

Kyrgyzstan: The Path Forward

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Preface

On 24 March 2005, demonstrators took control of Kyrgyzstan's "White House." Hours later President Askar Akaev fled the country. Hailed both as an epochal event that would usher in a new era of democracy and development, and as the malignant product of outside efforts to sow instability, the "Tulip Revolution" remains an enigma. It has indeed brought change, but by no means are all of the transformations positive. For all the rhetoric of revolution, the continuities from the former order are scarcely less striking.

This should come as a surprise to no one. Few of history's most celebrated upheavals produce as much discontinuous change as their champions claim. Conversely, some of the greatest shifts of the tectonic plates of history are either unnoticed or misunderstood by most contemporary observers.

As of this writing, the citizenry and government of the Kyrgyz Republic are still seeking a definitive direction as well as a focus for their impressive skills and energies. There are no lack of proposed directions. Various members of the new government have set forth their ideas on the country's future course, as have leaders of the opposition. Domestic NGOs have also weighed in with their thoughts on the matter. International financial institutions and foreign donors have been no less generous with their suggestions.

Why, then, should we add yet another proposal to this welter of ideas? Because the authors of the present essay have special claim to the attention of thoughtful observers. Frederick Starr, Chairman of the Central Asia-Caucasus Institute, is well known to both western and Kyrgyz publics as a reliable analyst of regional affairs. For western readers, a word on the two Kyrgyz authors is in order, both of whom are experienced in the public affairs of their country.

Talaibek Koichumanov served the Kyrgyz Republic as Minister of Finance during a crucial era of reform, while Dzoomart Otorbaev

served as Deputy Prime Minister. Both are highly educated and have maintained independent careers, Dr. Koichumanov as an academic economist and Mr. Otorbaev as a businessman. Both are multi-lingual and multi-cultural, both maintain perspectives that are deeply national, on the one hand, and deeply international on the other. And both share a deep and honest concern for the future of their country.

Both Koichumanov and Otorbaev can truly be called “public citizens” of the Kyrgyz Republic. They both served the previous government, promoting useful policies and distancing themselves from its mounting pathologies. Both wish the present government well, but are not part of it. Today, both have independent careers and lives, and neither yearns for public office to fulfill himself.

All of us have to admit that our vision is to some extent distorted by unconscious prejudices and blind spots. The present authors are likely no exception. But the three authors are as close to being dispassionate clinicians as anyone around. This was their sincere aspiration as they wrote this essay. Combined with their rich knowledge and experience, this makes anything they say about the future of Kyrgyzstan worthy of serious attention. It is in this spirit that the Central Asia-Caucasus Institute & Silk Road Studies Program offers their joint paper to the Kyrgyz and western publics.

Svante E. Cornell
Research Director
Central Asia-Caucasus Institute & Silk Road Studies Program

Executive Summary

Beginning with Kyrgyzstan's independence from the Soviet Union in 1991 and continuing through to the presidential turnover in 2005, this essay examines the social, political and economic processes the country has undergone.

In a fresh analysis of a state still very much in transition, the authors also make comparisons between the Kyrgyz administration before March 2005 – when President Askar Akayev was ousted after 15 years in power – and the government today under new leadership.

Rather than assign blame for Kyrgyzstan's troubles, the authors seek to define problems and propose solutions. They present, and attempt to answer, a series of important questions: Is there an alternative to democratic development for Kyrgyzstan? Can reforms be successful in the absence of effective public administration?

During the initial years of independence, the belief of members of the Kyrgyz public that theirs was a free society was a vital stimulus for democratic and market reforms. The potential for further development remains intact, this article notes, but it has been undermined over the last decade by poorly-functioning public administration.

Both the Kyrgyz government and international donors once held the illusory view that it is possible to build a new state apparatus without making serious changes to the old one. Yet for most Kyrgyz, local administrators *are* the government. Thus, it is precisely the public administration, especially the staffs of the Ministry of Internal Affairs in the provincial and district capitals, as well as in Bishkek, that have the greatest capacity to foster or thwart democratization and development toward a market economy. The failure of both Kyrgyz leaders and international donors to grasp this truth has contributed directly to the *stagnation of reforms*, corruption and the public's growing skepticism regarding the possibility of building a true market

economy, democratic institutions, and respect for citizens' rights in their country.

