on tape by Kyrgyz TV informally negotiating jobs to some police officers who had previously been dismissed on corruption charges.<sup>47</sup> In order to sustain a system organized on the basis of an expected payback on monetary investments, officials are required to collect informal payments that later flow upwards to the top of the pyramid. Hence, the organization of the police is one of vertical financial flows connecting the lower level to the higher.

Second, top officials use their position to provide *krysha*<sup>48</sup> for business, or even criminal, interests that they profit from. At least one Akaev-era minister

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<sup>43</sup> Interview Omurbek Suvanaliev, *Delo No*, June 30, 2011.

<sup>44</sup> "A videotape of scandalous unsealing of safe deposit boxes appears in Kyrgyzstan," *24.kg*, May 18, 2011, available at <http://eng.24.kg/business/2011/05/18/18170.html>; "Kyrgyz Prosecutor Office Verifies Scandalous Videotape of AUB Safe Deposit Boxes Unsealing," *24.kg*, May 25, 2011, available at <http://eng.24.kg/investigation/2011/05/25/18287.html>.

<sup>45</sup> These ministers are Felix Kulov (1990-91), Tashtemir Aitbaev (2000-02), Temirbek Ak-mataliev (2002), Bakirdin Subanbekov (2002-05), Bolot Sher (2010) and Kubatbek Baibolov (2010).

<sup>46</sup> For a complete list of individuals, including some short personal biography, see Appendix 2.

<sup>47</sup> "Caught on Tape," *The Independent*, April 3, 1996.

<sup>48</sup> The Russian term *krysha* is derived from the criminal world, and is regularly used among local commentators in reference to protection arrangements, including private, extra-legal state protection and informal partnership between state officials and private rackets. Vadim Volkov, "Between Economy and the State: Private Security and Rule Enforcement in Russia,"

provided *krysha* for a powerful crime group led by a kin.<sup>49</sup> High-ranking officials are almost never forced to take responsibility for abusing their authority. According to former Prosecutor General Elmurza Satybaldiev, high-level officials are able to take advantage of their posts to cover up their illegal activities. “That is why criminal activities are usually revealed after he leaves the post.”<sup>50</sup> According to others, this is only partially true. More significant is that high-level officials are allowed certain freedoms as long as they are loyal to the interests of the ruler.<sup>51</sup>

Lastly, although prohibited by law, many high-level officials combine political positions with running private businesses.<sup>52</sup> An attempt to increase transparency was made by the passing of the Law on the Declaration of Income by High-Ranking Government Officials, which took effect in May 2005. But ultimately, this and other initiatives have failed since high-ranking officials have been unwilling to provide such declarations. Individuals with high status and influence over the police are often in demand for private businesses, such as banks and large enterprises, due to their potential to offer protection from harassment by law enforcement agencies. One example of the mobility between business and the police is Police General Bakirdin Subanbekov, who used to be head of the Chui oblast police before being appointed in 1999 by Akaev as general director of the state gas company Kyrgyzgazmunaizat following the dramatic events related to the former director as described above. He held the position until 2002, when Akaev appointed him Minister of Internal Affairs.<sup>53</sup> Another example is the notorious hardliner Tashtemir Aitbaev. He occupied the chair of the National Security Service for periods under Akaev and Bakiev, as well as being Deputy Minister and Minister of Internal Affairs in 1995-99 and 2000-02, respectively, as well as Deputy Minister of Justice under Akaev. After Bakiev replaced him as Chairman of the National Security Service in 2006, he became Chairman of the Board of Kyrgyzpromstroybank. Another less highly profiled former law enforcement official recalls that he abdicated from his position in the

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*Politics & Society* 28, no. 4 (2000): 483-501; Timothy Frye and Ekaterina Zhuravskaya, “Rackets, Regulation, and the Rule of Law,” *Journal of Law, Economics & Organization* 16, no. 2 (2000): 478-502.

<sup>49</sup> For an in-depth study of the ties between former ministers and organized crime based on other police sources, see Alexander Kupatadze, “Organized Crime Before and After the Tulip Revolution: The Changing Dynamics of Upperworld-Underworld Networks,” *Central Asian Survey* 27, no. 3-4 (2008): 279-299.

<sup>50</sup> “Elmirza Satybaldiev: Offenses of Kyrgyz high-ranking officials are concealed,” *24.kg*, May 19, 2009, available at <http://eng.24.kg/politic/2009/05/19/8048.html>.

<sup>51</sup> Author’s interview with Edil Baisalov, former head of the Coalition for Democracy and Civil Society, Uppsala, September 18, 2009.

<sup>52</sup> Author’s interviews with Kyrgyz police officers and various local experts, Bishkek, 2006-09. Also see Dmitry Orlov, “Parlament – politicheskaya ‘krysha’ dlya biznesmenov,” *Vesti*, December 3, 2010, available at

<sup>53</sup> “Police General Appointed Head of Kyrgyzstan’s State Oil Company,” *RFE/RL Newsline*, January 19, 1999, available at [http://www.friends-partners.org/friends/news/omri/1999/01/990125I.html\(opt,mozilla,unix,english,new\)](http://www.friends-partners.org/friends/news/omri/1999/01/990125I.html(opt,mozilla,unix,english,new)).

presidential administration in the 1990s because his experience within the law enforcement system was valued by an owner of one Kyrgyz bank, who persuaded him to take up the position as deputy director of the bank.<sup>54</sup> In short, the lack of boundaries between the public and private spheres means that individuals constantly move in and out of these spheres. One day they devote their primary attention to businesses, only to turn into public servants the next day.

## Office for Private Disposal

Elites can make a return on their investments in public offices by embezzling state funds, manipulating the sale of government properties, raiding companies, controlling revenue flows and constructing revenue schemes in state companies for private purposes at the expense of the state treasury, selling posts on subordinate levels, privatizing the decision-making and enforcement functions of the state or using political influence to provide patronage for business and organized crime interests they profit from. Irrespective of which of these practices serve as the main source of income, the key point is that in Kyrgyzstan none of these practices would be possible without access to the state.

Rather than powerful actors from the private sector exerting pressure on the state and its agents in order to derive special advantages, the Kyrgyz case urges us to rethink the direction of the privatization of the state. Since the state largely fills the function of enabling officials to convert their offices into money, the private market in decision-making, revenue control and influence over the supply of public goods and enforcement is created from within the state. In order to make the really big profits, or to protect the wealth and property acquired, it is normally not sufficient to rely on buying protection from state officials. This is the lesson profit seekers learned from the chaotic early to mid-1990s, when lawlessness and arbitrariness in the supply of protection and justice meant that private businessmen could be deprived of their holdings at any time. Now, the goal is not to be the one buying preferential treatment, but the one in the position to sell it, i.e. the actor with the power to influence policies and supervise how protection and other goods are sold. The privatization of the state means that the state budget can hardly be understood as a tool of fiscal management. Rather, its function as a mechanism for redistributing financial streams is much more pronounced.

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<sup>54</sup> Author's interview with former high-level official presidential administration, Bishkek, May 26, 2007.

## Making Money from Administrative Posts

Street-level implementation of policies and rules also presents opportunities for more or less sophisticated forms of generating income. Here, we will again focus on how officials deal with the most basic functions of the state - police protection, revenue collection and court jurisdiction. Administrative profits made at the enforcement level, including the police rackets, the competition for taxpayers and the sale of court verdicts are all examples of how officials fight for making a return on their investments while granted the opportunity to do so.

### Perceptions toward the Police

The market-driven practices of the police are most obvious in the interaction between the police and citizens. Estimating the exact level of bribe taking and extortion in the police force is practically impossible to calculate. Local public opinion polls and the registered number of citizenry complaints against state agencies, however, demonstrate that the police are perceived among the population as living for bribes. This perception is also supported in surveys of Kyrgyz firms. A valid objection may be that these perception surveys do not tell us about the exact level of corruption, which is true. On the other hand, as argued by the World Bank, “whether or not the perception is correct is beside the point. People make decisions based on what they believe, and if the belief is a negative one, the decisions people make will reflect that.”<sup>55</sup> As a result, perception of widespread corruption in for example the courts has consequences for the likelihood that people will use courts for settling disputes, as well as the strategies they decide to use when confronting the courts.

In the most widely cited survey, the “EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS),” which was conducted for the first time in 1999 and then repeated in 2002 and 2005, Kyrgyzstan stood out in several negative ways in the initial survey. Regarding administrative corruption, as measured in terms of firms’ estimated annual unofficial payments to public officials, Kyrgyz firms reported the second highest percent of revenues paid among all countries surveyed.<sup>56</sup> Nearly three-quarters of the firms surveyed in Kyrgyzstan mistrusted their property rights. Regarding the quality of governance index, Kyrgyz firms reported the lowest score among all 20 countries surveyed on the law and order sub-

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<sup>55</sup> World Bank, *Governance and Service Delivery in the Kyrgyz Republic: Results of Diagnostic Surveys* (Washington, D.C.: The World Bank, July 22, 2002), 19.

<sup>56</sup> Kyrgyz firms estimated that on average 5.3 percent of annual revenues were spent on unofficial payments to bureaucrats, only firms in Azerbaijan with 5.7 percent reported a higher amount. See Joel S. Hellman, Geraint Jones and Daniel Kaufmann, “Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition,” *Policy Research Working Paper 2444* (Washington, D.C.: The World Bank, 2000), 7.

category, which included the judiciary, corruption, street crime and organized crime. On average close to 50% of enterprises in the post-communist region believed street crime, theft and disorder to only be a minor or no problem to the operation of their businesses. However, in Kyrgyzstan no less than 77% of enterprises perceived these factors to be moderate or major obstacles, the highest figure of all countries surveyed. In connection to this, a clear majority of 64% of all respondents believed the overall quality of the police force to be poor.<sup>57</sup>

It is interesting to note that in the 2005 BEEPS little more than 2% of entrepreneurs reported that they were paying protection fees to organized crime, which is significantly lower than the average among ex-communist states in Central- and Eastern Europe and the former Soviet Union. Instead, it is the bureaucratic racket that is referred to as the main problem; Sixty% of enterprises reported corruption to be a problem in doing business compared to an average of less than 40% in other post-Communist states. However, close to 40% of firms indicated that street crime, theft and disorder were a problem for doing business, which was significantly higher than the average of close to 25% among all former Soviet republics. Similarly, the amount of Kyrgyz firms indicating organized crime as a problem for business, which decreased from slightly more than 30% in 2002 to approximately 22% in 2005, was higher than the CIS average of about 18%. This suggests that the police racket has not led to the disappearance of both unorganized and organized crime. Yet compared to the perceptions among entrepreneurs in the 1990s, the problems associated with both street-level crime and organized crime has declined, while the problem with bureaucratic extortion is increasing.<sup>58</sup> In a report from 2009, the National Corruption Control Agency singled out law enforcement, education and health care as the most corrupt spheres in the country on the basis of the frequency of people's complaints.<sup>59</sup>

Further information on public perceptions toward the police and their role in supplying protection are available from at least three independently conducted local perception surveys during Akaev's reign in the early 2000s. First, according to a criminological survey, the majority of respondents perceived law enforcement organs in Kyrgyzstan as either being powerless against criminals (34.5%) or in concert with criminals (24.5%). On the basis of this particular survey, it was estimated that law enforcement bodies were trusted by no more than 10-15% of the population.<sup>60</sup> Second, a UNDP-funded survey in 2000 pointed in the same direction by revealing that two-

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<sup>57</sup> "EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS)," 1999. Moldovan enterprises reported the second highest level among post-communist countries with 71 percent.

<sup>58</sup> "BEEPS," 1999, 2002, 2005.

<sup>59</sup> "Kyrgyz education, healthcare, law enforcement – most corrupt structures," 24 kg, June 18, 2009, available at <http://eng.24.kg/community/2009/06/18/8281.html>.

<sup>60</sup> The survey was presented in Kairat Osmonaliev, *Ugolovnaya politika Kyrgyzstana: voprosy teorii i praktiki* (Moscow: Institute of Legal and Comparative Studies, 2005), 41.

thirds of the population did not trust the police, and four-fifths identified “lack of protection, and the cruelty and impunity of law enforcement bodies” as one of the country’s major problems.<sup>61</sup> Finally, a sociological public opinion poll on corruption from 2000 also undertaken with the support of the UNDP, in which 2,100 respondents from four different groups – the general population, civil servants, law enforcement officials and businessmen – were interviewed, reported that more than 80% of the respondents considered the police and internal affairs bodies as the most corrupt state sectors. It was noted that extortion by the police had reached an “almost total practice.”<sup>62</sup> Among those surveyed, only the group consisting of law enforcement officials had a different view on the matter. Yet, even they placed themselves in fifth place over mostly corrupt state organs, behind the tax and customs services, the traffic police (categorized separately from other law enforcement bodies) and the Ministry of Finance.<sup>63</sup> The survey-based report identified a number of trends in the evolution of police and other law enforcement agencies in Kyrgyzstan during the first decade of independence. The first was the establishment of brigades that make money from destroying criminal cases. The second was pressure from commercialized law enforcement agencies on business rivals in return for bribes, while the third was an increased tendency of law enforcement officers joining commercial structures and embracing both roles.<sup>64</sup> All these tendencies are highly consistent with this study’s argument.

Under the auspices of the OSCE Police Assistance Program for Kyrgyzstan, public opinion polls of residents of two police districts in Bishkek, Pervomaiski and Sverdlovski districts, respectively - as well as the northeastern Karakol city and the southern Osh city - were undertaken in 2006.<sup>65</sup> Residents interviewed from the four areas assessed the following statements, numbered on the y-axis in the diagrams below as corresponding to:

- 1) Police treat everybody equally.
- 2) Police officers give preferential treatment to their friends only.
- 3) Police officers give preferential treatment to those who offer money or other favors.

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<sup>61</sup> UNDP Survey, “View of a Voter,” UNDP: Central Electoral Commission, 2000.

<sup>62</sup> E. Ilibezova, L. Ilibezova, N. Asanbaev, G. Musakojueva, “Corruption in Kyrgyzstan,” *Center of Public Opinion Surveys and Forecasts*, Bishkek, 2000.

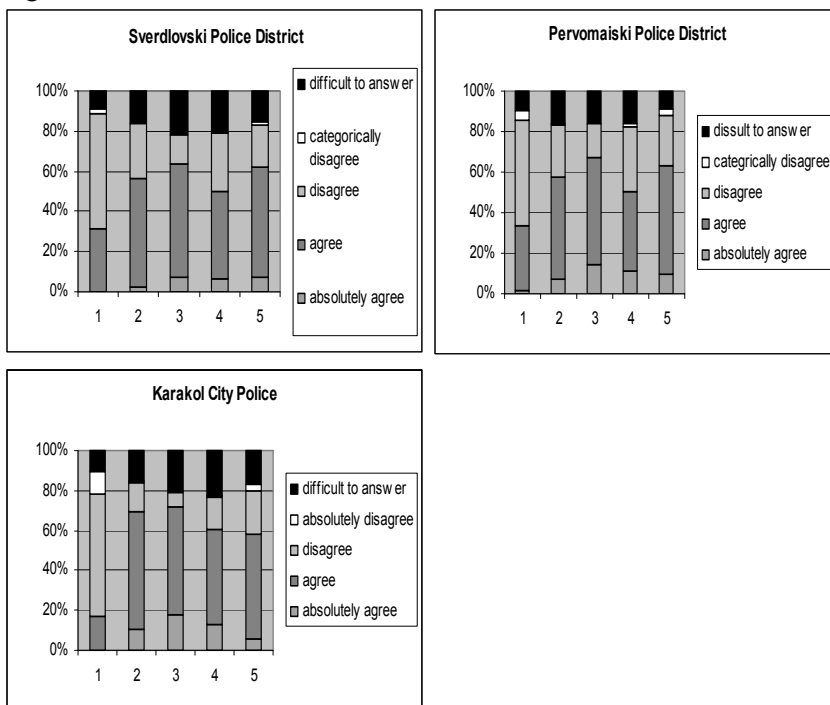
<sup>63</sup> Ibid. The category of law enforcement officials included judges, court bailiffs, public prosecutor officials, policemen and teachers-lawyers from the country’s leading institutions of higher education.

<sup>64</sup> Ibid.

<sup>65</sup> OSCE, “Report on Results of the Sociological Research Public Opinion of Residents of Karakol and Police Officers of the Karakol Police Station”; OSCE, “Otchet po rezul’tatam sotsiologicheskogo issledovaniya obschestvennogo mneniya zhitelei Sverdlovskogo raiona g Bishkek I sotrudnikov OOOB Sverdlovskogo ROVD g Bishkek”; OSCE, “Otchet po rezul’tatam sotsiologicheskogo issledovaniya obschestvennogo mneniya zhitelei Pervomaiskogo raiona g Bishkek I sotrudnikov Pervomaiskogo ROVD g Bishkek.” (Documents on file with author) The author has not been able to access the report on Osh city police.

- 4) Police only serve those who offer money or other favors.
- 5) Police have no other choice but to provide service to those who offer money or other favors due to a low salary.

Figure 5.1-3



As the graphs show, approximately 50% of respondents believed that police officers gave preferential treatment to those offering money or other favors.

In 2009, a second round of public opinion polls was conducted in Karakol and Osh. The results reported that trust in the police was increasing somewhat in comparison to three years earlier. On the other hand, the perception about high levels of corruption remained largely the same. As noted in the report:

Blaming police officials for corruption, the bigger part of the population “accepts” such practices as normal because they themselves become their participants. ... Probably the people understand that the problem of corruption is not only the problem of law enforcement, but is a systemic characteristic.<sup>66</sup>

The perceptions among entrepreneurs and other citizens strongly indicate that it is the police and other enforcement personnel in uniform who have

<sup>66</sup> OSCE, “Report on the Results of Sociological Research on Public Opinion of Karakol City Residents and Police Officers of the Karakol Police Department,” Bishkek, 2009, 52.

evolved as the main racketeers. Private extortion under the guise of police protection is a product of the lack of restrictions in using public offices for private purposes. Indeed, state-provided protection qualifies as a private good, and comes at the price of informal payments. It is worth quoting a businessman from an open source since he expresses a feeling frequently communicated by Kyrgyz citizens: “My friends and I would never go to the police unless we had personal contacts there. Otherwise, they would extort money from us to provide protection, no matter who was breaking the law.”<sup>67</sup> In short, police protection in Kyrgyzstan essentially belongs to the category of private goods, and serves as a basis for private wealth among many top officials, as well as a means for ensuring the daily bread for those at the bottom of the organization.

