



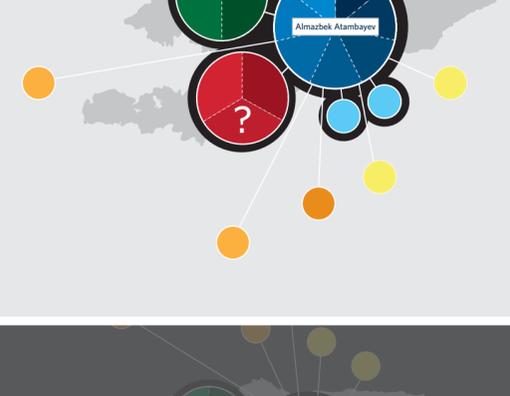
The Structure of Corruption in Kyrgyzstan

Sarah Chayes

A new constitution enacted on the heels of an anticorruption revolution in 2010 has increased the degree of competition among rival corrupt networks in Kyrgyzstan. Both outside President Almazbek Atambayev's circle and even within it, considerable rivalry pits members against each other. The friction is greater across the country's north-south ethnic and political divides. Elections in 2017 may mark an important transition, since, according to the constitution, Atambayev may not run for a second term. Competing networks are likely to seek to replace him. The current ruling network displays vertical integration, with a portion of street-level bribes paid up the line in return for impunity guaranteed by a notoriously corrupt judicial sector.

Kleptocratic Network

- Government elements
- Lower officials
- Criminal elements
- Private sector elements
- Active facilitators
- External enablers
- Enabling conditions



KYRGYZSTAN Government Elements

The elements of state function that are key to network operations include:

- Ministry of Finance**
- Ministry of Economic Development and Trade**
Especially for purposes of customs enforcement and non-enforcement.
- Ministry of Interior**
With a variety of specialized branches, including a rapid-reaction unit known as Spetsial'nyi Otriad Bistrogo Reagirovaniia, or SOBR. For intimidation purposes.
- Ministry of State Security**
Including its National Security Service.
- Judicial branch**
Including the constitutional court and state prosecution.
- Ministry of Energy and Industry**
Especially with regard to exporting hydropower, rate-padding, and establishing connections to the grid for businesses as well as residential customers.
- Parliament**
Insufficiently checks the operations of the kleptocratic network, especially given the rule permitting parliamentarians to designate colleagues to vote in their place in case of absence from the chamber. A number of parliamentarians may be using political office to get into the corruption business on their own.
- Local officials**
Including municipal land bureaus accused of illegally expropriating land via falsified documents. The practices of the Land Redistribution Fund, which controls some 25 percent of arable agricultural land, are contested.

KYRGYZSTAN Private Sector Elements

The main private sector network elements include:

- Construction industry**
Companies under network control are believed to provide kickbacks and to benefit from sweetheart deals for buildings and infrastructure projects (including power generation and transmission) funded largely by external development partners. Often building materials are observed to be shoddy and the resulting structures left empty.
- Mining and associated enterprises**
Gold represents some 10 percent of GDP, but output fell dramatically in early 2016.
- Electricity generation and supply companies**
The various joint stock companies (JSCs) that manage electricity generation and distribution are almost entirely state-owned. The board of directors of Electric Power Plants, the electricity generation JSC, for example, includes a member of the Bishkek City Council among other officials; the chairman was a close confidant of Askar Akayev when he was president. The sector is infamous for corruption.
- Consumer goods import-export and retailers**
Until Kyrgyzstan's 2015 accession to the Russian-sponsored Eurasian Economic Union (EEU), the re-export business, exploiting a tariff differential on Chinese imports between Kyrgyzstan and Kazakhstan, was highly profitable. The full impact of joining the EEU is not yet clear.

KYRGYZSTAN Criminal Elements

Criminal sector integration into kleptocratic networks is quite clear in Kyrgyzstan, though adherence to the Russian-sponsored EEU has disrupted smuggling patterns.

- Narcotics traffickers**
Kyrgyzstan represents a significant transshipment zone for Afghan opiates, among other drugs, especially traveling toward Russia and China. According to some estimates, around 20 percent of Afghan opium production is trafficked through Kyrgyzstan. Atambayev's predecessor, Kurmanbek Bakiyev, deliberately disabled the nation's Drug Control Agency.
- "Thugs?"**
These informal instruments of force and intimidation may have stronger ties to criminal groups than government officials, but they seem to be at the disposal of the integrated networks. Journalists and civil society activists report stepped-up harassment by such difficult-to-identify operatives in 2016.
- Consumer goods smugglers**
These actors are key to networks' ability to exploit tariff differentials or evade customs altogether for consumer goods sold in Kyrgyzstan or re-exported. But this activity has been disrupted by Kyrgyzstan's 2015 adherence to the EEU, reducing customs barriers at its borders.

KYRGYZSTAN Active Facilitators

The main external facilitators are:

- Latvian banks**
These banks have been found to play an intermediate role in placing corrupt Kyrgyz assets offshore.
- Shell company domiciling services**
Providers, such as the Belize-based International Corporate Services Limited, are also located in the UK and Ireland.

KYRGYZSTAN External Enablers

The main external enablers are:

- The Russian government**
Moscow has provided a number of long-term loans, and has invested in Kyrgyz infrastructure projects. Significant entanglement with Kyrgyz networks is reported.
- Infrastructure loans**
Major infrastructure projects represent a revenue stream for Kyrgyz networks when network-affiliated businesses capture the contracts or—as in the case of hydroelectricity—the benefits of the project. So the provision of grants or even loans without detailed conditions and reinforced oversight may constitute an enabler. Loans provided by multistakeholder funds managed by financial professionals lacking a development lens or practice are particularly vulnerable.
- Overseas security and development assistance and loans from development banks**
Support is currently provided by EU institutions, Germany, Japan, Switzerland, Turkey, and the United States, among others. Even in cases where development assistance is spent on such humanitarian priorities as health or electoral reform, it may bolster regime prestige.
- Luxury real estate agents**

KYRGYZSTAN Enabling Conditions

Some of the conditions that Kyrgyz networks may exploit are:

- Remittances**
Mostly from Kyrgyz working in Russia; estimated at up to 30 percent of GDP.
- Porous border with Tajikistan**
Eases narcotics trafficking.
- Strategic location**
Allowed the Kyrgyz government to bid up the competition between the United States and Russia for use of the Manas air base, especially during the height of the war in Afghanistan. No longer significant.
- Image as Central Asia's lone parliamentary democracy**
May reduce donors' selectivity and oversight in providing grants, loans, and assistance.

KYRGYZSTAN Revenue Streams