In order to reverse this tide and re-ignite a desire for transformations within the economy and government, members of Kyrgyz society must set an ambitious goal for themselves: In the near future, the country must strive to create a level of public administration that is not only democratic, but effective – meaning professional, honest and responsible for its actions. The government of the Kyrgyz Republic, as well as donor nations and institutions, must embrace the strengthening of public administration as a major priority and must dedicate sufficient resources to achieving this task.

This step is essential not only to the successful implementation of market reforms but also to the institution of functioning democratic practices in the country. Without stronger forms of public administration, the Kyrgyz Republic will continue to be caught between a rejected past and a seemingly unattainable future.

Kyrgyzstan: the Path Forward

Any analysis of the situation in Kyrgyzstan leads to unusual, and sometimes paradoxical conclusions. The first and most important of these concerns the correlation between democratic ideals and the institutional potential for their implementation. After independence, the Kyrgyz people quickly yet deeply understood the advantages of democracy and a free society and absorbed their very spirit. They enthusiastically took the first steps toward achieving these ideals when they created an entire class of independent non-governmental organizations, public unions, and entrepreneurs that could serve as the basis of new democratic civil society. But in recent years, as it faced political and economical crises, that same society began to question whether democratic development facilitates progress and helps resolve everyday problems; whether such a form of government can combat corruption and fight poverty; and whether democracy is just a nice slogan that serves as a cover to enable parts of the national bureaucracy to attain their own political goals.

Society did not purposely and consciously adopt this new skepticism. Skepticism most likely arose as a result of pathologies within society itself and of illusions that the Kyrgyz government and international donors encouraged by the manner in which they supported democratic change.

Our analysis of the crisis of March 2005 suggests that the dramatic events in the country had an objective and even inevitable character, and were not dependent on specific individuals, parties, or groups. The government must now attempt to draw the right conclusions about what caused the events of March 2005, to rethink its governing actions, and then to make correct decisions for the country's future path based on that analysis. Our goal is therefore to draw attention to the underlying problems and pathologies of society and state that have to be addressed; to highlight certain illusions that must be unveiled; and

to point out those and present conditions that prevent both the government and society from making correct choices as to their priorities. On the basis of this discussion, we will then offer our own vision and recommendations concerning ways to change the current situation.

Before and after March 24 – who is to blame?

In this essay, we specifically avoid drawing parallels between the Kyrgyz Republic before the events of March 24, 2005, which led to a change in government, and what happened after. The first months of post revolution euphoria have passed, and people will start asking the firmer and tougher question “What has changed for the better?” Optimistic sociological reports will not be of much interest for society as it has developed a long lasting allergy to these kinds of reports in recent years.

Kyrgyzstan today is at a dramatic stage in its development and is facing numerous challenges. Given these challenges, it is essential to define the problems preventing development, define priorities for the government, and recommend concrete ways to resolve these challenges. Criticisms in this paper are directed at the current and former Kyrgyz leadership, referred to as the ‘government.’ The constructive criticism offered here aims to help define paths for further development in Kyrgyzstan. By pointing out past areas in which the government has failed, we hope to point out the step for the further development of Kyrgyzstan.

It is crucial to present this criticism at this specific juncture in time, when a new phase of pressure for democratic values has begun so clearly to emerge in the country. In the past, it was hidden pressure from the side of former communist party *Nomenklatura* that stood behind change. Now, having sensed that a shift in power created a vacuum in the country’s power structure, an open attack has been initiated by the anti-democratic opposition, which embraces various interested parties including the national bureaucracy, Islamic

fundamentalists, and organized criminal elements. These pressures, in addition to a weak economy and internal political contradictions, are now posing a serious threat to democratic development in Kyrgyzstan.

Ideas for the Development of Society

Is there an alternative to democratic development in Kyrgyzstan? It seems that those who are trying to destabilize the situation in the country comprehend the notion that a free democratic society gives equal rights to all citizens when such qualities as honesty, competence and effectiveness gain societal value. These are the qualities that promote the well-being of every citizen. Competing successfully in this type of environment is a great challenge for those who are used to any type of protectionism in reaching narrowly defined goals – be that tribal, party, linguistic, or criminal protectionism. The majority of the Kyrgyz people absorbed the ideas of democracy and its principles, specifically those that offer new opportunities for the development of the individual and of society. With the help of international donors, NGOs and community-based organizations mushroomed everywhere. These ideas were close to the people, as they were centered around gaining total freedom and independence, the very goals that many generations of Kyrgyz have been trying to reach for centuries.