Some research has suggested that many of the low-level policemen who participate in corrupt practices would prefer not to do so, given the opportunity to earn an honest living. Reasoning along these lines, it is common for police officials to speak about a type of forced corruption, where in order to secure their most basic material, policemen need to resort to criminal activities.<sup>68</sup> As a former deputy minister of internal affairs argues: “A hungry police officer is a dangerous police officer.”<sup>69</sup> Even so, this predominant view fails to explain the noted paradox of why officials are willing to invest substantial amounts of money into the police despite the fact that there is no state-funded remuneration attached to the posts, titles and ranks purchased. This paradox is much better understood through the prism of public offices as investment objects whose appeal is decided by their revenue-generating capacity.

## Crime Control in Practice

By listening to people’s views, it is possible to discern several concrete examples of common types of commercially oriented, extralegal law enforcement activities that the police are able to pursue in using their professional capacity for private benefit. The following quote is an illustrative example of a practice frequently described in various forms by Kyrgyz citizens:

I have a friend who owns a shop. Last year the shop was robbed twice. Both times, the police quickly found the robber and returned all the stolen goods to her. Of course, the case was never registered since the police demanded money and the stolen goods from the perpetrator in exchange for not taking the

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<sup>67</sup> Quoted in Hamid Toursunof, “Kyrgyzstan: More Order, Less Law?” *Transitions*, August 19, 2003.

<sup>68</sup> See “Report on the results of sociological research on public opinion of Karakol city residents and police officers of the Karakol police department.”

<sup>69</sup> “Kyrgyzstan’s law enforcers ‘feeling positive’ about programme’s progress,” *OSCE Magazine*, October 2004, 12.



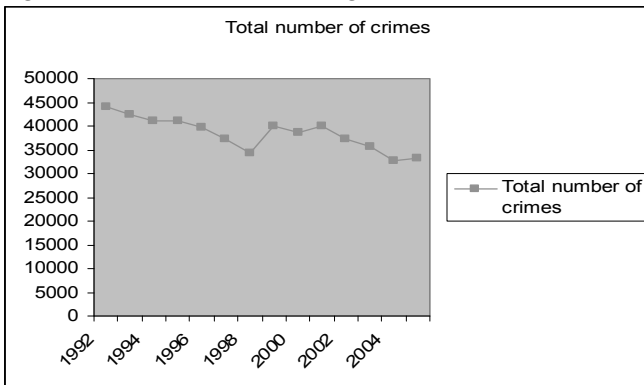
case further. Thus, the offender was punished, the stolen goods returned to the owner and justice administered, although informally.<sup>70</sup>

This informal method of crime control is simple: The police threaten the offender with legal punishment, the offender pays a bribe to avoid further trouble and the police bring the stolen property back to the victim. In the context of this type of informal crime solving, a Kyrgyz citizen notes that the police can work efficiently when it is for their own benefit.<sup>71</sup> In line with this logic of protection, a report notes:

... officers claim that, in policing, there is no discrimination on grounds of ethnic or religious background, but there is on social status – rich or poor. “Rich people are treated kindly and poor people rudely. Prisons are full of poor people, but rich people pay and are released.”<sup>72</sup>

Another source for a successful career is the ability to manipulate crime statistics. The general tendency is that the level of reported crime has decreased over time (see Figure 5.4), and that the police are better equipped in controlling the crime situation than in the beginning of the transition.

Figure 5.4 Total number of registered crimes from 1992-2005



Source: United Nations National Human Development Reports, 2001, 2005.

From this perspective, the outlook for developing into a modern state in which protection is supplied as a public good should appear to be more promising than at the start of the transition. However, a closer look at the crime situation suggests a very different situation. First, the 30,000 recorded crimes in 2009 represent a huge under-representation. In this light, we need to understand some widely spread corrupt practices such as downgrading or collapsing criminal cases, as well as the manipulation of crime and detection

<sup>70</sup> Author's discussion with Kyrgyz citizen, Bishkek, July 2, 2009.

<sup>71</sup> Author's discussion with Kyrgyz citizen, Bishkek, May 28, 2008.

<sup>72</sup> Brown, "Kyrgyzstan Militia: A Question of Reform," June 2004, 17.

figures.<sup>73</sup> As noted in a report, it is puzzling that the poorly trained Kyrgyz police with little technological, transport or communication capacity boast of an astounding annual detection rate of about 85%. Superior officers are forcing their subordinates to report certain detection figures, and a failure to record a rate of less than 80% is believed to threaten the tenure of those officials responsible. Consequently, “[i]t is not unusual for payment in cash or in kind to be made to those writing inspection reports to ensure the reporting of good results.”<sup>74</sup> According to an international expert with experience from the OSCE’s police reform program: “I know of cases when officials have paid people, even close relatives, to confess to crimes they have had nothing to do with just in order to report good results.”<sup>75</sup> In a parliamentary hearing on reforming the police in June 2011, parliamentarian Akylbek Japarov argued that the working methods of law enforcement officers remain unchanged as they invent crimes that they need to apply to some individuals. According to Japarov, the main reason for this is that investigators need to solve a certain number of cases in order to be promoted.<sup>76</sup> Put simply, this incentive system stimulates the police into forcing confessions and manipulating statistics, rather than finding evidence.

## Competition for Bribes in Revenue Collection

State revenue collection is a competitive business in Kyrgyzstan. Still, compared to the chaotic competition within the state apparatus in the 1990s, when businesses complained over bribes demanded by a wide range of inspecting and controlling bodies, the major complaints are now directed to-

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<sup>73</sup> In comparison with industrialized countries the number of reported and registered crimes is still very low. However, in reality the official crime statistics in Kyrgyzstan is just the tip of the iceberg. A Kyrgyz criminologist argued on Kyrgyz television that official statistics give a distorted description of the crime situation in the country since many crimes are never reported. According to the commentator, the police continue to work according to Soviet plan methods of reporting in accordance with pre-set plans in order to demonstrate that the police are getting stronger and more efficient in controlling the crime situation. He concluded by paraphrasing Mark Twain and Winston Churchill: “in Kyrgyz crime reporting it is possible to speak about lies, damned lies and statistics.” The Soviet legacy is also reflected by an officer’s value measured by the number of crimes he cleared each month.

<sup>74</sup> Brown, “Kyrgyzstan Militia,” 15. Also see International Crisis Group (ICG), “Kyrgyzstan’s Prison System Nightmare,” *Asia Report No 118*, August 16, 2006.

<sup>75</sup> Author’s discussion with foreign police official from OSCE’S Police Reform Program for Kyrgyzstan, Stockholm, November 18, 2010.

<sup>76</sup> “Akylbek Japarov: Kyrgyzstan – edinstvennaya strana, gde berut vzyatki i u obvinyayemykh, i u poterpevshikh,” *24.kg*, June 27, 2011, available at <http://mirror24.24.kg/community/103626-akylbek-zhaporov-kyrgyzstan-ndash-edinstvennaya.html>. The basic practice of police investigators having to solve certain amounts of crimes in order to be qualified as successful was admitted at the same meeting by Deputy Minister of Internal Affairs Djenishbek Djakipov: “Chtoby rabota operativnogo sotrudnika v stolitse Kyrgyzstana byla priznana uspeshnoi, on obyazan raskryt’ tri prestupleniya,” *24.kg*, June 27, 2011, available at [www.24kg.org/community/103632-dzhenishbek-dzhakipov-chtoby-rabota-operativnogo.html](http://www.24kg.org/community/103632-dzhenishbek-dzhakipov-chtoby-rabota-operativnogo.html).

wards fewer agencies. Nevertheless, a closer scrutiny suggests that the remaining “collectors” have become more organized and the prices substantially higher. According to the deputy chief of the anti-corruption body installed in the Ministry of Internal Affairs in 2010, the average size of bribes in Kyrgyzstan is growing year by year: “Whereas previously [bribes] given ranged from 2,000 to 10,000 soms [\$50-\$250], now rates have gone up significantly and reach 40,000-50,000 soms [\$1000-\$1250].”<sup>77</sup>

As documented by the UNDP, local taxes, such as those on land and the turnover of retail trade and services, are simultaneously collected by central and local government tax bodies. As a result, conflicts often appear among them in the competition for checking “profitable” taxes on local markets. Moreover, state tax officials have to finance their working visits themselves since no per diem payments are provided, and their salary does not even cover transportation expenses. Quite logically then, it is reported that inspectors are in a hurry to set off to the local markets for raids.<sup>78</sup>

According to another UNDP report, “Inspections have either a repressive character or are a source of money for inspectors. ... The inspection bodies demand payment from enterprises for controlling them instead of being financed out of the state budget.”<sup>79</sup> This type of frequent extra tax paid in the form of bribes means that the amount of money state officials collect from enterprises is much higher than what is reported in official statistics. Bribes as a form of extra tax represent the unofficial source of remuneration for state employers. The implications of this shadow system were described by the then Minister of Economic Development who claimed that, “around 100 billion soms [\$2.5 billion] circulate in the shadow economy, thereby helping local officials to survive despite their low salaries.”<sup>80</sup> Despite both Akaev’s and Bakiev’s commitment of making tax reform a priority, the actual tax system drives businesses underground, where they have to protect themselves by informal payments.

The complexity of the shadow economy is revealed by the UNDP, which estimates that the portion of the shadow economy comprised of unregistered businesses to be 7.2%, while legally registered firms’ share is 46%.<sup>81</sup> Hence, the majority of tax evading firms simultaneously operate in both official and unofficial sectors. The reason for this was suggested to the author by a Kyrgyz businessman:

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<sup>77</sup> “Skol’ko v Kyrgyzstane stoit chinovnik?” *24.kg*, October 25, 2010, available at [www.24kg.org/community/85532-.html](http://www.24kg.org/community/85532-.html).

<sup>78</sup> UNDP, “Report on the System of Inter-Budgetary Relations in the Kyrgyz Republic,” Bishkek 2005, 53-54; Anna Taranchieva, “Fiscal Decentralization in the Kyrgyz Republic,” *Problems of Economic Transition* 49, no. 12 (2007), 23-24.

<sup>79</sup> UNDP, *Kyrgyzstan at a New Stage of Development* (Bishkek: UNDP, September 2005), 33.  
<sup>80</sup> “Economy Minister: 50 percent of state GDP is black marketing,” *24.kg*, June 17, 2009, available at <http://eng.24.kg/politic/2009/06/17/8261.html>.

<sup>81</sup> UNDP, *The Shadow Economy in the Kyrgyz Republic: Trends, Estimates and Policy Options* (Bishkek: UNDP, 2006), 9.

We cannot pay all the taxes because then it is impossible to make any profit. Although many people pay taxes, they do not pay the full amount required by the tax system. We do not tell them [the authorities] the total number of employees and total turnover we have. If they find out, then it is quite easy to bribe the tax inspector.<sup>82</sup>

A senior official in a district tax office in Bishkek believes that at least 40% of registered enterprises do not pay taxes. In general, the reason is that an enterprise, albeit registered both in the Ministry of Justice and the tax office as is officially required, claims to be idle with no turnover, while in reality they are actively operating their businesses.<sup>83</sup> The UNDP's careful mapping of the shadow economy discovered that about 30% of enterprises operate unregistered. The average bribe value paid by these companies was half that of registered firms, indicating that their unofficial status reduces the extra costs caused by bribes to officials that legally registered firms pay.<sup>84</sup> What this suggests is that rather than a shadow economy outside the orbit of the state, a entire unofficial economy exists that is intimately connected to state structures.

Public perceptions of the tax administration give us a hint of the relationship between citizens and officials. In business surveys, tax and customs administrations have repeatedly been singled out as among the most corrupt state agencies in Kyrgyzstan. According to a local survey conducted by the Center for the Study of Public Opinion in Kyrgyzstan back in 2000, no less than 92% of respondents identified corruption to be widespread in the customs and tax administrations. Furthermore, 93% of respondents said they had paid bribes to pass customs procedures over the last three years.<sup>85</sup>

The problems with taxes and the tax administration must be considered to be extraordinary, even compared to all former Soviet republics. In the most recent BEEPS from 2005, Kyrgyz entrepreneurs singled out the bad quality of the tax administration as the biggest obstacle to business development. Tax laws and regulations are subject to tax administrators' interpretations, and are unevenly applied. Over 50% of companies indicate that dealing with tax authorities is the activity in which bribes are most frequent, and over 70% of companies surveyed perceived the tax administration as an obstacle to their businesses. This figure was well above the average of 20% for Cen-

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<sup>82</sup> Author's interview with Kyrgyz businessman, Bishkek, June 15, 2008.

<sup>83</sup> Author's interviews with senior and junior tax official, Leninskii district tax administration, Bishkek, June 6, 2008 and the Head of the Department for Control of Large Taxpayers of the state tax administration, Bishkek, July 11, 2008.

<sup>84</sup> UNDP, *The Shadow Economy in the Kyrgyz Republic*. In order to start up a business in Kyrgyzstan, entrepreneurs are obliged to register the enterprise first in Ministry of Justice and then in the district tax office. If this procedure is not followed a fine of 2,000 Kyrgyz soms (\$50) will be imposed (as of 2008). Although improved, there is still a discrepancy between enterprises registered in the Ministry of Justice but not in the local tax office (Author's interview with senior tax official, Leninskii district tax administration, Bishkek, June 6, 2008).

<sup>85</sup> Ilbezova et al, "Corruption in Kyrgyzstan."

tral- and Eastern Europe and the average of slightly less than 50% reported for all CIS countries. Kyrgyz firms further recorded the highest bribe tax, 3.7% of sales in 2002, and although this decreased to 2.5% in 2005, it was significantly higher than the CIS average of 1.3%.<sup>86</sup> Kyrgyz entrepreneurs also spent almost three times as much time in inspections with tax officials as the average within the CIS in 2005, with the average number of tax inspections reported per year at 4.2 inspections.<sup>87</sup> The obstacles are not only the frequent bribes, but also the time tax, i.e. the large amount of time that entrepreneurs spend on interactions with officials rather than on productive work.

The results from another opinion survey undertaken by TACIS/PROMA, which questioned over 3,000 enterprises in the entire country in the summer of 2002, show a similar picture, with the tax- and customs inspections being the major hindrance for entrepreneurial activity. These surveys communicate that government officials do not care much about state interests at all, but only about revenues they can extort from businesses.<sup>88</sup>

Customs control is a particularly lucrative job. There is plenty of anecdotal evidence about well-organized “customs squads” collecting informal fees for basically all goods that pass through customs and sharing the substantial profits with higher ranking officials. According to a report: “A common practice for importers is to bypass payment of the 12% VAT by paying a smaller amount of money to customs officials, who will then let the products enter without registration.”<sup>89</sup> In 2010, acting Kyrgyz Minister of Finance Temir Sariev presented a scheme in relation to extra fees paid by businessmen to transport their goods from the Chinese border to Bishkek. According to Sariev, in addition to the \$3,000 in import fees stipulated by law, businessmen need to pay an additional \$3,500 in unofficial fees to numerous officers along the way.<sup>90</sup> The Kyrgyz-Chinese border is a particularly lucrative hub for trade. On average, it is estimated that 2,000 trucks filled with goods from China crosses the Kyrgyz border every week. At the border crossing, there is a mandatory weight control followed by an equally manda-

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<sup>86</sup> “BEEPS” 2005. Interestingly, the main obstacles are reported from larger enterprises while small-scale businesses perceive themselves to be under less pressure. The effects have been that there are small incentives for enterprises to expand.

<sup>87</sup> Ibid.

<sup>88</sup> As noted in UNDP, *Kyrgyzstan at a New Stage of Development*, 33-35.

<sup>89</sup> “Kyrgyz Republic: Integrity Indicators Scorecard,” *Global Integrity Report 2008 Assessment*, available at <http://report.globalintegrity.org/Kyrgyz%20Republic/2008/scorecard/75>.

<sup>90</sup> “Korrupsiya forever.” *Novosti Kyrgyzstana*, April 29, 2010, available at [www.for.kg/ru/news/118874](http://www.for.kg/ru/news/118874). According to Sariev, in bringing one container of goods from Torugart, along the Chinese border to the terminal in Bishkek illegal payments were paid to the following: border guards, customs officers, national security service staff, concealment inspection, escort support, a person who just collect money, customs clearance, financial police and transport inspection, “black taxes” (an illegal collection for the maintenance of vehicles for the preservation of the goods), National Security Service of Naryn, environmental inspection Balykchy, unofficial fee for entering the terminal, unofficial fee at the terminal, unofficial fee for exiting the terminal.

tory unofficial fee of \$3,000. Under this scheme, customs officers reportedly receive more than \$150,000 every month.<sup>91</sup> To find proof of the enormous amount of contraband smuggling, the official statistics of Chinese exports to Kyrgyzstan can be compared to the reported import statistics from China provided by the Kyrgyz side. In the period from 1998-2003, the average exports from China to Kyrgyzstan was \$142 million a year. In the same period, Kyrgyzstan reported imports from China amounting to \$50 million per year.<sup>92</sup>

## The Sale of Justice

Public opinion surveys reveal the extent to which informal payments are believed to shape jurisdiction. In the late 1990s, Kyrgyz firms clearly noted the quality of the judiciary as a problem, though it was not perceived as among the most significant obstacles, nor did the perceptions stand out in comparison to other post-Soviet states.<sup>93</sup> A possible explanation is that the courts were not that frequently used in the 1990s, and as the demand for court jurisdiction increased so did corruption. In a 2002 household and enterprise survey conducted by the World Bank, “nearly half of the households surveyed believe corruption is very widespread in the courts and less than one in fifteen was willing to assess that corruption was not widespread.”<sup>94</sup> The report further warned of the risk that court justice may increasingly be perceived among the poor strata of society as an exclusive public good affordable only to the rich.<sup>95</sup> In this context, a local expert took the logic to its extreme by arguing that in criminal and civil cases many people sent to prison are the ones that either could not afford to or did not want to pay for justice.<sup>96</sup> Wealthy people often try to resolve the case at the pretrial stage through payments. If they are taken to court, they take the transactions there.<sup>97</sup>

The perception of courts as non-affordable was likewise reported in the 2002 BEEPS survey, in which the percentage of firms assessing the courts as

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<sup>91</sup> “Nekotorye korrupsionnye skhemy v Kyrgyzskoi Respublike,” Press release Arn-Namys party, January 17, 2011, available at [www.ar-namys.org/read/1969.html](http://www.ar-namys.org/read/1969.html).