Political democratization and free-market conditions helped unleash the entrepreneurial spirit in people. Despite strong administrative resistance to change, many entrepreneurs were able to withstand the bureaucratic pressure and firmly establish themselves in various economic sectors. Embracing the concepts of free society and free market allowed an independent Kyrgyzstan to make its first successful steps and to be recognized by the international community.

The current situation looks less rosy. Dismayed that their government has failed to stabilize the political situation or to reach any sort of national concord, many Kyrgyz are apprehensive and uncertain about the future. Their depressed outlook is corroding the democratic ideas they previously held so dear.

Yet the government's problems did not appear overnight. They resulted from more than a decade of virtually ignoring a crucial part of democratic development: administrative reform. Neither government nor international donors paid significant attention to overhauling or improving public administration, which stayed on the back burner of the overall transitional reforms. The antidote for any ill seemed to be hiring good personnel and international advisers. Of course, this solution ultimately proved insufficient, and the country had to ask itself: can successful reforms be reached without creating a system of good governance?

The answer, we believe, is a resounding “No.” As we have witnessed in Kyrgyzstan, an unprepared government that is unable to effectively govern ruins the prospects for social and economic development.

A budding democracy needs more than transparency and accountability if it wants to continuously develop socially and economically. Ineffective government, more often than not, leads to political or economic crisis, as happened in Kyrgyzstan. Though democracy in public administration is certainly a prerequisite for steady development, administrative effectiveness is no less vital.

Pathologies in the Development of Kyrgyz Society

It seems that at least in contemporary history, never before have the pathologies of Kyrgyz society been as distinct as they have become in recent years. It is hard to determine with confidence, however, whether these is simply a “birth defect” of a new political system, similar to other post-Soviet states. Below are several factors that characterize pathologies of contemporary Kyrgyz society:

Citizens' Suspicion toward One Another and Toward the Government

Many Kyrgyz suspect the actions of their fellow citizens are somehow directed against them. The incidence and intensity of mistrust today seems to be at a high point. Evidence of it abounds – in the constant protests and clashes among various groups in Bishkek and provincial

towns, and in the unending exchanges of harsh words in print media and on the Internet.

Protests often serve to pressure the Government, courts, Parliament or the President to make decisions favorable only to a certain group. People show little respect for the opinions of others, instead laboring to defend their own narrow interests. Government actions – from appointments and bureaucratic changes, to speeches by parliamentary leaders and official statements – are very often met with heavy skepticism. Many citizens doubt that decision made are good ones. Such distrust is the result of a double standard that has formed in recent years between politics and the economy. The country has witnessed a growing divide between official decisions, including legislative acts, and reality on the ground. The government touted democratic principles that, in practice, ran into substantial bureaucratic obstructions. The gulf between democracy-friendly proclamations by officials and Kyrgyzstan's less democratic reality damaged public support for democratic change and began to evoke resentment.

Lacking real government support, democratic mechanisms meant to create good governance never brought expected results. These so-called “democratic” reforms changed little for the better, mostly serving as a cover for an expanding bureaucracy. Not surprisingly, the public increasingly viewed reforms in a negative light. The double standards that were prevalent in government morale also spread to the economy. According to the National Statistic Committee, the shadow economy made up nearly 25 percent of Kyrgyzstan's GDP in the late 1990s. Unofficial and non-government sources, by contrast, estimate that the shadow economy long ago reached volumes equal to the official GDP of the country. Some of the highest-ranking state bureaucrats were involved in assisting “shadow” businesses. The country's leadership did little to stop them, begging the question why this was the case.

After March 24, 2005, the new regime released a list of large businesses suspected of money laundering and tax evasion. Such activities were possible only through the acquiescence and cooperation of government officials. In this environment, two economies, and thus two “policies”, existed: the official policy of the state, and *real* policy. The latter

determined the hierarchy and “rules of the game” for both the shadow economy and government itself. Clearly, the high degree of mistrust that citizens have toward their government did not appear yesterday. The current government needs a significant amount of time and concrete steps to earn back the public’s trust. These steps are discussed later in this paper.

A society beset by suspicion between individuals other and toward the government faces worsening political, economic and social instability. First of all, political stability cannot flourish in an environment of mutual distrust. Each politician assumes his or her opponent’s every action is antagonistic, and will subsequently take steps that increase instability. Their escalating political infighting can spread to subordinates, spill into the public, and eventually infect a whole society. An atmosphere of collective mistrust complicates any government effort to administer policy that requires resources and support from an entire nation.

Suspicion also puts economic stability at risk. The private sector questions the veracity of government statements on policy and will postpone establishing or expanding businesses until economic conditions actually improve. The risk of losses from sudden or unexpected policy changes is too high for many investors and entrepreneurs. Furthermore, political and economical instability creates social instability. Ordinary people hesitate to set long-term personal goals. Uncertainty about the future grows along with social pessimism.

Political clashes

The problem of political clashes stems from the problem of mutual mistrust. The disputes occur between the government’s supporters and opponents; among different groups within the government; and among groups separated by politics, religion, tribe or region. The clashes divide and weaken society and sap resources needed to solve more pressing problems. Ironically, the argumentative atmosphere has led to ill-conceived compromises that have scuttled reforms or impaired their effectiveness.

Society's Disillusionment with Bureaucracy

Bureaucracy's inability to solve tasks quickly and effectively eventually leads society to question whether government has the potential to solve problems at all. In worse cases, society may question the government's professionalism and honesty.

The more a government's words differ from its actions, the wider the gap between civil society and government. Society eventually finds itself wondering whether the government understands the needs of ordinary people, and if it does, why it does not meet those needs.

Bureaucracy's Disillusionment with Itself

Job security has never been a feature of Kyrgyz government. Sudden changes of governments, ministers and other top officials, and subsequent turnover at lower levels of government became a norm in Kyrgyzstan long ago, completely undermining any guarantees of keeping a civil service position. Attracting professionals into the government field is further complicated by low pay and little promise of career advancement.

The rampant and unpredictable turnover in the government sector increases corruption in public administration, further worsening society's negative attitude toward civil servants. Large-scale efforts will be necessary to halt the erosion of morale and return a measure of prestige to government work.

Abstract Ideas – But No Concrete Priorities – for Democratic Development

The idea of building democracy and a free market played a decisive role in the first stages of Kyrgyzstan's post-independence development, providing a strong stimulus for implementing quick and radical reforms. Yet the abstract notion of democratic growth should have been later embodied in concrete priorities and criteria of development. Government efforts at this were extremely ineffective and never embraced by society. The current government is making similar efforts.

The absence of an idea has always been one of the main ideological problems of government. It is worth noting that, at the outset of

Kyrgyz sovereignty in the early 1990s, the democratic path of development was an inspiring concept. Yet at the advent of independence from the Soviet Union, the mood in Kyrgyzstan differed markedly from the excitement of, say, the Baltic States. Many Kyrgyz feared the future, a vast unknown that coupled independence with immense responsibility. Their trepidation amid sudden responsibility actually proved a good stimulus for patriotically-minded people keen on progress. Their critical mass helped make radical reforms possible during the first years of independence.

The events of March 2005 indicate that people are again ready for change. Yet proclaimed ideas remain very abstract. Society has rejected such ideological clichés as “common house,” “clean hands” and the Seven Commandments of the Manas Epos, which are similar to the Bible’s Ten. In the several months since the government turnover, ideas and ideological priorities are so generalized and intangible that the situation could easily flare up into another crisis of beliefs and values.

Lawlessness in a legal vacuum

One of the most significant transitions Kyrgyzstan underwent was toward creating a state based on the rule of law. Yet from the initial days of independence, a certain vacuum could be felt in the legal sphere. Officials in government had to use and cite old laws that sometimes contradicted new ones, or were not relevant to the changes happening in the country.

This vacuum was too often filled with incomplete or hastily prepared administrative and legislative acts that lacked mechanisms for implementation. Laws prepared with the help of international experts incorporated Western experience but did not consider local peculiarities or features unique to the period of transition. Many laws simply did not work, yet government and donors alike often shut their eyes to the failures.