<sup>92</sup> International Monetary Fund, *Direction of Trade Statistics, Yearbook 2006* (Washington, D.C.: International Monetary Fund, 2005). For more recent figures and the analysis of the astounding differences, see Bartłomiej Kaminski and Gaël Raballand, “Entrpôt for Chinese Consumer Goods in Central Asia: The Puzzle of Re-exports through Kyrgyz Bazaars,” *Eurasian Geography and Economics* 50, no. 5 (2009), 581-590.

<sup>93</sup> “BEEPS,” 1999.

<sup>94</sup> World Bank, *Governance and Service Delivery in the Kyrgyz Republic*.

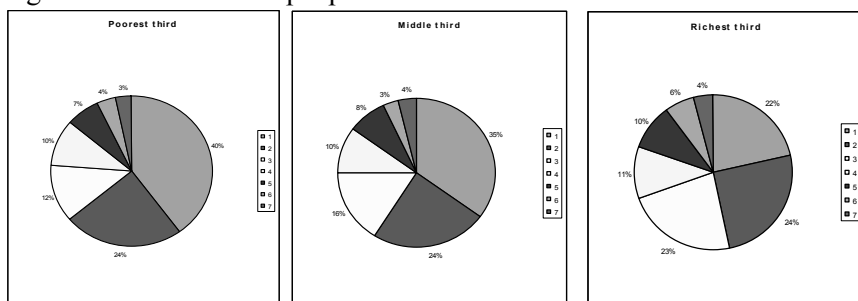
<sup>95</sup> Ibid, 4.

<sup>96</sup> Author’s interview with Kyrgyz lawyer from American Bar Association, Bishkek, July 2, 2009.

<sup>97</sup> Ibid. Also author’s interview with former official in the state Prosecutor’s office, June 21, 2008.

affordable was below 20%, the lowest among all post-communist countries included in the survey. Yet, in 2005 courts were seen as more affordable than three years earlier.<sup>98</sup> Figure 5.5 is directly adapted from the World Bank and illustrates the financial aspects of justice by comparing the poorest-, middle- and richest third of the population.

Figure 5.5 Reasons that people do not use the courts



1. necessary to give bribes;
2. official trial fees are very high;
3. court decisions are not fair;
4. trial lasts too long;
5. legal assistance not available or too expensive;
6. court decision usually not respected;
7. other.

Source: World Bank, *Governance and Service Delivery in the Kyrgyz Republic*, 5.

Among households and enterprises that had been to court, approximately 30% said they had made unofficial payments for justice. The study also presented an interesting conclusion on unofficial court payments in Kyrgyzstan:

Whereas in other countries unofficial payments are mostly aimed at speeding along a slow process, in the Kyrgyz Republic the two most important reasons cited were to be sure that a certain person would take charge of the case and to respond to a direct request from court personnel. In a similar study in Romania, nearly all of the unofficial payments were paid to clerks or to attorneys acting as intermediaries for judges; in the Kyrgyz Republic, 44% of those that made unofficial payments said they gave them directly to the judge.<sup>99</sup>

The “marketization” of courts is also suggested in the 2005 BEEPS, in which almost 20% of Kyrgyz firms said that bribery is frequently used to deal with

<sup>98</sup> James H. Anderson, David S. Bernstein and Cheryl W. Gray, *Judicial Systems in Transition Economies: Assessing the Past, Looking to the Future* (Washington, D.C.: The World Bank, 2005), 35.

<sup>99</sup> World Bank, *Governance and Service Delivery in the Kyrgyz Republic*, 19.

courts compared to a CIS average of less than 10%. The reported frequency of bribery to deal with courts was lower than for the tax and customs administrations, licenses and permits and to obtain government contracts, but higher than for dealing with various inspections like fire and building, environmental and occupational health and safety inspections. Moreover, the perceived bribe frequency compared to in 2002 had increased. In total, less than 15% of enterprises believed the courts to be honest and uncorrupted.<sup>100</sup>

The findings of the EBRD and the World Bank are also consistent with some locally prepared surveys. In the previously cited sociological public opinion survey conducted in 2000, 83% of the respondents identified corruption as widely spread in the courts and prosecutor's offices.<sup>101</sup> The situation has not improved since then. In March 2009, the newly established National Agency on Corruption Prevention launched an online study entitled, "The Barometer of Corruption," and according to voters the judicial system was the worst state body in terms of extortion and corruption next to the public procurement system, the police and the customs and tax administrations.<sup>102</sup>

In a closer examination of unofficial court payments based on the method of expert evaluations from three professional groups – court employees, law enforcement officers and defense attorneys – Kyrgyz scholar Kairat Osmomaliev singles out four principal components. First, it is possible to identify distinct parties in the informal pecuniary relationship such as a judge and a client, as well as a differentiation of their respective roles in the transaction, e.g. bribe giver, bribe receiver and mediator. The relationship between judges and lawyers is critical in this scheme. A lawyer who is very familiar with the system tries to ensure that the case is assigned a particular judge (normally decided by the chairman of the court) with whom the lawyer already has an established monetary relationship. The extensive use of intermediaries obviously minimizes the risks for getting caught.<sup>103</sup> Second, there are certain rules and norms of this "corrupt game" which are known among the players. Third, an established terminology, or code language, exists as exemplified by phrases such as "to settle things," which refers to solving the issue through a bribe or a common friend. Finally, informal fees have emerged that regulate these types of extra-legal court services. Expert opinions diverge as to whether these fees follow a set rate or whether each case

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<sup>100</sup> "BEEPS" 2005.

<sup>101</sup> Ilibezova et al, "Corruption in Kyrgyzstan."

<sup>102</sup> "Samye vysokie pokazateli korruptsii vvyaveny v sisteme goszakupok," *Novosti Kyrgyzstana*, May 27, 2009, available at [www.for.kg/ru/news/87526/](http://www.for.kg/ru/news/87526/).

<sup>103</sup> Several were for long able to ensure impunity, but in recent years some arrests have taken place. For example, in May 2008, a judge of the Moscow district court in Chui oblast was taken into custody for extorting a bribe of US\$2,500. Secondly, in September 2008, the chairman of the Jumgal district court in Naryn oblast was arrested in his office collecting a bribe of twenty thousand Kyrgyz soms (US\$500). Thirdly, in December 2008, a judge of the Naryn oblast court was similarly arrested in his office taking a bribe of ten thousand soms (US\$250). Finally, in December 2009, President Bakiev removed from their posts the chairman of Batken oblast court and the Karasu district court respectively.



is looked at individually. Osmonaliev's conclusion is that the "marketization" of the functioning of the courts has reached a level when it is plausible to speak of the emergence and consolidation of a specific type of "business" group (or perhaps rather crime group) within the judiciary. On the one hand, the group consists of judges, investigators and prosecutors, and on the other, so-called "pocket-lawyers," who function as intermediaries in the financial scheme between judges and their clients.<sup>104</sup>

In author interviews, the alleged dimension of price lists in the courts was inquired about, but respondents tended to hold the view that the cost of justice varies from case to case. In the opinion of a former judge:

Of course, there are no clear price lists, only guidelines for the amount of bribes. The sums depend on the level of righteousness, the amounts claimed and the level of court authority handling the pending case. ... On average, people are willing to pay about 10% of the claim. But this is a very rough estimate. And the higher instance the case is heard, the greater is the increase rate. At the first instance, the court does not receive that much since there are still the second and third instances. For the Supreme Court, where the decision is final and non-appealable, the stakes are very high. Moreover, at first-instance courts, the case is handled by one judge, in the other instances there are three judges, which raises the cost of bribes.<sup>105</sup>

The cost of justice therefore appears to be related to the category of cases and the courts involved. An article printed in the Kyrgyz newspaper *MSN* claims that the most potentially profitable cases are handled by administrative courts, which are responsible for ruling on election results. Here, the sums involved are said to be in the hundreds of thousands of dollars.<sup>106</sup> The most prominent cases have included unfair court rulings in favor of particular pro-presidential parliamentary candidates during Akaev's era, which triggered public dissatisfaction with the February 2005 elections, subsequently leading to the Tulip Revolution.<sup>107</sup> The second spot in the financial hierarchy is reportedly occupied by the economic courts. These courts are financially important since they handle privatization, bankruptcy and cases of property redistribution. Some experts claim that a certain percentage of the total value of the claims is demanded by judges in return for a favorable court verdict.<sup>108</sup> Echoing this logic, a Kyrgyz lawyer claims that the involved parties – lawyers, public prosecutors, judges and police – know each other very well in what he chooses to label a "bribe monolith." Cases can be nego-

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<sup>104</sup> Kairat Osmonaliev, "Judicial Corruption in Kyrgyzstan: Magnitude, Types and Counter-measures" in *Kyrgyzstan Today* (Bishkek: American University-Central Asia, Social Research Center, 2008), 144-151.

<sup>105</sup> Author's interview with former judge/former Deputy Minister, February 12, 2011.

<sup>106</sup> "Korrupsiya byla, est' i budet?" *MSN*, September 29, 2010, available at [www.msn.kg/ru/news/33441/](http://www.msn.kg/ru/news/33441/).

<sup>107</sup> Author's interview with Melis Eshimkanov, member of Kyrgyz parliament, Bishkek, June 2, 2006.

<sup>108</sup> "Korrupsiya byla, est' i budet?"

tiated and decided depending on the money possessed by the client. If the client agrees, the lawyer negotiates a financial solution to the case with the judge. According to this lawyer, a fixed rate does not exist, but depends on the individual case. The majority of those involved in the transactions charge reasonable fees, and the system functions smoothly.<sup>109</sup>

In the context of a weak rule of law, defending one's rights requires considerable behind-the-scene activity, and the formal trials become something of a sideshow to the real sources of justice. The conversation with a Kyrgyz scholar below shows how it works:

Informant: When a dispute between two parties over, for example, land ownership needs to be solved, the process is not just handed over to the courts. It requires a lot of additional work from the parties in the conflict. Generally, the first thing to do is to look whether he/she has any relatives within the judiciary or other state bodies with the power to influence the outcome of the judicial procedure. If no such contacts exist, the second step is to use money. This often means using lawyers to pay judges.

Author: What happens if both parties can secure support from influential relatives, or are willing to pay money?

Informant: Then, the winner is normally the part with the most powerful personal contacts or the ones who pay the most."<sup>110</sup>

In an interview, a former judge emphatically argued that unofficial payments are close to mandatory in dealing with the courts:

It has reached the point that people who are going to the court must give a bribe. It does not matter whether you are right or not. Even if you are right you have to give because the other part usually gives more and there is a good chance that you will lose. This is usually given by all parties and the one who is willing to give the most will win irrespective of the legality of the parties.<sup>111</sup>

To summarize, justice is accessible as long as you pay for it or if you have close personal connections with the power to influence the judiciary. Many interviewees believed that the level of corruption among judges is close to 100%, and refraining from participation is very difficult. In the opinion of the former judge quoted above: "If a judge does not take bribes, the system will destroy him."<sup>112</sup> The system is unpredictable due to the dismal level of

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<sup>109</sup> "Bribes are smooth: Confession of the lawyer," *Kyrgyz Committee for Human Rights*, April 6, 2006, available at [www.kchr.org/04-Apr-2006/e20060406.htm](http://www.kchr.org/04-Apr-2006/e20060406.htm).

<sup>110</sup> Author's interview with former Professor Kyrgyz Police Academy, Uppsala, June 13, 2009.

<sup>111</sup> Author's interview with former judge/former Deputy Minister, February 12, 2011.

<sup>112</sup> Ibid. Cf. Rasma Karklins, *The System Made Me Do It: Corruption in Post-Communist Societies* (Armonk: M.E. Sharpe, 2005).

professionalism. In a Kyrgyz television debate, Supreme Court Judge Nizamidin Azimzhanov argued that the identical case can be presented to different judges, and they will reach the opposite conclusion.<sup>113</sup> The only stabilizing factors in this system are the predictable use of personal connections and/or money to influence judges' opinions. For example, individuals with no formal rights to a property may still be the likely winner in a property dispute, given the capacity to pay the highest bribe. Thus, in practice the judicial system squeezes individuals out of the formal legal framework, forcing them to rely on informal extra-judicial practices when they deal with the legal system. Courts, judges and other related professionals who combine to make up the judiciary make money on the distribution of justice. While the use of money to influence court verdicts has been the focus here, there are other extra-legal means for influencing the outcome of court trials that will be addressed next.

### Non-Monetary Influence

Not everyone pays for justice. What is the alternative for those who are not able or willing to pay? In one case, a Kyrgyz citizen in his mid-20s inherited a plot of land some time ago on the outskirts of Bishkek. He planned to use it for building a house at some point in the future, but had not paid much attention to the land for the time being. However, when he visited the area one day he found to his surprise that part of the land had been occupied and that the foundations of a house were being erected. He turned to the court to determine who the right to the land. But the man admitted that he was far from sure of the outcome, and therefore contacted a relative working in a high-ranking position in the National Security Service who was powerful enough to influence the court's decision. In the end, he won the case.<sup>114</sup> To give yet another illustration of the necessity of engaging in extra-legal activities, an expert retold the following experience:

I have a relative who accidentally caused a traffic incident. A legal process was initiated and a date was set for the trial. At this moment, I heard about the case from my relative. Due to my position and reputation within the judiciary, I contacted the judge handling this particular case and explained the situation to him, and that my relative could not be found guilty on legal grounds since it clearly was an accident. The judge promised to make sure the case would be resolved without any trial. I passed the news on to my relative. However, the next day my relative called and told me that he had just been notified that the trial was set to begin the following week. Again, I called the judge and asked him why the case had not been removed as agreed

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<sup>113</sup> Comment made by Nizamidin Azimzhanov on televised debate on Kyrgyz National Television, "Kontsepsiya sudebno-pravovoi reformy v Kyrgyzstane," *KTR*, December 22, 2006 (Televised debate on Kyrgyz National Television). The present author participated in one of these programs offering his views on the judiciary in Sweden.

<sup>114</sup> Author's discussion with Kyrgyz citizen, Bishkek, May 20, 2008.

upon. The judge apologized and explained that he had simply forgotten about it, but would immediately sort it out. The day after, the judge called me back to inform that everything had been settled and that my relative had been cleared from all charges.<sup>115</sup>

In another specific case followed by the present author, a person had been shot in the head in a café but survived. In the ensuing criminal case, both the victim and the perpetrator had access to relatives in the government, which they used in a bid to influence the outcome of the judicial process. However, the defendant had even more so, to the extent that a member of the victim's family characterized his family as "a hydra with heads everywhere in the government." In parallel to the legal process, both parties also tried to advance their side of the cases in two different Kyrgyz newspapers. The final court verdict resulted in a suspended sentence for the defendant, who was prohibited from leaving the country for three years.<sup>116</sup>

Thus, the most critical part of the process of jurisdiction is the pretrial period. During this phase, people use any means necessary to strengthen their position. There are many ways to try to influence the courts' decisions. What it all boils down to is the continuation in different forms of the old Soviet practice of telephone justice. The following response gives a concrete example of the practice of telephone justice:

During a meeting I had with my good friend, the Minister of Justice, our discussion was interrupted every second minute by phone calls from various officials in influential positions who wanted him [the minister] to help them with various favors related to legal issues or judicial cases.<sup>117</sup>

The judiciary's failure to serve as an impartial guarantor of universal rights is also manifested in uneven court enforcement. Winning in court by no means translates into actual enforcement of the court's decision.<sup>118</sup> As a former judge, who at the time of the interview was serving as the Deputy Minister of Justice, formulates it, "How can we talk about legality when the decisions made by the Supreme Court just remain on paper?"<sup>119</sup> In contrast, when court decisions relate to economically and politically important cases of redistribution, enforcement tends to be quick and efficient, demonstrating the differentiation of cases inherent in the legal system, in addition to the supremacy of connections and influence for circumventing justice.

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<sup>115</sup> Author's interview with former Professor Kyrgyz Police Academy, Uppsala, June 13, 2009.

<sup>116</sup> Author's conversation with Kyrgyz citizen, Bishkek, June 15, 2008.

<sup>117</sup> Author's interview with former Professor Kyrgyz Police Academy, Uppsala, June 13, 2009.

<sup>118</sup> "Vyigrat' sud – poldela, glavnoe – ispolnit' ego reshenie," *Slovo Kyrgyzstan*, July 31, 2009, 25.

<sup>119</sup> Author's interview with Bekbolot Bekiev, former judge, Bishkek, June 2, 2006.

## Concluding Remarks

The empirical evidence consulted in this chapter has underpinned the third sequel in the argument of the “public-office as-investment” state, in which officials purchase their positions and are motivated by making a return on their investment. Seen in this light, pecuniary corruption is inherent to the organization of the state, which also decisively shapes the manner in which government officials and citizens interact. For example, a police organized around informal monetary payments means that state-provided protection qualifies as a private rather than public good; access requires extra-legal monetary payments to the police. The same logic extends to the sale of justice and the collection of taxes. Although bribes as a form of an extra tax mean that the actual payments of individuals and enterprises are substantially higher than what is officially collected, these extra taxes are not invested for providing public goods. However, neither is much of what reaches the state coffers since the revenue collecting bodies are serving on behalf of private interests within the state.

While the bulk of research on post-communist corruption has focused on the demand side of corruption, i.e. how private interests use corrupt means to either influence decision-making policies or gain favors in the implementation of the rules, I have largely shifted the focus to the supply side of how public officials use their power over decision-making, as well as enforcement for making profits. Nonetheless, these market-oriented practices are not sustained by the coercive powers of the state alone. There is a significant degree of mutuality in these interactions. While hardly productive in terms of excessive extortions for the broader layer of society, in its more subtle form of bribery informal payments are nurtured by their perception as a smooth method for settling issues; it is quick, simple and save on the costs, monetary as well as temporal, associated with the formal bureaucratic procedures. The seductive side is described by a businessman to the Kyrgyz media: “I am satisfied with how things work. It is convenient when any issues can be resolved quickly. Going through the law is too difficult and takes too much time.”<sup>120</sup> In other words, while people will surely complain about harassment from policemen and tax officials extorting money, they would be equally upset if the same officials would not accept a bribe if they are caught speeding or keeping double accounts.