In the day-to-day functioning of the government, various departments issued various regulations, often misrepresenting laws on the books. This practice served to further loosen Kyrgyzstan’s precarious legal

framework, as it became possible to ignore the law in favor of tailored instructions issued by a single branch of government.

Blatant disregard for legality negatively affected society, signaling that obeying laws was unnecessary, that laws can be of poor quality, and that taking matters into one's own hands is often the best course. Rule of law was held in decreasing esteem, leading to widespread ignorance of any legal code of conduct, as well as frequent violations of it. In time, the degree of lawlessness put society on guard.

More recently, disrespect for legal parameters has been manifested in the ability of anarchic tempers in the street to shake the foundations of statehood. The government, it seems, understands the dangers of relenting to widespread rule-breaking. After March 24, many infractions were justified by the revolutionary fever and strong will of the people. In the resulting chaos, the government faced the problem of unlawful seizures of land and private businesses – clear violations of the rights of others and potentially very dangerous.

A spark can start a big fire. Similarly, a crowd that feels it can easily overcome its prey can just as quickly bring down the foundations of an entire state. It is conceivable that regular citizens, if acting on their own, would not have taken such incendiary actions. But there will always be power-hungry politicians, eager to prompt a mass of people to move in their desired direction.

Sources of Pathologies

The pathologies mentioned above are not the only ones tainting Kyrgyz society, though we consider these instrumental in discouraging democratic development. A glance at their roots is instructive:

The roots of suspicion and mistrust are closely linked with tribalism, which in Kyrgyzstan is infused with suspicion. The same is true for so-called regionalism and factionalism. The problem undermines the potential for agreement on issues of national scale. Attempts to equalize the balance of power – through high-level appointments and distribution of resources – instead distorted it, and the level of distrust among different groups only grew. In making key decisions based on

changes in the political and functional organization of society, the government hardly considered the creation of national parties and sub-regional organizations.

Disillusionment with bureaucracy is rooted in the virtual absence of a professional, able, open and accountable system of civil service. A government wrapped in bureaucratic red tape, and without the capacity or will to provide an acceptable level of service, inevitably loses the public's trust. Within government itself, the disillusionment is exacerbated by weak guarantees and motivations for civil servants, and few opportunities for merit-based career advancement.

The pathologies of corruption, lawlessness, and the intangibility of the concepts of democratic development have common roots: feeble state institutions and the devaluation of social moral foundations. The government's anti-corruption campaigns in the late 1990s were episodic, never incorporating systematic and preventive measures. Lacking substance, these occasional spurts of action resembled the populist campaigns of Soviet times. These demonstrations were often used to remove or threaten undesirable politicians. The campaigns had two goals: to show society that the government was battling corruption, and to placate foreign donors who were increasingly concerned about the growth of corruption and the ineffective use of aid from abroad. Paradoxically, the anti-corruption campaigns created new kinds of corruption, particularly in law enforcement.

In the late 1990s, companies operating in large industries such as oil and gas and wine and liquor production appointed as their board chairmen former Komsomol and party bosses or law enforcement representatives. These men had minimal knowledge of the market economy but were very effective at carrying out their superiors' administrative orders.

The extent of corruption in Kyrgyzstan is now obvious, and those involved in previous campaigns to combat it appear corrupt themselves. The policies of the late 1990s did not improve public administration. On the contrary, the obvious moral double standard enjoyed by the elite caused resentment among the rest of the country.

Likewise, international donors were not satisfied and continued to demand real action from the government.

In 2003, the government responded by introducing a new priority: building good governance. It was an attempt to take a more systematic and preventative approach to fighting corruption. Though a very good idea (suggested by international experts), it never got off the ground. Few of the government's proposed measures went beyond the creation of organizational structures. A committee on good governance was formed, complete with a new secretariat tasked with strategy and program development. Yet once again, the effort fell short, further illustrating government's shortsightedness and inability to enact new solutions. The committee never produced anything but a strategy.

But exactly who or what caused the effort at good governance to fail? Society, bureaucrats included, was not accepting of new strategies, neither believing in them nor caring to do anything about it. The political leadership had no mechanisms or motivations to put the plans into action. In the end, broad demands from international donors that Kyrgyzstan carry out administrative reforms and fight corruption had little effect.