Moreover, my interpretation of political and administrative offices as investment objects represents an alternative way of thinking about the nature and causes of political and administrative corruption in Kyrgyzstan; they are quite predictable outcomes in the investment state where public powers firmly lies in private hands. This view joins an expanding literature that questions the long prevalent assumption that corruption can be understood as essentially the same everywhere. Instead, we ought to distinguish between

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<sup>120</sup> “Korrupsiya forever.”

societies in which corrupt practices signify to individual cases of infringing upon universal rules and particularistic societies in which corruption is a dominant, standardized and entrenched norm of behavior. Since office has an ongoing, although temporary, expectation to yield returns, it is somewhat comparable to shares on the stock market in the sense that the term public is meaningless.

Indeed, in the “public-office-as-investment” state, the term “public goods” is misrepresentative since these services in reality qualify as private goods: Access to them requires informal monetary payments. The most essential state-provided goods of protection and jurisdiction are typical: Citizens have access to them as long as they are willing to pay illicit and non-transparent private payments. It is in this light that we must understand the concrete administrative practices of judges selling court verdicts, the high frequency of tax inspections, the mandatory bribe tax paid by firms, the bureaucratic racket as more frequent and predictable than private rackets and the police and other law enforcement agencies as a commercialized organization, where money flows bottom-up.

## Chapter 8: Market Stability and Instability

Hitherto, the empirical analysis has demonstrated that the use of money lies at the heart of political and administrative organization in post-Soviet Kyrgyzstan. A market for public offices has developed in which jobs are bought for the purpose of converting them into private profits, rather than securing a regular salary. Economic calculations and motives surpass more politically oriented incentives, and aggregate to a dominant political and administrative behavior. Virtually none of the proceeds from selling offices finds its ways into the state treasury. Instead, the money circulates in an informal market within the state. The truly staggering level of corruption can then be reinterpreted as quite a predictable outcome in a state in which public resources, administrative regulations, goods and services are disposed of with no intention of providing them as collective goods. Destructive as it may be, I claim that this system produces incentives for public officials to behave in a distinct manner pertaining to the desire to make a return on their investment. As this mechanism is found on all levels of the state as long as offices have revenue-generating capacities, it is a much more standardized and generalized pattern of behavior than would have been observable had the informal financial exchange at the political and administrative levels of the state been treated as unrelated. The most worrying aspect of this system is not the size of informal payments. What is arguably more important is how “corruption pervades the consciousness of its citizens,” as noted by Aibek Omokeyev, former head of the department of the National Agency for the Prevention of Corruption.<sup>1</sup>

This chapter expands the analytical attention by identifying some of the major implications of a state organized around these informal pecuniary exchanges. I shall start out by addressing some significant direct implications for the operation of the state, its institutions and the economy. First, the market is characterized by a short time horizon of public officials, which has effects on the performance of the state. Second, there is a distinct career system observable in this state. Third, there are some notable consequences for economic development. The main section of this chapter, however, is devoted to the relationship between the “marketization” of politics and bureaucracy and the issue of regime stability. I shall try to demonstrate that the

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<sup>1</sup> Aibek Omokeyev, “Country Report: Kyrgyzstan,” The Ninth International Training Course on Corruption Control in Criminal Justice, Resource Material Series No. 73, UNAFEI, 135, available at [www.unafei.or.jp/publications/Resource\\_Material\\_73.htm](http://www.unafei.or.jp/publications/Resource_Material_73.htm)

analytical framework outlined in this book can shed some light on the recurrent political instability observable in Kyrgyzstan with two unconstitutional changes of power in 2005 and 2010.

## Implications for State Performance

### Short Time Horizons

A first noticeable feature is the short-term character of the investment in public office, which can be a high-risk investment. Due to frequent rotations at the highest echelons of state power, there is the constant risk that purchasers will be removed from their posts (having their licenses revoked) and offices again set up for sale. There is no distinction between political and administrative offices since public administration is thoroughly politicized. Changes in political appointments are followed by upheavals in the lower ranks. In the face of constant risk of removal, officials are tilted towards acting according to a short-term rationale of how much they can extract from their posts as quickly as possible, rather than calculating extraction over the longer term. The position may at any time become unavailable. As a former deputy minister argues, “you can buy the title, but you cannot buy a guarantee that you will possess it long enough.”<sup>2</sup> Consider the police. There is a very high level of staff turnover on all levels.<sup>3</sup> Since independence, the Ministry of Internal Affairs has had no less than 17 ministers, which translates into an average duration in office of little more than a year. It is tempting to interpret frequent staff changes as consistent with the “marketization” of politics and bureaucracy since every change in the government cabinet opens up the possibility for new bargains reminiscent of renting public office. In the words of Omurbek Suvanaliev, former Minister of Internal Affairs:

Why has no one been able to restore order in the Ministry of Internal Affairs? Because since 2005 there have been a dozen Ministers. And in Naryn oblast for the last one and a half years, the governor has changed five times. Akims in some regions have changed even more often. Everyone understands that they sit in their positions temporarily. A temporary worker cannot but steal.<sup>4</sup>

Thus, investing in public office is not a long-term insurance providing for a stable career and long-term security. To the contrary, the high turnover indicates that investing in offices is generally guided by very short-term economic calculations. As a result of pervasive insecurity, the collection of

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<sup>2</sup> Author’s interview with former judge/former Deputy Minister, February 12, 2011.

<sup>3</sup> High-staff turnover is identified by the OSCE Police Reform Program as a major impediment to the development of a professional police force.

<sup>4</sup> Interview with Omurbek Suvanaliev in *Delo No*, June 30, 2011.



proceeds tends to be rapacious in Kyrgyzstan since officials try to reap the benefits from their positions while they are in a position to do so. Thus, office is a short-term right, which secures an inherent unpredictability in the system. In this sense, a parallel can be made to the economy across the former Soviet Union, where scholars have documented the emergence of property rights without (formal) protection. The political and administrative market displays a similar logic: Office is treated as a private property, though protection is very personalized, and relates to the ability to secure protection through high-ranking officials, not laws.

To a casual observer, the Kyrgyz leadership appears committed to curbing corruption. Anti-corruption campaigns are regularly launched, laws are passed, special corruption monitoring agencies are established, government officials, mostly in the lower brackets, are sometimes prosecuted and punished and occasionally a minister is dismissed, all of which makes the role of corruption in public discussions more prominent. Moreover, the government constantly engages in anti-corruption dialogues with international organizations. Yet, nothing changes. In fact, one can sometimes get the impression that the situation deteriorates with every new initiative proposed by the government. At least this is the feeling among the population. Part of the answer to this puzzle is that anti-corruption campaigns and personnel rotation obtain a specific meaning, and should be seen as part and parcel of a ruling technique, rather than as a sincere effort at eradicating the misuse of public power in the political system. In reality, these measures are applied selectively, fill symbolic purposes and are often related to internal strife among competing criminal factions within the government. In some cases, senior officers who have seriously started to investigate offences at the top have been assassinated.<sup>5</sup>

## A Distinct Career System

A second implication is related to the career system. When financial motives and payment capacity exert a considerable influence on who is recruited and define a specific type of career system, the boundaries of the state become decisively blurred. Naturally, this has negative effects on the professional quality of the state since personnel are not recruited and promoted on the basis of professional merits, but awarded according to who is more skillful in extracting money from office. Those who have invested in extractive networks from education are favorably positioned to earn recruitment. As a

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<sup>5</sup> Author's interviews with Aleksandr Zelichenko Kyrgyz police colonel, Bishkek, July 31, 2009 and foreign police officer involved in OSCE's Police Reform Program in Kyrgyzstan, November 18, 2010. The murder of a senior police official was also alleged in a Kyrgyz newspaper, which linked the assassination to the officer's ongoing investigation of economic crimes among influential top level officials. See "Kyrgyz paper suggests 'influential' officials behind police officer's murder," *Kyrgyzstan Daily Digest*, May 26, 2004, available at [www.eurasianet.org/resource/kyrgyzstan/hypermail/200405/0034.shtml](http://www.eurasianet.org/resource/kyrgyzstan/hypermail/200405/0034.shtml).

result of the prominence of money over merit, post-Soviet Kyrgyzstan has seen a steady erosion of the quality of governance, as capable and educated people have increasingly been excluded from office. This is particularly the case with the educated part of the younger generation, who often graduate from universities, although their services are not in demand at home and they tend to either remain outside the country or, if they return, work in non-governmental organizations (NGO's). In comparison with the practice of employing individuals on the basis of particularistic loyalties such as kinship ties, one may argue that market-based criteria advance social mobility. However, a valid counter-argument would be that this is not the most desirable form of social mobility, and that it strongly contributes to the emergence and consolidation of a state without any clear boundaries. In addition, the practice of selling offices only furthers mobility up to a certain point since it reserves positions for people in possession of money.

This framework also helps us understand the lawlessness in public administration. Because money matters greatly in determining appointments to political and administrative offices, income from criminal activity is a real source of access to the state, and illegal markets are increasingly protected by state officials.<sup>6</sup> This market dynamic also undermines the state in terms of horizontal integrity. In the sphere of protection, some examples are the fierce competition among various police departments, as well as among the police and other law enforcement agencies. In the sphere of revenue collection, inspecting and controlling agencies compete over the spoils in a similar manner.

The discussion above reveals a striking feature of the Kyrgyz state: Divisions do not primarily run along sectoral or formal hierarchical lines, but civil service is divided along profitable and non-profitable work based on revenue-generating capacity. A prospective policeman reasons along the lines of which positions in the police system promise the greatest opportunities for paybacks on investing in a police career. Where there are more bribes available, the higher the price. The official salary is negligible and plays no part in this calculation. A former deputy minister gives the following account of the system:

Of course, money is only paid for those posts that may bring future dividends in the form of direct cash inflows or the possibility of lobbying, or cover-up of businesses. Positions are paid for primarily in public companies, natural monopolies in energy, railway, telecommunications, airports and mining company, where it is possible to earn money through tendering, purchasing or selling assets. Or for positions in the law enforcement system, where the money is returned through bribery or extortion. All other positions could also

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<sup>6</sup> The police as an organization operating without boundaries, and extensively involved in purely illegal activities is perhaps the most telling example.

be sold, but they are no longer considered to be that attractive and the money cannot be recaptured that easily and quickly.<sup>7</sup>

Due to the secret and illicit nature of job buying, it is impossible to exactly verify the actual scale of the phenomenon as well as the sums involved. Still, the widespread perception among both officials and the population that this is the way the system works undoubtedly reflects a perceived reality; it pervades the consciousness of citizens. Of course, this does not imply that all officers are corrupt. There are professional policemen and tax inspectors who are highly committed to their work, just as not all politicians are prepared to take part in the exchange. These people are obviously keen on seeing the system change. Even so, their potential impact on the system is severely limited. In the words of a ranking official in the Ministry of Internal Affairs, “Honest officials that refuse to take or pay bribes are like medicine to the system. Therefore, all efforts are directed towards removing them from the system.”<sup>8</sup> As a result, there are strong vested interests at the top that have influence over the system and resist reforms that would be to their disadvantage.<sup>9</sup> According to a Kyrgyz scholar, it is difficult to advance and have a successful career for individuals who do not participate in market terms:

If you do not take money, they want to remove you because you are uncomfortable for many people. And the market approach is very comfortable for many people. If there is a person who wants to pay for a position but there is an official refusing to accept payments, that official blocks the functioning of the system.<sup>10</sup>

A former member of the Kyrgyz Parliament seconded this description by recalling his personal experience with the system: “It is very difficult to survive unless you take part in this [corruption]. You become isolated. Both politicians and people look upon you as a difficult person.”<sup>11</sup> A Kyrgyz businessman communicates the same logic as politicians, civil servants and scholars:

The corrupt system works like a chain. If one link does not work, the chain will not work. It is not about individuals; it is all about the system. It is very hard to get somewhere or even survive if you do not participate. ... you have to adjust to this reality.<sup>12</sup>

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<sup>7</sup> Author’s interview with former judge/former Deputy Minister, February 12, 2011.

<sup>8</sup> Author’s interview with assistant to the Minister of Internal Affairs, Bishkek, May 26, 2007.

<sup>9</sup> Raymond Brown, “Kyrgyzstan Militia: A Question of Reform,” June 2004, 24.

<sup>10</sup> Author’s interview with Kyrgyz scholar, Washington, D.C., September 3, 2010.

<sup>11</sup> Author’s interview with Bakyt Beshimov, former member of parliament, Boston, MA, October 12, 2010.

<sup>12</sup> Author’s interview with Kyrgyz businessman in the petroleum sector, Washington, D.C., September 8, 2010.

When these networks have formed and been consolidated, thereby enabling officials to reap private benefits from the system, it is difficult to keep from participating in these transactions even though an official may oppose them in principle. In other words, the system will defeat even the most principled.<sup>13</sup>

## Economic Development

Money from the trade in offices circulates unofficially from the bottom to the top in the state hierarchy. Yet, it does not reach the state treasury, and as a consequence, the government budget suffers. Furthermore, the state budget has lost its role in public management and turned into a mechanism for informal income distribution. When individuals invest in public offices for clear profit-making reasons, it also comes at the expense of investments in productive commercial activities; finances that could flow into private sector businesses are instead circulating unofficially among state officials. Hence, place-hunting decreases interest in productive commerce and industry.<sup>14</sup> This point can be concretized by comparing the ethnic Kyrgyz with the large ethnic Uzbek minority in southern Kyrgyzstan. In practice, Uzbeks are excluded from political and administrative posts and forced to engage in productive activity, thus dominating in economic life, particularly in trade and services.<sup>15</sup>

The “marketization” of the state locks the economy in a specific equilibrium. Firms are forced into the state in order to survive, inhibiting the development of a free market system in the process. In brief, the use of payments in exchange for official positions has contributed to an increasingly unfavorable private business sector environment in Kyrgyzstan. The competitive business environment has deteriorated since the most profitable strategy is not to produce and satisfy market demands, but to acquire high-level access to the state. This point leads us into the well chartered territory of the relationship between the state and the market in the social sciences. An expanding body of literature has questioned the neoliberal assumption that sustainable market-based economic growth is best served by a minimal low-taxing and low-spending state. As argued by Douglass North, John Wallis and Barry Weingast, states with high expenditures tend to be those with high-performing economies as well. The reason is that public expenditures are spent on public goods such as law and order, infrastructure, education

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<sup>13</sup> Cf. Rasma Karklins, *The System Made Me Do It: Corruption in Post-Communist Societies* (Armonk: M.E. Sharpe, 2005).

<sup>14</sup> Koenraad W. Swart, *Sale of Offices in the Seventeenth Century* (Utrecht: Martinus Nijhoff, 1949), 123.

<sup>15</sup> In this context, a parallel can be drawn to the situation of the Jewish communities in European history. Other similar examples are Lebanese immigrants in West Africa, the Indian diaspora in East Africa and Armenians in the Ottoman empire.

and other social services necessary for economic growth.<sup>16</sup> Such goods cannot be provided by markets alone. To use the term coined by Mancur Olson, there is a need for market-augmenting government, i.e. a state that actively provides public goods and produces an incentive system that helps enhance production.<sup>17</sup>

Against this backdrop, there are strong reasons for why the “public-office-as-investment” state in Kyrgyzstan negatively impacts upon economic development, even in comparison to other forms of authoritarian states. Olson suggests a criminal metaphor for understanding the basic conditions that allow an autocracy to pursue market-friendly policies. In the initial position, there is uncoordinated competition among rival groups of roving bandits. None of these groups have long-term control over their territory, and hence lack security over time. Their decision-making horizon will inevitably be short term: what one bandit will not take today, another one will take tomorrow. As a result, roving bandits have narrow interests in their domains and will seize the day by extracting as much they can, with no concern about optimizing the profits over the long term. However, when a leader of a roving band “is strong enough to take hold of a given territory and to keep other bandits out, he can monopolize crime in that area – he becomes a stationary bandit.”<sup>18</sup> The stationary bandit has incentives to develop an encompassing interest in his domain because he is the only one positioned to levy taxes within that particular territory. If he has successfully monopolized the use of force, he is likely to rule that territory for a long time. It is then in his rational self-interest to provide production-enhancing public goods because this will lead to a higher tax intake rather than indiscriminate plundering over a longer period of time. Thus, the market-augmenting government has arisen in its most rudimentary sense.<sup>19</sup>

While Olson’s theory may be criticized in its hard rationality, postulating that an invincible hand will lead an autocrat with consolidated power away from plunder and expropriation to market-friendly decision-making, which is something that seems quite inconsistent with the contemporary record,<sup>20</sup> his metaphor nonetheless captures the roving conditions under which the Kyrgyz economy is supposed to develop. The incentive system is one in which offices are bought and sold and personnel removed almost at will. Consequently, since the future is so uncertain, the political elite seize the day by seizing the state. Likewise, businesses are forced to rely on purchasing short-

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<sup>16</sup> Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009).

<sup>17</sup> Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships* (New York: Basic Books), x.

<sup>18</sup> *Ibid.*, 7.

<sup>19</sup> *Ibid.*, 1-24.

<sup>20</sup> In fact, the argument could be made that both Akaev and Bakiev gradually managed to destroy the competition and set themselves up as number ones, this hardly produced any noticeable changes from immediate plunder to long term taxation.

term individual services *a la carte* from bureaucrats, and the delivery is constantly endangered by frequent reshuffles in government and administrative ranks, as well as from competition among the state's administrative bodies. The contrast to long-term contracting under the rule of law is obvious.

## Understanding Political Instability

There is a distinct informal order to this state and, as shown above, a number of clear implications. Nonetheless, over the last few years Kyrgyzstan has seen much turbulence, including two forceful regime changes – the Tulip Revolution that unseated the country's first President, Askar Akaev, in March 2005, and the April Revolution in 2010 that saw his predecessor Kurmanbek Bakiyev fleeing the country.<sup>21</sup> In the aftermath of these upheavals, there was serious political, economic and social disorder. Can this instability be understood through the prism of the state as an investment market?

To address this issue in a manner that keeps the investment market logic intact, the key is to focus on access to the state. As emphasized earlier, the Kyrgyz state is not an empty shell, but a highly valuable structure. Individuals desperately want to acquire political and administrative posts, albeit for generating wealth rather than implementing political programs or being true public servants. Under certain conditions, this market produces a quite predictable political order defined around reasonably inclusive personal contacts and money. At other times the market is severely destabilized, and access to public office is reserved for individuals closely connected by kinship or other particularistic loyalties to the ruler.

The Tulip Revolution (as of yet the more recent April Revolution has not been as thoroughly examined<sup>22</sup>) has been illuminated in a number of in-depth studies. Previous research has given us a good understanding of how it occurred,<sup>23</sup> and when.<sup>24</sup> As for why it happened, the revolution has variously been attributed to Kyrgyzstan's relatively liberal political environment, the economic autonomy of local patronage networks, the rivalry between northern and southern elites, the existence of a relatively strong democratic-minded opposition, massive corruption and incumbent President Akaev's

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<sup>21</sup> For the sake of convenience, and following the praxis established in the literature on the so-called "colored revolutions", I use the term revolution, even though no one can seriously claim that is what really took place in 2005 and 2010.

<sup>22</sup> Though for some partial exceptions, see Azamat Temirkulov, "Kyrgyz 'Revolutions' in 2005 and 2010: Comparative Analysis of Mass Mobilization," *Nationalities Papers* 38, no. 5 (2010): 589-600; Kathleen Collins, "Kyrgyzstan's Latest Revolution," *Journal of Democracy* 22, no. 3 (2011): 150-164; and especially Eric McGlinchey, *Chaos, Violence, and Dynasty* (Pittsburgh: University of Pittsburgh Press, 2011).

<sup>23</sup> Scott Radnitz, "What Really Happened in Kyrgyzstan?" *Journal of Democracy* 27, no. 2 (2006): 132-146.

<sup>24</sup> Henry E. Hale, "Regime Cycles: Democracy, Autocracy, and Revolution in Post-Soviet Eurasia," *World Politics* 58, no. 1 (2005): 133-165.

weakness or unpopularity.<sup>25</sup> What is presented here is not a full explanation – but one that tells us why, when and how the regimes collapsed. My ambition is more modest – to argue that a focus on the changing nature of access to the state helps us assess under which conditions there is an increased likelihood for systemic failure to occur.

Unsurprisingly, my perspective picks up on the role of “corruption” as a catalyst for these events. The standard take on corruption as a catalyst for regime change runs like this: The opposition and parts of the public were taking to the streets because they were fed up with the greed of the ruling families and endemic government corruption.<sup>26</sup> To quote from a recent article by Kathleen Collins, one of the leading specialists on Central Asia: “Pervasive corruption – a hallmark of both the Bakiev and Akaev eras – lay at the root of the uprising of both 2005 and 2010.”<sup>27</sup> From this perspective, it may be therefore be tempting to suggest that when corruption reaches the level it has in Kyrgyzstan, the state is doomed to fail. However, since corruption has surely always been present in post-Soviet Kyrgyzstan, it cannot be held up as the sole driving force. To put it simply, a constant cannot in itself be used to explain variation. Something else must be needed or, at the very least, the factor must be qualified.

## Why Personal Ties are Inherent to the “Public-Office-as-Investment” State

So far, the discussion has been theoretically related to an ideal typical distinction between market norms and parochial ties. As I have argued before, these two factors are complementary rather than antithetical in forming the marketplace in Kyrgyzstan. It is therefore necessary to recall and elaborate upon why this is the case. In order to understand the conditions under which the likelihood for instability on the political market increases, we must return to the issue of access to the market examined in Chapter 5. That chapter documented how personal contacts, formed around family and kinship, friendship, common geographical origin or just social acquaintances, complement money in determining access to the state. To repeat once again, it is

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<sup>25</sup> See Kevin D. Jones, “The Dynamics of Political Protests: A Case Study of the Kyrgyz Republic” (PhD. Diss., University of Maryland, 2007); Scott Radnitz, *Weapons of the Wealthy: Predatory Regimes and Elite-Led Protests in Central Asia* (Ithaca: Cornell University Press, 2010); Maxim Ryabkov, “The North-South Cleavage and Political Support in Kyrgyzstan,” *Central Asian Survey* 27, no. 3-4 (2008): 301-316; Michael McFaul, “Conclusion: The Orange Revolution in a Comparative Perspective,” in *Revolution in Orange*, eds., Anders Åslund and McFaul (Washington, D.C.: Carnegie Endowment for International Peace, 2006), 165-195; Kathleen Collins, “Kyrgyzstan’s Latest Revolution,” 150-164; Lucan Way, “The Real Causes of Color Revolutions,” *Journal of Democracy* 19, no. 3 (2008): 55-69.

<sup>26</sup> Temirkulov, “Kyrgyz ‘Revolutions’ in 2005 and 2010,” 589-600; International Crisis Group, “Kyrgyzstan: After the Revolution,” *Asia Report* 97, May 4, 2005.

<sup>27</sup> Collins, “Kyrgyzstan’s Latest Revolution,” 162.

not the question of one form of corruption over the other, as personal contacts are inherent to the market logic rather than antithetical to the market. I therefore put forth that the “tension” between the concepts of the state as a marketplace and a parochial state can be redressed by focusing on how personalistic ties shape access to the market. Admittedly, this logic can be said to represent an ideal type of the investment market.

The links between these at first-glance oppositional factors should be understood in light of some of the peculiarities of the state as an investment market. First, buying and selling offices is prohibited by Kyrgyz law, and subject to severe punishments. As a consequence, trust and discreteness are of outmost importance, something that personal connections help to sustain. In this sense, the trade in offices tends, somewhat counter-intuitively, to reinforce rather than cut across existing cleavages. Second, as for the importance of relying on the ultimate form of existential loyalties associated with the family and relatives, this dimension rests on the tacit understanding that an individual, if reaching a certain political or economic status, is supposed to use this position to provide for his family and immediate community. In Kyrgyzstan, this is often referred to as indebtedness to the family (“dolg sem’ya”). The local logic picked up by the present author seems to run like this: A family may invest in one son’s education, and he will hopefully have a successful professional career. In turn, the son is obliged to provide for the rest of the family. The existential loyalty provided by the family is seen as both necessary for the ability to trust but also, it seems, as efficiency enhancing. For example, a former minister of finance defended his appointments of relatives to key posts in customs and financial police immediately after the Tulip Revolution in 2005 in the following words: “Who else could I appoint when the minister of finance had fled, and the banks were not working? We took in 74 million soms in taxes that day.”<sup>28</sup> The logic underpinning the perceived need for unconditional loyalty is further described by another Kyrgyz politician:

Even if the relative is a bad worker, he is loyal. The bad thing with a good worker with no personal relationship is that he or she is more difficult to control and influence, and there is a risk of disloyalty. I have always tried to appoint people on the basis of merit and character, not loyalty. But in Kyrgyzstan, hiring on the basis of kin, regional and clan belonging is more secure. I can give two personal experiences. Once in the 1990s, a newspaper published a very bad article about me. The information was given to the press by my assistant. In 2009, I had to visit a hospital in the U.S., where doctors found out that I had been poisoned. I do not know who poisoned me but it must have been somebody close to me.<sup>29</sup>

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<sup>28</sup> Quoted in International Crisis Group, “Kyrgyzstan: After the Revolution,” 10.

<sup>29</sup> Author’s interview with Bakyt Beshimov, former member of parliament, Boston, MA, October 12, 2010.



What these perceptions communicate is that appointments based on impersonal procedures are risky. Turning to business activities, the strong dominance of family businesses is a striking feature in Kyrgyz economic life.<sup>30</sup> In her research on family trust in Kyrgyz trade enterprises, Regine Spector recalls her conversation with a member of the Union for Employers and Employees:

Informant: In order to prevent stealing, you have to put your relative to watch over the business.

Author: But relatives steal, too, don't they?

Informant: Yes, but it is not considered stealing. You have the same principle as in the time of General Secretary Brezhnev. When someone would tell him that the students are poor so they steal when they unload the trucks, he would say: "So what, he unloads some cargo and he takes one box for himself. Well, he will not sell it abroad, it won't go anywhere, that is fine." The mentality is the same. Say for example my brother stole from me and built a house, but that money didn't go anywhere because it is still the house of my brother. We could say it is the mentality of our people.<sup>31</sup>

Market practices and family ties are deeply interwoven. A Kyrgyz scholar investigating judicial corruption claims that family businesses are sometimes carefully organized in the country's law enforcement organs:

One type of corruption is when family members occupy posts in different parts of the law enforcement system. The mother may work as a judge, the father is a procurator and the son works in the police. The son hands over the case to the father in the prosecutor's office and, then, the mother decides the case as the judge. They reach an informal agreement within the family about how much money can be made from a particular criminal case. These forms of family business networks exist in law enforcement and are strategically created for the purpose of making money.<sup>32</sup>

To sum up, rather than approaching the market and nepotism as two essentially different logics, the latter is important for understanding the functionality of the investment market, in particular by determining who has access to it. In the following section, I will demonstrate how the social strata with

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<sup>30</sup> As indeed is the case also in many other countries characterized by a high degree of family dominance over politics and business. For a notable study of the Philippines during the Marcos period, see Paul Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines* (Ithaca: Cornell University Press, 1998).

<sup>31</sup> Quoted from Regine A. Spector, "Protecting Property: The Politics of Bazaars in Kyrgyzstan" (PhD diss., University of California, Berkeley, 2009), 256.

<sup>32</sup> Author's interview with former police officer/legal scholar, Bishkek, August 5, 2009. Another example of nepotism and family business in the court system, noted by the same expert, is when a judge employs direct family members and relatives in the court system.

access to public office and wealth derived from these gradually diminished during both the Akaev and Bakiev periods.

## A Stylized Summary of Akaev and Bakiev

In the literature on Kyrgyzstan, which tends to treat corruption as a catch-all term, Eric McGlinchey's study of diverging regime trajectories in Central Asia represents a notable exception. He investigates the relationship between international aid and corruption in Kyrgyzstan, and makes the basic argument that although embezzlement and private pocketing of international financial flows have been constant since independence, the critical dimension in his analytical scheme is whether foreign rents are diffused or concentrated. For example, in the mid- and late-1990s Kyrgyzstan received substantial international aid, and although these flows were widely embezzled, they were nonetheless diffused and pocketed by various high-ranking officials. According to McGlinchey, Akaev's inability to monopolize the control over these non-tax revenues actually benefited regime stability by allowing for a fairly inclusive ruling coalition. This contrasts with the development post-9/11, when foreign rents shifted to strategic rents provided by the U.S. government in return for establishing a U.S. military airbase in the country for the purpose of logistically supporting the military operation in Afghanistan. Rents from the airbase fell directly into public and private entities controlled by the Akaev family and their cronies, spurring considerable discontent among excluded elites. The same logic of monopolizing rents was apparent under Bakiev.<sup>33</sup>

The following concise presentation of the Akaev and Bakiev eras follows a similar logic identified by McGlinchey. In the first years of independence, the level of political and economic competition was running high. President Akaev faced strong competition from several directions, including the legislative assembly, regional strongmen in control of administrative and economic resources in the periphery, informal authorities and a hyper-fragmented government characterized by as many governments as there were ministries and committees. While there were negative consequences in terms of government efficiency, the spread of wealth and a reasonably inclusive state apparatus nevertheless meant that various elite groups could benefit from resources derived from access to political power and use them to feed their respective networks of supporters.

It was gradually during the latter part of the 1990s that the influence of the president's family members and their close cronies increased, only to consolidate and fully define state affairs in the early 2000s. In the last years, the ruling family's approach to politics and business closely resembled a

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<sup>33</sup> McGlinchey's argument is more sophisticated and also includes formal models of elite fragmentation in Kyrgyzstan dating back to the late Soviet period and the size of the political elite.

proprietary state. “That is, the state, for all practical purposes, was a family – the reigning family – and the offices of the state were the personal property of the [ruler] to sell or dispose of as he wished.”<sup>34</sup>

Since access to the state equaled access to resources, Akaev’s gradual distancing from the wider network he managed in the early 1990s led to strong resentment among excluded elite interests, particularly from the South of the country, but many northern elites were also being increasingly marginalized.<sup>35</sup> As a country already riddled by strong sub-national divisions, this ruling technique did little to keep antagonism between competing elites in check:

In the early 2000s, after winning a third presidential term, not only did Akaev’s former supporters turn into his fervent opponents, but it became easier to identify the limited fraction of political and business elites who still supported him, rather than naming his opposition, constituted by a much larger group.<sup>36</sup>

The process culminated in 2005 when the president’s elder daughter Bermet and elder son Aidar, as well as sisters to the president’s wife, ran for parliamentary elections. Among competing elites and the general population this was met with suspicion, and furthered the belief that the Akaev family and its close allies were possibly preparing to organize a transfer of power that would ensure their continued hold on political and economic power despite the president repeatedly promising not to run in the upcoming presidential elections in the fall. In brief, the opposition to Akaev was not so much upset with corruption *per se*, as with the impression that the presidential family had monopolized the political and economic system for its own benefit, and for not sharing the spoils with other elites.<sup>37</sup> Hence, the presidential family’s attempt to restrict access to the state, its offices and resources were major sources of indignation, and played a substantial role in triggering the fall of Akaev in the so-called Tulip Revolution.<sup>38</sup>

Bakiev also initially found himself in a challenged position. From the outset, the new president decisively moved to absorb the major resources pre-

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<sup>34</sup> Scott, *Comparative Political Corruption*, 38. Scott uses the term monarch, which I have replaced with ruler.

<sup>35</sup> UNDP, “Bringing Down Barriers: Regional Cooperation for Human Development and Human Security,” *Central Asia Human Development Report* (Bratislava: UNDP, 2005), 174.

<sup>36</sup> Erica Marat, *The State-Crime Nexus in Kyrgyzstan and Tajikistan: Organized Crime, Drug Trafficking, and the Rise of the Mafia in the Post-Soviet Period* (Washington, D.C.: Central Asia-Caucasus Institute & Silk Road Studies Program, July 2006), 69.

<sup>37</sup> Cf. McGlinchey, *Chaos, Violence and Dynasty*.

<sup>38</sup> A point made by a number of prominent speakers at a roundtable discussion of Kyrgyzstan at the time of its 15<sup>th</sup> anniversary of independence organized by the political party Sodruzhestvo at the Kyrgyz-Slavonic University, Bishkek, August 29, 2006. A transcript from which exist as “Kyrgyzstan, puti, proidennye za 15 let – itogi i perspektivy,” Stenogramma zasedaniya “Kruglogo stola” provedennogo Bishkekской городской organizatsiei partii “Sodruzhestvo” 29 avgusta 2006 g.

viously belonging to the Akaev family. To build and support his hold on power, Bakiev promoted selected southerners to top positions at the expense of the long-dominant elite from the North who were privileged under Akaev. At the core of this system was his closest family. As Roza Otunbaeva, the interim president who succeeded Bakiev, noted while being a member of parliament: "Today, there are five Bakievs working in the 'White House' on the top echelons of the power. I do not speak about their numerous relatives who have captured all floors of the 'White House'."<sup>39</sup> As noted in Chapter 4, representatives of the president's group, predominantly organized on the basis of extended family networks and personal loyalties mainly with a geographical base in the South, had practically monopolized key political and administrative top offices. The president personalized control over the security apparatus, putting a brother and a son of his in charge of the Presidential Guard and the National Security Service, respectively. The appointment of Janysh Bakiev, his brother, as chief of the state protection service drew heavy criticism among experts, who pointed out that Bakiev's choice of key personnel to security structures violated the law on civil service that forbids relatives from serving in positions in which one is the other's direct superior. From the president's side, the decision was defended by the claim that "making relatives responsible for physical security of the heads of state is practiced in many countries."<sup>40</sup> In the Ministry of Internal Affairs and other law enforcement bodies in the northern capital of Bishkek, southerners came to dominate heavily. This provoked serious resentment among officials from the North.

As a ruler, Bakiev arguably displayed a greater degree of greed than his predecessor, and the system worked for the enrichment of the ruling family at the expense of competing elites and the public. Under the pretext of administrative reforms in the fall of 2009, the president did away with whatever was left in terms of distribution of powers, and transferred practically all powers to the president and his appointees in a number of new agencies directly under his control.<sup>41</sup> The main beneficiary was the president's son, Maksim Bakiev, who was appointed to head the brand new Central Agency for Development, Investment and Innovation (CADII), which was in charge of much of the country's economy and superior to all the other major government financial bodies. In the end, no alternative sources of patronage were available inside the state, as everyone had to go through the presidential family. Among competing elites and the general public, there was little

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<sup>39</sup> Bermet Bukasheva, "Luchshe p'ianyi Aidar chem. Trezvyi Maksim': Kirgizskikh prezidentov pogubili deti," *Ferghana.ru*, April 16, 2010, available at [www.ferghana.ru/article.php?id=6539](http://www.ferghana.ru/article.php?id=6539).

<sup>40</sup> "Kyrgyzstan: What Enemies will the Brother Protect the President from?" *Ferghana.ru*, June 4, 2008, available at <http://enews.ferghana.ru/article.php?id=2390>. See also *Law on State Service*, Article 11 on "Restrictions related to state service".

<sup>41</sup> Giorgio Fiacchoni, "Easter Revolution: a Vicious Circle Started with the Tulip Revolution," *Times of Central Asia*, April 13, 2010.

doubt that Bakiev was ever going to regulate political succession through constitutional means; instead, there was a conviction that he had prepared the stage for his son to succeed him.

Despite the fact that narrow loyalty ties associated with the family clearly increased in significance during periods of both Akaev's and Bakiev's tenures, this factor did not produce any changes in the motive and behavior of public officials. Irrespective of the degree of "familization," the state remained defined around the use of public offices for earning and investing, although it should be emphasized that when the "familization" of the market set in an increased proportion of top officials was appointed because of direct family ties, and without having to purchase their positions. Yet, more often than not access to public offices required a financial investment. Thus, even though the proprietary state reached its peak under Bakiev's administration, his family was, according to Kyrgyz experts, just as involved in organizing these practices as Akaev's had been. Indeed, as Chapter 5 indicated, most commentators argue that this family asked more to be granted posts.