There are numerous reasons for poor administrative discipline. The main barriers, in our opinion, are the absence of clear-cut, purposeful reforms in public administration and the paucity of efforts to minimize double standards. Political leadership has little interest in the matter. Even if it did, there are few motivational and administrative tools – such as monitoring and evaluating decisions – to assist them. In this vacuum of concern, civil servants have had relatively free reign to sabotage the execution of orders or ignore them completely – often in the process distorting the very essence of legislative acts.

The situation came to characterize government actions, eventually thwarting even sincere initiatives at improvement. For example, measures to lower regulatory norms for businesses were trampled by self-serving bureaucrats who would engineer ways to bypass adopted decisions and create new barriers to replace old ones.

The pathologies we have mentioned are generally rooted in the same problem: the weakness, incompetence or corruption in state administration and institutions. We cannot say the frailty of public institutions is simply a product of our modern times. Rather, it stems from the situation the country found itself in immediately after independence, when it simultaneously faced the unknown turbulence of transition and a crisis in the political system.

In that difficult and uncertain period, institutions ceased to exist or, if remaining formally, performed old roles and functions by inertia. Concurrently, the new institutions were in nascent stages of development and lacked the resources and knowledge necessary to function well.

First Steps of Democracy

In evaluating the progress made after independence, we note that the Kyrgyz people rather quickly understood the advantages of building a free society and economy, perhaps even at a faster pace than citizens in other former Soviet states. Quickly embracing these ideas allowed Kyrgyzstan to make significant advances by the mid-1990s toward building the foundations of democracy and a market-based economy. Fairly early in its post-independence struggles, the country had broad support from the international community.

Yet the break-up of the Soviet Union put Kyrgyzstan in dire financial straits, for 25 percent of its national income had come from subsidies from the Soviet leadership. New problems appeared: the collapse of the Soviet banking system, the loss of economic ties to former Soviet states, the emergence of trade barriers between newly independent states, inflation, budget deficits, and impotent state institutions. Entire industries found themselves in crisis. For example, the machine-building sector that had heavily relied on the Soviet military complex was sliced in half during the first years of independence.

Faced with these conditions, and lacking the natural resources enjoyed by some of its neighbors, Kyrgyzstan chose a different path: the rapid

construction of a market economy. This decision was instrumental in courting support from international financial institutions such as the World Bank and International Monetary Fund, and from donor countries that included the United States, Japan, Germany and Switzerland. At the same time, the political leadership proposed a course of building a democratic society. In an affront to internal opposition and the political isolationism of neighboring countries, Kyrgyzstan saw only one way to compete with others in the region and find its own niche: rapid implementation of radical changes, using methods common to shock therapy.

The liberalization of prices in 1991, beginning in Russia and spreading to Kyrgyzstan and other formerly Communist states, led to hyperinflation and a drastic decline quality of life. Kyrgyzstan refused budgetary subsidies, with the exception of aid to the poor. The country actively initiated privatization, liberalizing the internal and external economy, reorganizing agriculture and transforming the financial and credit sectors. The measures it took helped slow falls in production, stabilize inflation and strengthen the national currency.

By the mid-1990s, IMF experts had placed Kyrgyzstan among the leaders in dynamic market transformation in the post-Soviet sphere. The period was marked by several economic milestones, including price liberalization, transformation of the financial sphere, privatization successes on massive and small scales, economic liberalization and macroeconomic stabilization. Kyrgyzstan was one of the first “ruble zone” countries to introduce a national currency and the first former Soviet state to be admitted to the World Trade Organization.

Problems connected to the rapid pace of transformation are not discussed here. For us, it is more important to note the dynamism of reforms, which could not have been achieved without the enthusiasm of the entire society. The same can be said of the democratization of society, which mostly affected civil society and led to the rapid development of NGOs, community-based organizations, political parties, parliamentary bodies and free speech.

A rapid transition while lacking natural resources such as oil and gas brought certain advantages. In response to positive changes in the country, Kyrgyzstan received enough foreign support to resurrect and stabilize its economy. Unfortunately, the country's first steps toward building democracy and a market economy ultimately lacked permanence. By the end of the 1990s, social and economic development had stagnated, and previous gains were gradually lost.