A most striking aspect communicated in interviews is that the idea of using the state for investment purposes seems to have become internalized as a reality among the political elite. Since the market motive lies constant in determining the behavior of public officials, the increased importance of personal ties to the ruler in determining access to the state is best understood in terms of a decreasing number of potential buyers. In other words, parochial ties are used to manipulate and control access, hence restricting competition.<sup>42</sup> In short, the prominence of family ties means restricted access to the market, not the elimination of the market. When access shrinks to the extent that more diffused personal contacts are no longer sufficient, and access is contingent on particularistic ties to the ruler, the number of gatekeepers with the power to influence who will have access the state is reduced. The Kyrgyz experience suggests that restricting competition and access to the political and administrative sources of wealth through the use of personal loyalties, particularly durable family ties, increases the likelihood of systemic instability and even the outbreak of violence.<sup>43</sup>

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<sup>42</sup> Johann Graf Lambsdorff, *The Institutional Economics of Corruption and Reform: Theory, Evidence and Policy* (Cambridge: Cambridge University Press, 2007), 137

<sup>43</sup> Note that while the argument advanced is that money is less destructive than nepotism for political stability in Kyrgyzstan, this does not mean that pecuniary corruption have positive consequences in terms of the quality of governance. When money is the primary defining feature, power tends to be placed in the hands of people that are unreliable and incapable. A nepotistic logic, on the other hand, tends to reward people who are just incapable. Nevertheless, a state organized along market principles has certain advantages compared to a state organized solely around family ties, since money arguably promotes social mobility and more equal access to state influence. At the highest echelons of state power, the ruling coalition tend to be wider, by equalizing access to influence and making it less dependent on durable, non-acquirable factors such as belonging to a certain extended family or geographic region. However, the consequences of these two practices for the efficiency of the state are a different

In connection to this, the dominance of greed as a driving force of Kyrgyz politics is noticeable. The purpose of political power has become synonymous with personal enrichment. Political power as a means for wealth, rather than an end in itself, helps explain why many key political figures in Kyrgyzstan (under both Akaev and Bakiev) would rather take the money and run than resist attempts to usurp power with decisive force.<sup>44</sup> This is a contrast to more politically motivated elites in for example the Middle East or some other Central Asian countries, where key political figures are sure to resist with decisive force any attempt by the opposition or the public at large to usurp the process. Indeed, the Kyrgyz elite have more in common with greedy elites identified in some African countries than with authoritarian or theocratic rulers governing for more of a “cause.” What the financially motivated sale of office as a mechanism of power indicates is the striking absence of more robust, or institutionalized if you will, sources of power such as ideology, a mass party, a military or wider communal ties other than the immediate family or regional origin.<sup>45</sup>

## Manipulating Access to the State

What triggers the process of establishing a proprietary state, in which the ruler decides which individuals are allowed to purchase government posts in the hope of making returns on investments? Put differently, under which conditions does the political leadership resort to manipulating access to the state through the use of narrow loyalties primarily based on family ties, and what type of self-reinforcing processes does this policy set in motion?

Whereas the proprietary state in its complete form has been visible when powers have concentrated in the hands of the president, there is still the question of time order. Is the manipulation and use of family ties the method employed for consolidating political power, or does “familization” really take over when political power is already concentrated? This study has not been able to identify any single trajectory towards the “familization” of the state market in Kyrgyzstan. If anything, comparing Akaev and Bakiev suggests that there are multiple paths toward a proprietary state.

To start with Akaev, establishing a proprietary state does not appear to have been any planned strategy. In his first years in power, his family was

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matter. In fact, at least in the short-term, efficiency tend to improve under nepotism compared to competitive market practices.

<sup>44</sup> Cf. Richard Snyder, “Beyond Electoral Authoritarianism: The Spectrum of Non-Democratic Regimes,” in *Electoral Authoritarianism: The Dynamics of Unfree Competition*, ed., Andreas Schedler (Boulder, CO: Lynne Rienner, 2006), 219-231.

<sup>45</sup> Compare for instance with Svante Cornell’s discussion of the sources of power in Azerbaijan. See his *Azerbaijan Since Independence* (Armonk: M.E. Sharpe, 2011), 162-198.

not perceived as taking an active part in the country's political life.<sup>46</sup> Despite dire economic and social conditions, Akaev remained the country's most popular politician until the latter part of the 1990s.<sup>47</sup> However, concomitant with the perception that his family was increasingly interfering in state affairs became wide spread, the president's popularity dropped. As the state became hostage to the presidential family, the story unfolding is one of a paralyzed president in turn becoming a hostage to the ambitions and greed of his own family members and a few other key political figures.<sup>48</sup> In conversations with Kyrgyz politicians and experts, it is striking in that whereas many interviewees blame Akaev for being weak, too soft and unable to control his entourage, his closest family members are always attacked in harsher words. As their popularity waned and there were substantial vested presidential family interests in the state, the family sought to protect themselves by staying in power.

Bakiev, on the other hand, was from the very start more determined to rely on his family in aiding his political power bid vis-à-vis competing elites. A former minister noted that while many basic features remained constant from Akaev to Bakiev, one of the principal divergent factors was that regional belonging and extended kinship became even more important.<sup>49</sup> Immediately after the Tulip Revolution, his closest family members were quickly emerging as influential players in the economy and the law enforcement system.<sup>50</sup> Thus, Bakiev's trajectory towards a proprietary state was quicker and his use of family ties was of paramount importance from the outset.<sup>51</sup> In other words, whereas Akaev's hold on power increasingly be-

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<sup>46</sup> A partial exception was some rumors linked to the presence in the government of many officials believed to be linked to the president's wife. Part of the reason for the less prominent role of family members may also be the fact that his children were very young at the time.

<sup>47</sup> Martha Brill Olcott, *Central Asia's New States: Independence, Foreign Policy, and Regional Security* (Washington, D.C.: United States Institute of Peace Press, 1996), 95.

<sup>48</sup> To give one example, a former official in the presidential administration expressed following opinion on the country's first president: "In the first years Akaev was very simple and polite. All of us in the staff had access to him and could approach him if we had some problems. I remember how he always congratulated us on the New Year. After a few years, the situation changed and he only talked to ministers and heads of departments. But later not even ministers had access to him. In the end, there were only a handful of top level officials close to his family that had influence on state policies, and the state was basically governed by no more than five-six people. He did no longer hear the voice of society since this small group and his family told him everything was working fine and that the people supported him." Author's interview with former high-level official in the presidential administration, Bishkek, May 26, 2007.

<sup>49</sup> Author's interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 25, 2007.

<sup>50</sup> Author's interviews with numerous Kyrgyz politicians and experts, Bishkek, February, May-June 2006. Also see "Kyrgyz President Appoints Brother Deputy Head of Security Service," *Kyrgyzstan Daily Digest*, March 3, 2006, available at [www.eurasianet.org/resource/kyrgyzstan/hypermail/200603/0002.shtml](http://www.eurasianet.org/resource/kyrgyzstan/hypermail/200603/0002.shtml).

<sup>51</sup> His brothers were actively involved in organizing the anti-Akaev protests in the South of the country and promoting their brothers as the leader of the opposition to Akaev before the Tulip Revolution.

came the insurance for realizing the demands and aspirations of his family members, Bakiev relied on his family network from the start, seeing it as a guarantee for political survival and the amassment of wealth.

Irrespective of whether the president himself initiates these policies or is more of a “victim” to the demands of family members, “familization” from the top has spillover effects downward for the entire state hierarchy. Since ministers and heads of state agencies in turn change officials under their control to individuals who are loyal and pay them, the effects of restricted access to the state are felt on all levels. Hence, although this policy often emerges out of a perceived need to strengthen the power of the ruler, the by-product is that it is reproduced on all levels of the state, thereby increasing the likelihood for destabilization and violence.

## Concluding Remarks

Thinking about the Kyrgyz state through this lens helps us to understand why it behaves and performs as it does, and that there is a distinct order to this state. Frequent upheavals in personnel and the recurrent sales of offices provide an incentive system in which officials are sure to adapt a short time horizon, focusing on how much they can extract from their offices as quickly as possible. In short, it is an investment with limited long-term security. Moreover, in a state primarily organized around pecuniary ties, a specific career system ensues defined around financial exchange. The “public-office-as-investment” state further implies a logic of governance with negative consequences for general economic performance as growth-friendly policies are not adopted. Additionally, investments are directed toward converting officialdom into private capital at the expense of much-needed investments into productive economic activities.

With regard to political stability, as long as individuals are in possession of the necessary informal contacts and financial resources (their own wealth or borrowed money), the state as marketplace tends to function with some degree of certainty, and a reasonably wide set of actors are able to yield interest on invested capital. The risk for failure increases when access to the state is manipulated by the use of particularistic forms of loyalty, primarily the kinship mechanism. This is a persistently latent threat since the degree of business trust outside of the family is low in Kyrgyzstan.<sup>52</sup> Manipulating access to the state and its resources by the use of kinship ties destabilizes the market, as an increasingly small group of individuals is entitled to access to the state for earning and investing. When this process sets in, it is increasing-

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<sup>52</sup> Regine A. Spector, “Protecting Property: The Politics of Bazaars in Kyrgyzstan” (PhD diss., University of California, Berkeley, 2009). Cf. the lack of trust in anyone outside of the family in a village in southern Italy described by Edward C. Banfield, *The Moral Basis of a Backward Society* (New York: The Free Press, 1958).



ly insufficient to possess wider personal contacts, for the tangible resource necessary for recruitment is highly equivalent to personal loyalties to the ruler at the expense of competing sources of patronage. In the terminology of economics, when this process sets in, access to the market shrinks. When there are few players the market becomes less competitive, more closed and dominated by personal exchange; when there are many players and competition is more effective, the exchange tends to be more impersonal.<sup>53</sup>

A key difference between the more competitive marketplace and the one characterized by more exclusive access refers to the distribution of proceeds. In the more open access market organized around personal connections that do not have to be linked to one particular family, it is difficult for rulers to control the proceeds from the trade in offices. The financial strength of various top-level officials in the government and bureaucracy is therefore greater than when access to the market is closely controlled by the ruler. In short, the politics of state building in post-Soviet Kyrgyzstan is a running battle between monopolistic and competitive tendencies.<sup>54</sup> By restricting competition, in particular by narrowing access to the state, family ties are important for understanding market stability and instability. Money is a means of influence, and when it is no longer effective for that purpose, the likelihood of violence as the only remaining option for access to power increases.

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<sup>53</sup> North, "The Contribution of the New Institutional Economics to an Understanding of the Transition Problem," 2.

<sup>54</sup> For the distinction between monopolistic and competitive practices, see Johann Graf Lambsdorff, *The Institutional Economics of Corruption and Reform: Theory, Evidence and Policy* (Cambridge: Cambridge University Press, 2007), 137.

## Chapter 9: Closing Thoughts

What is visible on the surface is deceptive in the case of Kyrgyzstan. Particular functions of the state cannot be assumed just because they exist on paper. The key is to understand how and for which purposes the state is organized. This study's main contribution to the understanding of the Kyrgyz state is the observation that money dominates its elemental composition. Throughout this study I have pursued the argument that the logic of an investment market lies at the core of the operation of the Kyrgyz state. The analogy to the marketplace has served the purpose of analytically abstracting and observing the pattern of the state as it has developed since independence. This framework reveals the motive for seeking offices, the behavior of officials once they hold public positions, and the nature of state supplied goods and services. The predictable outcome is a multitude of unofficial financial exchanges binding together the state internally as well as defining its relationship to society. I have further argued that we do not do justice to the nature of the unofficial financial exchange by simply referring to it in terms of "bribery". The practice is more systematized and rationalized than such a term lead us believe. What lay at the core here is the sale of positions. As we saw in the preceding chapter, there are a number of observable implications of this investment logic: officials are tilted toward short-term strategies, a distinct career system is formed around money, economic development suffers, and an inherent instability is built into the political system due to the personalized nature of the financial exchange, leaving room for the manipulation of access to the state.

The argument that financial exchange is the main factor forming the Kyrgyz state differs from the common focus on traditional identities. It follows that the competition over the spoils of the state and the consequences in terms of state performance is a result of a state that essentially has turned into an investment market rather than the outcome of primordial clan politics. In contrast to the dominant idea of linear progress, the "investment state" in Kyrgyzstan should be understood as a distinct type of political organization connected from top to bottom. Thus, the message is rather clear: corruption in Kyrgyzstan cannot be understood by studying only the grand level, nor does it suffice to restrict the focus to petty corruption at the low levels of the bureaucracy. Both levels are linked by corruption on the intermediate levels of the state hierarchy. Superior officials demand entry fees in

exchange for positions on lower levels as well as the continuing supply of proceeds in order to maintain these positions. Informal financial exchange is the glue that binds the state together into a well-organized pyramidal system. Consequently, different levels of the system essentially operate out of the same dynamics of investing in the public sector.

In this concluding chapter, I ponder on what it would take to break out of this mode of operation. In doing so, the case of another post-Soviet state – Georgia – is briefly explored. In the end, some potentially fruitful avenues for future research are suggested.

## How to Break Out?

It is common in much of the literature on countries subject to fundamental transformations, as is the case with the former Soviet republics, to see problems related to state functioning, democracy, economic performance and corruption as pertaining to the complexities of shifting from one system to another. Hence, are there reasons to believe that the significance of money in Kyrgyzstan is a transient byproduct of the challenges associated with the post-Soviet processes of state formation and state building and, as such, destined to disappear over time? This is indeed an intricate question. Obviously, no political systems are static, for they are very much dynamic. Yet, this dynamism tends to be stable within some frames. Put differently, the characteristics of the Kyrgyz state identified in this inquiry fulfill a distinct purpose in an equally distinct type of system, whether long-term permanent. The Kyrgyz state displays a logic of its own that should not be dismissed simply as an “illness” to which there is a readily available medicament.

Thus far the system has been resistant to sudden changes in the power structures. Indeed, the forceful changes of power in Kyrgyzstan in 2005 and 2010 respectively, hailed by some commentators, not least in the media, as genuine democratic uprisings, are better understood as manifestations of the nature of power in the country, or normal politics as Henry Hale argues.<sup>1</sup> Unless dramatic extra-constitutional changes of power are followed by a break-up of the existing sources of power, enduring change will not come about. In Kyrgyzstan, the revolts in 2005 and 2010 were initiated by a small cohort of elites. They were not primarily disgruntled with the nature of politics but their exclusion from power and wealth gained from access to the state. After each upheaval the distribution of public positions on pecuniary grounds intensifies.

Arguing that this system is more than an unintended interlude in the transition from Soviet rule leads us to the question of what it would take to break

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<sup>1</sup> Henry E. Hale, “Regime Cycles: Democracy, Autocracy, and Revolution in Post-Soviet Eurasia,” *World Politics* 58, no. 1 (2005): 133-165.

out of this politico-economic equilibrium. I will explore this issue in the light of the case of contemporary Georgia.

## The Case of Georgia

At first glance, a valid question relates to whether Kyrgyzstan represents such an extreme case that it is questionable if the theory developed from it would have bearing beyond this particular state. However, already in 1998 the World Bank made one of the following conclusions based on a comparative survey in Latvia, Georgia and also Albania:

In Albania, Georgia, and Latvia the price of obtaining 'high rent' positions is well known among public officials and the general public, suggesting that corruption is deeply institutionalized. Higher prices are paid for jobs in agencies and activities that households and enterprises report to be the most corrupt, suggesting that corrupt officials rationally 'invest' when buying their public office. The pattern of these payments differs, however. In Latvia ministerial positions are purchased more often than in Albania and Georgia, and lower-level positions are purchased less often. This pattern suggests that grand corruption may be more of a problem in Latvia, while petty corruption is more serious in Albania and Georgia.<sup>2</sup>

Of these three countries Georgia is a particularly interesting case in point. Until the Rose Revolution in 2003, the situation in Georgia appears to have been a reflection of the one in Kyrgyzstan: Unofficial payments were organized in a pyramidal scheme and connected the system from the low level to the mid-level and up to the highest echelons of state power. The result was a privatization of government positions; individuals invested in the public sector expecting reimbursement. For example, in the police system offices had to be purchased which lead policemen to collect bribes from the outset in order to repay the money they had borrowed for the initial investment.<sup>3</sup> The price for a work in the traffic police is said to have been \$3000, with some variations depending on the profitability of the spot for sale. Enrollment to educational establishments such as the Police Academy and law

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<sup>2</sup> Daniel Kaufman, Sanjay Pradhan and Randi Ryterman, "New Frontiers in Diagnosing and Combating Corruption," *PREMnotes* 7, The World Bank, October 1998.

<sup>3</sup> Jonathan Wheatley, *Georgia from National Awakening to Rose Revolution: Delayed Transition in the former Soviet Union* (London: Ashgate, 2005), 114; Lili Di Poppo, "Police Reform in Georgia: Cracks in an Anti-Corruption Success Story," *U4 Practice Insight* 2010:2 (Chr. Michelsen Institute, 2010), 1; Alexander Kupatadze, "Similar Events, Different Outcomes: Accounting for Diverging Corruption Patterns in Post-Revolution Georgia and Ukraine," *Caucasus Analytical Digest* 26 (April 26, 2011): 2-4. In Georgia as of 1998, the percentage of public officials believed to have purchased their position was close to 50 percent for customs inspectors, approximately 40 percent for tax inspectors and ordinary police officials. More than one-third of the offices of natural resource licensors, judges, investigators and prosecutors were also believed to have been purchased. See Kaufman, Pradhan and Ryterman, "New Frontiers in Diagnosing and Combating Corruption."

faculties followed the same logic.<sup>4</sup> Since the average monthly salary of a police officer amounted to \$35-40, the money invested somehow had to be retracted unofficially. A Georgian expert describes the situation: “The salary was enough for three days, after that policemen turned into self-financed gangsters.”<sup>5</sup> Like in Kyrgyzstan, the system was more organized than what met the eye. Officials were not free to dispose of their collected proceeds as they wished since they had to provide a regular supply of payments to their bosses: “If you did not pay you may be jailed for corruption.”<sup>6</sup> Thus, there were strong incentives for officials to participate in the informal market.

However, since the Rose Revolution in 2003 something dramatic has taken place in Georgia. From being ranked the most corrupt post-Soviet country (124<sup>th</sup> of 133 countries in 2003), Georgia in 2010 ranked as the least corrupt post-Soviet country outside Baltics, ahead of several EU member states.<sup>7</sup> Indeed, even the current power’s most fervent critics acknowledge that corruption in the form of unofficial payments have been nearly completely eradicated in a few years time. As a result, the state as an investment market has been completely dismantled.<sup>8</sup> This begs the question: What made this dramatic change of the system possible?

In an attempt to tentatively explore this question, I conducted a two-week field study in Georgia in September 2011. I had 20 meetings with government officials, representatives from civil society and businesses, as well as a number of independent experts. The story emerging is one of a pre-revolution state so thoroughly corrupt that it became a severe nuisance for people in their day-to-day life. This was a major cause of the revolution. The new government immediately responded to this sentiment and made anti-corruption its major post-revolutionary platform. According to Georgian reformer Vakhtang Lejava, “at first anti-corruption campaigns were used as tools by the new leadership in its fight against the old elite,” but “subsequent developments have shown that anti-corruption was the cornerstone of the

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<sup>4</sup> Author’s interviews in Tbilisi with Tornike Turmanidze, Deputy Secretary of the National Security Council of Georgia, September 6, 2011, Gela Kvashilava, Deputy Director Department of Information and Analysis, Ministry of Internal Affairs of Georgia, September 8, 2011, Khatia Dekanoidze, Director of the Police Academy of Georgia, September 8, 2009, Davit Sakvarelidze, First Deputy Chief Prosecutor of Georgia, September 8, 2011.

<sup>5</sup> Author’s interview with Alexandre Kukhianidze, former Director of Transnational Crime & Corruption Center Caucasus Office, Tbilisi, September 15, 2011.

<sup>6</sup> Ibid.

<sup>7</sup> Transparency International (TI), “Corruption Perceptions Index,” 2003 and 2010.

<sup>8</sup> Author’s interviews with Vladimir Papava, Professor and Senior Fellow of Georgian Foundation for Strategic and International Studies, Tbilis, September 7, 2011 and Tamara Kidasheli Georgian Young Lawyers Association, Tbilis, September 12, 2011. There are allegations and rumors about the emergence of a new form of elite corruption that is more subtle than the system of unofficial payments. The type of practices that are being mentioned are however fundamentally different from the state as a vertically organized investment market.

new power.”<sup>9</sup> Another commentator notes that revolution brings revolutionary methods of rule, not the rule of law. Under these circumstances:

The government strategy was to use corrupt law enforcement structures to combat other corrupt government structures. In the beginning, law enforcement agencies carefully implemented the political will but they were still corrupt and not working within the framework of the rule of law. Adhering to such principles would have resulted in lengthy processes. Instead, people were intimidated to leave their positions which gave the opportunity to bring in new people.<sup>10</sup>

Interlocutors describe the Georgian strategy as a combination of punitive and preventive measures. After the initial period which largely served to deter people from engaging in corrupt acts by exposing arrested officials publicly on national television and handing out severe punishments, focus has been directed towards building a system in which the probability of corrupt deals are minimized. Lejava says:

We did not have a standard anti-corruption strategy. Anti-corruption was an integral part of any reform program in any sector. Before 2003 we had tried a gradual approach for example by creating “non-corrupt havens” in some sectors. This never worked. We understood that we needed a frontal approach. If you do not fight it as an epidemic you cannot fight it successfully. When people interact it spreads like a disease. We dissolved entire institutions and filled them with new staff. This could not have been done without a very strong popular mandate and a united political leadership. We had to do it our own way. International organizations were not prepared to take the risks that we felt we must take. They had a much more cautious approach.<sup>11</sup>

The complete dissolution of the most corrupt division of the police – the traffic police – in 2004 provides the most telling illustration of the “big bang” strategy employed by the Georgian government. In total, 16,000 officers were dismissed. The Police Patrol Department, inspired by the U.S. model was established to replace the traffic police; the patrol police have a new mandate, new recruitment procedures and new staff. The average police

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<sup>9</sup> Author’s interview with Vakhtang Lejava, Chief Adviser to the Prime Minister of Georgia, Tbilis, September 9, 2011.

<sup>10</sup> Author’s interview with Alexandre Kukhianidze, September 15, 2009. Admittedly, then, the success in Georgia has to a certain extent come to the price of legal procedures. Yet, as pointed out by two scholars: “Western policy and academic circles have yet to devise ways to reverse state capture through means that would conform to due process requirements.” See Svante E. Cornell and Niklas Nilsson, “Georgian Politics since the August 2008 War,” *Demokratizatsiya* 17, no. 3 (2009): 253.

<sup>11</sup> Author’s interview with Vakhtang Lejava, Chief Adviser to the Prime Minister of Georgia, Tbilis, September 9, 2011. Another official likewise noted how earlier reforms in some spheres were always conducted for the benefits of some special interests (author’s interview with Gela Kvashilava, Tbilisi, September 8, 2011).

salary has increased ten-fold since 2003<sup>12</sup> and the law enforcement agencies total staff has been reduced from 63,000 to 27,000. According to the Director of the Police Academy, the average police officer is today 27 years old.<sup>13</sup> The results are impressive. In 2010 Transparency International's Global Corruption Barometer reported that Georgian citizens perceive their police force as less corrupt than their counterparts in Germany and France.<sup>14</sup> In brief, Georgia has moved from a situation in which corruption was the norm in society to a situation when it is the exception.

What can we learn from the Georgian experience? First of all, it shows that the state as an investment market is not inevitable. It is possible to break out of this equilibrium. However, the Georgian experience suggests that something more revolutionary than the conventional gradualist anti-corruption strategies is required in order to roll back the "marketization" of the state in a society where activities normally qualified as corrupt lie at the heart of political organization.<sup>15</sup> As political scientist Larry Diamond argues:

... endemic corruption is not some flaw that can be corrected with a technical fix or a political push. It is the way that the system works, and it is deeply embedded in the norms and expectations of political and social life. Reducing it to less destructive levels – and keeping it there – requires revolutionary changes in institutions.<sup>16</sup>

## Factors Influencing the Degree of "Marketization"

A number of factors impact upon the degree of "marketization" of political and administrative offices. Keeping the basic logic of the theory intact but hypothesizing altering factors that impact upon the degree of "marketiza-

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<sup>12</sup> Yet, as noted by Lily Begiashvili, the Deputy Head of Georgia's Tax and Custom's Administration, the actual income of a tax official or police officer is probably the same as under the old system; the difference is that nowadays officials are paid from the state budget and not fed by bribes (author's interview, September 13, 2011).

<sup>13</sup> Author's interview with Khatia Dekanoidze, Director of the Police Academy of Georgia, September 8, 2009. Perhaps the most striking feature of the new government is its young staff. Deputy Ministers and Deputy Directors of state agencies are in their late 20<sup>th</sup> to early 30<sup>th</sup> while Ministers and Heads of agencies are about ten years older. Thus, the reform program has led to the eradication of the older Soviet trained generation in the government of the state. According to Lejava, this was not a planned strategy but a consequence of the new anti-corruption policy (author's interview, September 9, 2011).

<sup>14</sup> Transparency International, "Global Corruption Barometer 2010".

<sup>15</sup> This argument has been launched by Bo Rothstein. See his *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective* (Chicago: University of Chicago Press, 2011), Chapter 5. However, Rothstein refers to an indirect "big bang" approach while the strategy in Georgia appears to have targeted corruption in a much more direct manner.

<sup>16</sup> Larry Diamond, "A Quarter-Century of Promoting Democracy," *Journal of Democracy* 18, no. 4 (2007): 119.

tion” yields different predictions about the scale and nature of investment practices across cases.

A first important factor to consider is the strength of other markets; the better the functioning of alternative avenues for enrichment, the lesser the demand for investing in offices for the purpose of yielding returns. When well-functioning financial institutions, in particular in banking, exist investors do not depend on corruption for earning and investing.<sup>17</sup> Therefore, in countries with more stable legislation and an impartial judiciary protecting transactions, investors should direct greater interest to other markets than the one in public office. At the same time, the sale of office cannot take place in a purely primitive economy. Offices cannot be sold unless there are people willing and able to pay for them. Some degree of economic development is required.<sup>18</sup>

A related factor that may potentially impact on the profitability of the state relative to other markets is the natural resource endowment. Of course, this factor is structurally determined (either a country is rich in natural resources or poor) and cannot be changed by human agency. Nonetheless, it is interesting to understand whether an abundance of resource wealth mitigate for preying on the state. For example, in states such as Russia and Kazakhstan the sale of political and administrative posts as alluding to individuals desire to earn profits may not be the primary target since investments flow into resource markets. Some Kyrgyz respondents suggested as much by emphasizing the country’s meager resource endowment. One commentator contrasted Kyrgyzstan with Kazakhstan:

In Kyrgyzstan, it is political offices rather than natural resources that are put up for sale. The state and its institutions have become resources, something to profit from. There is a “lootable” structure of institutions. Compare this to Kazakhstan where natural resources buffer against the worst looting of government office.<sup>19</sup>

The relevance of this claim is far from certain, however, and needs empirical testing.

The form of government also merits a separate discussion. Since the collapse of the Soviet Union a debate has lingered regarding whether parliamentary or presidential systems are preferable in post-communist countries. In the literature, post-communist presidential systems are normally seen as more hospitable to corruption. As this system represents “a continuation of the arbitrary rule by the Party apparatus, it is naturally subject to few checks

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<sup>17</sup> Kiera Boerner and Christa Hainz, “The Political Economy of Corruption and the Role of Financial Institutions,” *Discussion Paper No. 135*, Governance and the Efficiency of Economic Systems (GESY), June 2006.

<sup>18</sup> Swart, *Sale of Offices*, 113-114.

<sup>19</sup> Author’s interview with Kyialbek Toksonbaev, National Democratic Institute, Bishkek, February 6, 2006.



and balances and more inclined to corruption, and therefore it is also likely to be less democratic”.<sup>20</sup> A parliamentary system on the other hand induces greater competition in the system, which enhances the prospects for effectively limiting corruption in comparison to a presidential system, in which the winner usually faces fewer constraints in monopolizing corruption. This body of literature places emphasis on the need to increase political competition in order to impair rent seeking and corruption.<sup>21</sup>

However, to my mind this idea rests on the notion of corruption as a violation against universal rules as defined from the perspective of relatively non-corrupt countries, hence, if competition expands, corruption will decrease. However, consistent with our view of corruption as a dominant norm in society, competition also means competition in corruption. This is exactly what has happened in Kyrgyzstan after the introduction of a parliamentary style government in October 2010. The market logic of politics has been reshaped. Whereas under the previous presidential system the control over the market gravitated towards the presidents and their families, in the new coalition government corruption is more dispersed and uncontrolled, and the practices of dividing the state along marketplace criteria appear to have reached an all-time high. In the opinion of a politician with personal experience from cooperating with some members of the new government, “The so-called coalition recently divided all profitable posts ... and financial streams will go in at least 5-7 directions and under these circumstances reaching coordinated policy is impossible.”<sup>22</sup>

This leads us to the importance of the political leadership. Research on corruption has offered compelling evidence that the phenomenon can hardly be fought from the bottom. In perhaps the two really outstanding successes in eliminating corruption – Hong Kong and Singapore – anti-corruption was enforced by determined and strong presidential leaderships.<sup>23</sup> More recently, as discussed above, the only post-Soviet state that has managed to curb the type of market corruption discussed in this book – Georgia – likewise reinforces the importance of a determined and strong leadership. In considering the role of political leaders, the question of why they govern must surely be addressed, i.e. whether the main purpose of political power is greed or for

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<sup>20</sup> Anders Åslund, *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia* (Cambridge: Cambridge University Press, 2006), 229.

<sup>21</sup> Chris O'Dwyer, *Runaway State-Building: Patronage Politics and Democratic Development* (Baltimore: Johns Hopkins University Press, 2006); Anna Grzymala-Busse, *Rebuilding Leviathan: Party Competition and State Exploitation in Post-Communist Democracies* (Cambridge: Cambridge University Press, 2007); Henry E. Hale, “Great Expectations,” Manuscript presented at Uppsala University, May 27-28, 2011. Early champions of this view were Andrei Shleifer and Robert W. Vishny, who formalized how competition could defeat corruption. See their article “Corruption,” *Quarterly Journal of Economics* 108, no. 3 (1993): 599-617.

<sup>22</sup> Author's interview with Bakyt Beshimov former member of Kyrgyz parliament, January 7, 2011.

<sup>23</sup> Eric Uslander, *Corruption, Inequality, and the Rule of Law: The Bulging Pocket Makes the Easy Life* (Cambridge: Cambridge University Press, 2008), 180-213.

example a commitment to ideology or religion. If anything, the sale of public office may be more likely to occur in relatively mildly authoritarian states than in strongly repressive states. In the latter category of tightly controlled states like Belarus, Turkmenistan and Uzbekistan it seems that rulers need to ensure greater control over appointments than would be the case if people were allowed to purchase their positions.

Finally, there is the role and nature of personal contacts, including the family. The extraordinarily strong role of family ties in Kyrgyz politics may set the country apart from some other post-communist countries where the family is less of a political factor. The hypothesis derived from this study is that this may promote stability and give the market logic more impersonal and universalistic features, i.e. there are lower entry barriers than in Kyrgyzstan where both personal contacts and money is usually needed. In other cases, access to money may be enough for ensuring access to the state. Nevertheless, as of yet, there are no comprehensive studies on post-communism that suggest the existence of such kind of impersonal marketplace. Obviously, the reason may be as simple as that Kyrgyzstan represents an extreme case with regards to the scale of trade in offices and the investment logic that the practice pertains to.

## Avenues for Future Research

Future research could explore the extent to which the investment logic argued to be at the core of politics and bureaucracy in Kyrgyzstan exists in other countries with similar dynamics. This study has outlined a theoretical framework that should be replicable for examining other potential cases. The post-Soviet region with its distinct legacy and multiple political, economic and societal changes stands out as a region where the framework developed here could be tested.

Another group could be some countries in Asia, possibly also some developing countries in Africa. For example, the combination of patrimonial features with privatization, and in some case even criminalization, that characterizes the shadow states in Africa may be similar to the situation in Kyrgyzstan, if they were interpreted as investment states rather than shadow states. There is however reasons to doubt this parallel since, as argued in Chapter 2, the value of the de-institutionalized and chieftaincy-like state in some African countries appears to be lower than the Kyrgyz state representing a legacy of the highly state-dominant Soviet system.

This said, it bears re-emphasizing that there has yet not been any systematic study on the sale of offices in post-Soviet countries, and the scope of application of this theory must therefore await future research although the case of Georgia before the Rose Revolution clearly indicates that it hold relevance beyond Kyrgyzstan. Yet, to the extent that officials across a range

of countries beyond Kyrgyzstan engage in similar informal financial exchanges in the interest of yielding financial returns, a broader middle-range theory may emerge.

# Appendix 1: Wealthiest Individuals

Abdirasulov, Imon: former MP.

Abdurasulova, Tazhinisa: Businesswoman, President of the firm Tadz-Mahal, MP (95-00).

Abdykerimov, Sharshenbek: Businessman, President of the firm Agrofood, MP (11-).

Abdyrakhmanov, Omurbek: Businessman, Head of the Union for Businesses, MP (10-)

Abildaev, Bolot: Businessman (-96), tax and customs official (96-00), Minister of Finance (02-05), General Director Gazprom Asia (06-).

Aibalaev, Mamat: Businessman (91-96), MP (96-99), Governor (99-03).

Aidaraliyev, Asylbek: Rector International University.

Aidarov, Nurgazy: Businessman, MP (10-).

Aitbaev, Tahtemir: Vice-President of the firm Kyrgyzautoservice (91-95), Deputy Minister and Minister of Internal Affairs (95-99, 00-02), Minister of National Security (99-00, 05-06), Deputy Minister of Justice (02-05), Chairman Board of Directors Kyrgyzpromstoibank (06-).

Aitmatov, Chingiz: Renowned author, MP (90-00), Ambassador, died in 2008.

Aitmatov, Eldar: Son of Chingiz Aitmatov.

Aitykeev, Akbaraly: Presidential candidate (09).

Akaev, Aidar: Son of President Akaev, businessman, elected MP (05)

Akaev, Asankul: Brother of first President Akaev, MP (00-05).

Akimaliev, Zhamin: Scientist.

Akmataliev, Temirbek: Governor (98-01), Minister of Finance (01-02), Minister of Internal Affairs (02), Minister of Emergency Situations (03-04).

Akylbekov, Iskender: Rector State Medical Academy (96-03), MP (00-05).

Alkanov, Raikhan: Businessman, President of the firm Alkan & Co.

Almakuchukov, Okmotbek: Businessman (90-01), Head of the State Committee for Tourism, Sport and Youth Politics (01-05).

Alykulov, Mukan: Businessman, General Director of the firm OshPES, MP (00-05).

Amanbaev, Jumgalbek: MP (89-94), Vice PM (93-95), died in 2005.

Anapiyaev, Emil: Businessman (95-01), Deputy Minister of Foreign Trade and Industry (01), Governor (02-03).

Arsaliev, Erik: MP (07-10), President Manas International Airport (10-).

Artykbaev, Osmon: Businessman (91-05), MP (05-09), Minister of Energy (10-).

Ashirkulov, Misir: Rector Bishkek International School of Management and Business (92-97), Deputy Minister and Minister of National Security (97-99), Head of Presidential Administration (99-01), Secretary National Security Council (01-04).

Atambaev, Almazbek: Businessman, Minister of Economic Development (06), PM (07, 10-), Presidential candidate (00, 09, 11).

Babanov, Omurbek: Businessman, MP (05-07), First Vice PM (09-09, 10-).

Baekova, Cholpon: MP (89-93, 07-10), Chair of the Constitutional Court (93-07).

Baibolov, Kubatbek: Businessman, MP (95-07), Minister of Internal Affairs (10), General Prosecutor (10-11), Presidential candidate (11).

Baigozhoev, Bolot: MP (00-05), President of Issykulinvest Bank.

Baiguttiev, Jenishbek: Businessman (93-09), Minister of Economic Regulations (09-10).

Baisalov, Erkin: Businessman, MP (05-07).

Baiterbekov, Kurmanbek: Akim (05-10).

Bakiev, Kurmanbek: Governor (97-00), PM (00-02), MP (02-05), President of Kyrgyzstan (05-10).

Bakiev, Maksim: Son of second President Bakiev, businessman, Director of the Central Agency for Development, Investments and Innovations (09-10).

Bakiev, Zhanysh: Brother of second President Bakiev, police officer (90-06), Vice Minister of National Security (06), Head of Presidential Guard (08-10).

Balikbekov, Saparbek: General Director state company Elektricheskie Stantsii, Minister of Energy (07-08).

Baryktabasov, Urmat: Businessman, First Vice Director Kyrgyzgaz (01), party leader (10-).

Batyrov, Kadyrzhan: Businessman, MP (00-07).

Biinazarov, Adylbek: President of the Television-radio company Piramida (93-07).

Borubaev, Altai: Scientist, MP (90-05), First Deputy Minister of Education (92-94), Rector Kyrgyz Pedagogical University (94) and Kyrgyz State National University (98).

Chudinov, Igor: Businessman, Director of Kyrgyzgaz (05-07), Minister of Energy (07), PM (07-09), General Director Development Fund of Kyrgyzstan (09-10).

Chyngyshev, Tursunbek: PM (92-93), MP 95-00), banker.

Chyrmashev, Satybaldy: Businessman (91-00), MP (00-05), Minister of Emergency Situations (02-03), Akim (03).

Danilov, Yuri: Official in the energy sector (90-05), MP (05-10).

Dil, Valerii: businessman, MP (90-94, 00-05).

Dunlarov, Anvar: Businessman, Chairman of the Board of Directors of Kyrgyzavtogaz.

Egemberdiev, Tabyldy: Businessman, President of the soft drink firm Shoro.

Erkinbaev, Bayaman: Businessman, MP (95-05), died in 2005.

Ermatov, Askarbek: Director state tobacco company Kyrgyztamekisi (96-), MP (95-05).

Fattakhov, Bakhtiyarjan: Chairman of the National Commission for the Protection and Development of Competition (99-01), Director Agency for Local Governance (10-)

Gaipkulov, Iskender: Tax official (92-99), Akim (99-02), MP (05-07),

Gogaev, Boris: Vice Head of the state tax administration (93-95), MP (00-05).

Ibragimov, Dilmukhammed: Director of the brewery firm Bakai.

Ibragimov, Emil: Director of the firm Bishkek.

Ibragimov, Sergei: Businessman, MP (07-10).

Irsaliev, Rakhatbek: Businessman (95-04), MP (05-08).

Isaev, Kydykbek: MP (00-05), Director of Kyrgyz Rail (05-06), Governor (06-10).

Iskakov, Salavat: Former judge, former President of the phone company Katel.

Ismailov, Esen: Former karate world champion, President of international industrial investment firm Zhetigen, MP (95-00), Director of Kyrgyz National Academic Theater of Opera and Ballet (02-).

Ismankulov, Almazbek: Director of Eye Microsurgery Hospital, political party leader.

Ismanov, Kasym: MP (90-95), Mayor of Karakol city (96-98), General Director Kyrgyzneftegaz (98-03).

Jakypov, Almazbek: Vice-President of the state gold company Kyrgyzaltyn (93-99), President Kyrgyzaltyn (05-10).

Januzakov, Bolot: Secretary National Security Council and Deputy Head of Presidential administration (99-05).

Japarov, Akylbek: MP (00-05, 10-), Minister of Finance (05-07), Minister of Economic development and trade (07-09), Vice PM (09-10), Presidential candidate (11).

Jeenbekov, Ravshan: Chairman of the State Property Fund (01-04), Ambassador (06-07), MP (10-).

Joldoshbaev, Kamchybek: General Director of industrial-commercial firm Besh-Sary (91-05), MP (05-07).

Jumagulov, Apas: PM (93-98), Ambassador (98-03).

Jumaliyev, Kubanychbek: Head of the Presidential administration (96-98), PM (98), Governor (98-01), Minister of Transport and Communication (01).

Juraev, Murat: MP (05-10).

Kadyraliev, Sanjarbek: Businessman, MP (05-09), died in 2009.

Kasiev, Naken: Minister of Health (91-99), State Secretary (99-00), Governor (00-05).

Kasymov, Toichubek: Governor (92-04), Head of the Presidential Administration (04-05).

Kazakbaev, Jalgap: General Director of Karabalta mining combine.

Keldibekov, Akhmatbek: Businessman, Head of Social Fund (02-05), MP (05-07, 10-), Head of state tax administration (08-10).

Kenebaev, Bolotbek: Former Akim, Deputy Head of the Presidential Administration (01).

Kereksizov, Tashkul: Businessman, Head of the Customs Committee (98-99), Head of the State Property Fund (99-00), MP (05-07), advisor to first President Akaev.

Kerimkulov, Medet: Akim (92-95), Deputy Mayor and Mayor of Bishkek city (95-05), First Deputy PM (05-06), Minister of Industry, Trade and Tourism (06-07).

Khon, Valerii, businessman, former MP.

Konushbaev, Tynychbek: Businessman.

Korkmazov, Khadjimurat: MP (95-).

Kostyuk, Aleksandr: Deputy Minister (96-00) and Minister of Agriculture, Water Management and Processing Industries (00-05), Vice PM (10).

Kubaev, Boris: Rector Institute for Strategic Information Technology in Education (03-09), Deputy Minister of Education (09-10).

Kudabaeva, Shatkul: President Amanbank, leader political party "The Party Consent".

Kudaibergenov, Janysh: Businessman, owner of the company Kudaibergen, MP (07-).

Kudaibergenov, Kamchybek: Former President of the state gold company Kyrgyzaltyn (99-04), died in 2004.

Kulbaev, Abdireim: Deputy Mayor of Bishkek city (96-03), MP (07-10).

Kulmurzaev, Turgunbek: General Director of Kyrgyzgaz (99-00, 10-), Governor (05-06).

Kulov, Feliks: Minister of Internal Affairs (91-92), Vice President of Kyrgyzstan (92-93), Governor (93-97), Head of National Security Service (97-98), Mayor of Bishkek city (98-99), PM (05-07), MP (90-94, 10-), leader of political party Ar-Namys.

Kubatbekov, Kurmanbek: Police officer, Deputy Minister of Internal Affairs (98-01), Head of the Drug Control Agency (01-05).

Kunakunov, Murat: President of BTA Bank.

Kurmanaliev, Dokturbek: Former Akim.

Loboda, Andrei: Businessman, MP (00-05).

Madiyarov, Toktosun: Businessman, President of the firm Azamat Oil, member of the board of Commercial Bank Kyrgyzstan.

Malabaev, Muratbek: Customs official, MP (00-07).

Maliev, Arslanbek: Businessman, MP (05-07).

Mamakeev, Kanat: President Kazkommertsbank.

Mamakeev, Mambet: Med. Dr., Director of Kyrgyz Surgical Center, MP (95-00).

Mamasaidov, Makhamdjan: Rector of Kyrgyz-Uzbek University, MP (00-07).

Mamashov, Turusbek: Businessman, Head of the State Agency on Tourism (06-09).

Mamatov, Mukhtar: Director Jalal-Abad gaz, MP (10-).

Manasova, Aizada: Businesswoman, President firm Aska, ran for parliament (07).

Maripov, Bolot: Journalist, MP (05-07), Director state company (08-10).

Matiev, Nurlan: Head of Leninskii tax district, President National Ice Hockey Federation.

Medetbekov, Shamshybek: Banker (94-99), MP (00-05).

Mirraakhimov, Mirsaid: Scientist.

Moldogaziev, Erkintur: Businessman (-95), MP (95-99), Akim (98-05).

Mukashev, Muratbek: President Kyrgyzpromstroibank (91-), MP (00-10).

Muraliev, Amangeldi: Head of the State Property Fund (94-96), Governor (96-99), PM (99-00, 10).

Mursubraimov, Bektemir: Scientist, Director of the Institute of Chemistry and Chemical Technology, MP (95-00).

Nanaev, Kemelbek: Head of State Property Fund (91-92), Chairman National Bank (92-94), Minister of Finance (94-96), First Vice PM (96-98), Ambassador (01-05).

Nargozuev, Begaly: Businessman (-07), MP (07-10).

Nazaraliev, Jenishbek: Director Nazaraliev's Medical Center, Presidential candidate (09).

Nazarov, Orzubek: Boxing champion, MP (07-10).

Nogoev, Arstanbek: Akim (94-95, 98-03), Deputy Mayor and Mayor of Bishkek city (03-07), Minister of Agriculture, Water Management and Processing Industries (07-09).

Omurakunov, Kukhtar: Leader of the political party Zamandash, Head of the State Committee for Migration Policy (06-07), ran for parliament (07), died in 2011.

Omuraliev, Esengul: Head of the State Property Fund (92-94), Minister of External Trade and Industry (98-00), Governor (05-06).

Omurkulov, Isa: Former police officer, MP (95-07), Mayor of Bishkek city (10-)

Ormonov, Ulukbek: Vice Director Dastan missile factory (93-05), MP (05-10).

Orozbaev, Mamat: MP (90-00, 10-).

Otorbaev, Djoomart: Party leader (00-06), Deputy PM (02-05), senior official EBRD (06-10).

Parmankulov, Zamirbek: Businessman, General Director of the factory “Instrumenty”, MP (03-05), ran for parliament (05, 07).

Rustembekov, Janysh: State secretary (93-95), Governor (95-96), Director of the State Agency for Forest Ownership (96-00), MP (00-05), Minister of Emergency Situations (05-07), Ambassador (07-10).

Rysaliev, Imankadyr: Head of the State Fund for Industrial Development (94-98), Minister of Social Protection (98-01), Director National Agency for Antimonopoly Policies and Competition (05, 07-08).

Saadanbekov, Jumagul: Governor (92-96), Ambassador (98-00, 01-07).

Sabirov, Alisher: Police officer (-95), MP (95-00, 05-10).

Sabirov, Davran: Businessman, MP (90-05).

Sadybakasova, Sharipa: Businesswoman, MP (00-05, 07-10).

Sakebaev, Sovetbek: Businessman, MP (07-09).

Salymbekov, Askar: Owner of Dordoi market, Governor (99-05), MP (05-10).

Samakov, Karganbek: Businessman (92-01), MP (01-07, 10-).

San, Boris: Former police officer, businessman, MP (07-10).

Sarbanov, Ulan: Chairman of the National Bank (99-06).

Sariev, Temir: President of Kyrgyz stock exchange (91-95), businessman, MP (00-07), presidential candidate (09), Minister of Finance (10), party leader.

Sarpashev, Taiyrbek: Businessman (91-99), MP (00-07).

Sartkaziev, Bakirdin: Senior energy official, Head of state energy companies Kyrgyzenergo and Elektricheskies stantsii (97-08).

Sarygulov, Askar: Head of the State Committee for Foreign Investments (92-93), Head of the State Property Fund (96-99), Head of Mercedes Benz in Kyrgyzstan (99-03), Ambassador (03-05).

Sarygulov, Dastan: Director of state gold company Kyrgyzaltyn (92-99), MP (95-00), Governor, State secretary (05-06).

Satybaldiev, Jantoro: Minister of Transport and Communication (99-00), Mayor of Osh city (01-03), MP (05-06), Governor (06-07), Director of the phone company Katel (08-09), Deputy PM (10).

Shabotoev, Ruslan: Businessman, MP (07-09), died in 09.

Shadiev, Askarbek: Businessman (95-00), MP (00-02, 05-10), Deputy Minister of Finance (02), Head of state tax administration (03), Governor (03-05).

Shailieva, Tokon: MP (90-00), Akim (01-03).

Sherimkulov, Medetkan: Speaker of parliament (90-94), Ambassador (98-02, 07-09).

Sherniyazov, Bolot: Businessman (91-00), MP (00-07, 10-11), Minister of Interior (10).

Shin, Roman: Businessman, MP (05-).

Subanbekov, Bakirdin: Police General, Director of the state company Kyrgyzgazmunaizat (99-02), Minister of Internal Affairs (02-05).

Sulaimankulov, Arzymat: Deputy Minister and Minister of Foreign Trade and Industry (94-02), Akim (03-08).



Sultanbekov, Cholpon: Widow of Bayaman Erkinbaev, businesswoman, MP (10-).

Sultanov, Marat: Chairman of National Bank (94-98), Minister of Finance (99, 09-10), MP (00-07, 10-), Head of State Social Fund (07-09), Presidential candidate (11).

Sydykov, Bakyt: Son of Usen Sydykov, former President of Manas International Airport.

Sydykov, Usen: MP (95-00), Head of the Presidential Administration (05-06), advisor to second President Bakiev (06-08), leader of political party Jany Kyrgyzstan.

Syidanov, Kubanychbek: Former Akim, Governor (06-09).

Tagaev, Rashid: Police officer (-05), MP (05-10).

Tanaev, Nikolai: Businessman (-00), PM (02-05).

Tashiev, Kamchybek: Businessman (93-02), MP (05-07, 10-), Minister of Emergency Situations (07-09), Presidential candidate (11).

Tashtanbekov, Akbokon: Leader the political party of Afghan veterans, MP (00-05).

Temirbaev, Kurmanbek: Businessman (91-98), General Director of Kyrgyzneftegaz (98-05),

Tentiev, Jenishbek: President of media company Ilbirs, member of the board of directors of Amanbank, Chairman of the political council of Republican People's Party.

Toigonbaev, Adil: Son-in-law of first president Akaev, businessman.

Toktobolotov, Malabek: MP (95-00), businessman.

Tolonov, Arapbai: MP (95-07).

Torobaev, Ergesh: Businessman, MP (00-07, 10-).

Tuleev, Nariman: Businessman (-01), Director of Kyrgyz Rail (05-08), Mayor of Bishkek city (08-10), MP (10-).

Tumanov, Keldibek: Businessman, President of the company "Kelechek".

Turdumambetov, Tursun: Deputy Head and Head of the State Property Fund (99-01, 01-10).

Tursunbaev, Azizbek: Businessman, MP (05-10).

Tursunbekov, Chynybai: Businessman, MP (10-).

Umetaliyev, Emil: President of Kyrgyz Concept Travel Agency, Minister of Economic Regulations (10).

Urmanev, Sultan: Businessman (-98), Minister of Emergency Situations (98-00), Governor (00-02), MP (05-07).

Usenov, Daniyar: Businessman, MP (95-00), Deputy PM (06-07), Mayor of Bishkek city (07-08), Head of the Presidential Administration (09), PM (09-10).

Usubaliyev, Turdakun: 1<sup>st</sup> Secretary of Communist Party of KSSR (61-85), MP (-05).

Uzakbaev, Emil: Businessman, MP (95-96), Governor (96-98), Minister of Land and Water Management (98-00).

Zabara, Oleg: Former General Director Kyrgyzzalko.

#### Clarifications

MP	Member of Parliament
PM	Prime Minister
Governor	Administrative head at the regional (oblast) level
Akim	Administrative head at the district (raion) level

## Appendix 2: List of Interviews

### **Disclosed interviews**

Azamat Ababakirov, Press and Public Information Officer OSCE center in Bishkek, May 28, 2008.

Kuban Aidaraliev, Head of tax department in the Ministry of Economic Development and Trade, July 8, 2008.

Baktybek Ashirov, Deputy Head of the Department for Economic and Social Policy in the presidential administration, June 13, 2008.

Kuban Ashyrkulov, Executive Director International Business Council, October 26, 2010.

Tursunbai Bakir uulu, Ombudsman (2005-08), May 18, 2006.

Edil Baisalov, civil society activist/politician, February 10, 2006, September 18, 2009.

Bekbolot Bekiev, Deputy Minister of Justice, June 2, 2006.

Bakyt Beshimov, former member of parliament, October 12, 2010.

Evgeny Cherenkov, Operational Program Manager OSCE Police Reform Program for Kyrgyzstan, July 15, 2009.

Ainura Cholponkulova, Chairwoman Kyrgyz-American Chamber of Commerce, February 18, 2006.

Ramazan Dryldaev, Chairman Kyrgyz Committee for Human Rights, February 3, 2006.

Melis Eshimkanov, member of parliament, June 2, 2006.

Muratbek Imanaliev, former Minister of Foreign Affairs, May 25, 2007.

Akylbek Japarov, Minister of Economic Development and Trade, July 8, 2008.

Shairbek Juraev, Institute for Public Policy, February 10, 2006.

Rafkat Khasanov, former Deputy Minister of Finance, May 25, 2006.

Taliabek Koichumanov, former Minister of Finance, May 18, 2006.

Andrei Krasnikov, head of tax and judicial department Aiten Group, July 10, 2008.

Mamat Momunov, Deputy Ombudsman, February 2, 2006.

Zamira Sydykova, former journalist/former Ambassador, October 21, 2010.

Kyialbek Toksonbaev, National Democratic Institute, February 6, 2006.

Aleksandr Zelichenko, police colonel, July 31, 2009.

## **Undisclosed Interviews**

Assistant to the Minister of Internal Affairs/former assistant to the Minister of Internal Affairs, May 26, 2007, July 24, 2008, August 1, 2009, January 2010.

Former Professor Kyrgyz Police Academy, June 13, July 2 and August 1, 2009.

Police officer in the department for combating organized crime of the Ministry of Internal Affairs, February 18, 2007.

Retired Police General working in a state company, June 1, 2006.

Former police officer/legal scholar, August 5, 2009.

Former Deputy Minister of Internal Affairs, May 20, 2008.

Kyrgyz police officer/ coordinator OSCE's Police Reform Program for Kyrgyzstan, July 23, 2009.

Foreign police officer, OSCE's Police Reform Program for Kyrgyzstan, November 18, 2010.

Former ranking police officer, July 21, 2008.

Former customs official, February 24, 2007.

Tax district official, June 7, 2006.

Tax official central state tax administration, May 21, 2007, May 30, 2008.

Tax official Karakol city, May 5, 2007.

Senior tax official, Leninskii tax administration, June 6, 2008.

Junior tax official, Leninskii tax administration, June 6, 2008.

Head of the Department for Control of Large Taxpayers of the state tax administration, July 11, 2008.

Former tax official/businessman, June 27, 2008.

Spokesperson Ministry of Finance, June 8, 2006.

Official in the Ministry of Finance, October 10, 2006.

Former official in the Vice Prime Minister's office, October 28, 2010.

Former high-level official in the presidential administration, May 26, 2007.

Former official in the presidential administration/legal expert, February 14, 2007.

Former judge/former Deputy Minister, February 12, 2011.

Official in Bishkek city Prosecutor's office, Bishkek, July 16, 2009.

Former official in the state Prosecutor's office, June 21, 2008, July 3, 2009.

Official in the Ministry of Education, March 2007.

Kyrgyz lawyer American Bar Association, July 2, 2009.

Kyrgyz lawyer, February 2, 2006.

Kyrgyz political scientist, September 3, 2010.

Former advisor to President Akaev, April 11, 2006, September 24, 2010.

Former member of parliament, January 2011.

Coordinator of the Millennium Challenge Account from U.S. Embassy in Kyrgyzstan, July 15, 2009.

Kyrgyz businessman in petroleum sector, September 8, 2010.

Kyrgyz private businessman, April 21, 2007, July 20, 2009.

Kyrgyz businessman, June 15, 2008.

Kyrgyz citizen, July 2, 2009.

Kyrgyz citizen, May 28, 2008, June 20, 2011.

Kyrgyz citizen, May 20, 2008.

Kyrgyz citizen, June 15, 2008.

Former Kyrgyz student, April 10, 2011.

Note: Only interlocutors referred to in the text are listed.

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