The young state made economic problems a priority in those first years of independence, when it was important to prove to itself and the entire world that the country was financially sustainable. To do this, the state exercised a fine balancing act in which economic stability sometimes took precedence over political and social stability.

Even if Kyrgyzstan had overcome its economic and social problems, institutional problems turned out to be an equally complex obstacle on the path of development. It was this barrier that seriously impinged the quality of reforms. By the late 1990s, several factors had slowed the pace of reform, including the absence of a legislative base, the growth of corruption and the weakness of public administration. Reforms stopped altogether in some areas, including the energy, financial and social sectors, and the privatization of large enterprises.

These problems beget more problems. The majority of the population slipped into poverty, the shadow economy grew, and the country faced mounting external debts. The establishment of democratic institutions did not mean they were always included in or relevant to social and political processes. Administrative reform lingered, and bureaucratic red tape created serious problems for the growth of businesses.

From this situation came a crisis of political power and growing dissatisfaction on the part of the public and international lenders. The main cause of stagnating reforms eventually became obvious to observers at home and abroad: ineffective public administration. While other sectors of the economy were undergoing reform, the government and foreign donors kept closing their eyes to problems of public administration.

Only later were more international loans tied to administrative reform. The government, too, began paying attention to the matter, developing strategies called “Comprehensive Framework Development by 2010” and “National Strategy of Poverty Reduction by 2005.” But too often, such bureaucratic efforts stopped short of being put into practice.

Illusions Internal and Illusions External

The more progressive portions of Kyrgyz society quickly understood the essence and advantages of democracy, rule of law and a market-based economy. These new trends gave people greater opportunities to realize their own potential. A citizen became a person, an owner of private property, who could gain access to opportunities for personal growth. Of course, it took time for the majority of society to realize this. Many people were accustomed to complacently living under rules developed and dictated by a centralized administration.

Under independence, leaders who could easily navigate the old system were just as easily confused by the new one, which made their managerial skills essentially worthless. Many Kyrgyz experienced deep shock at the sudden changes to the society as they knew it. Here credit is due, for citizens were able to recover from this overnight transition and adapt to the situation.

Radical steps toward creating a democratic society and market-based economy bore fruit: the international community embraced Kyrgyzstan and offered its support. By the mid-1990s, the country appeared to have overcome several crises and to be moving forward. From the outside, it seemed the country had embarked on an irreversible path toward development. By the end of the decade, however, the image of a competent and effective Kyrgyz government was revealed as an illusion. The state was clearly ill-prepared to handle a series of hardships that included financial crisis, ecological disasters, the threat of default and worsening social tensions. Instead of mobilizing resources to solve these problems, and being open about them to the public, the government chose a populist path. As a consequence, it soon lost the trust of the people.

Confronted with numerous challenges, the government passed up the opportunity to begin a second phase of radical reforms. The Government could have used the hard times to propose a radical reorganization, based on the creation of new public administration, effective economic reforms and political development. At the heart of many problems lay ineffective, incompetent and dishonest governance. Yet the state paid little attention to the matter until international donors and other observers pointed out that ineffective and non-transparent government was slowing down reforms, and that Kyrgyzstan was no longer considered a leading reformer as it had been just a few years earlier. The Government at this point lacked the honesty to commit itself to critical self-evaluation. When this fact dawned on society, the state's inactivity was viewed more negatively. It is possible that the government's unwillingness to take stock of its failures influenced the growth of opposition to the existing regime.

Practically from the outset, the country faced an impasse: to achieve the goals of development, the government had to push economic and political reforms. That was impossible without effective governance. In turn, reforms in the administration were needed in order to create effective governance and hence the government had to start by reforming itself, its institutions, methods of governing, and appointment policies.

Despite official reports of good economic growth, the crisis was obvious. Many laws were not working, for example the law on financial basis of local self-governance was supposed to create a basis for decentralization, but it remained on paper. Without resources and personnel, and without mechanisms of realization, a multitude of such laws simply could not be implemented. The absence of professionals in the government was sharply felt. Corruption continued growing. Economic reforms did not go beyond fulfilling the economic obligations agreed upon with the IMF.

The Government, of course, tried to get on the departing train of the Millennium development goals. It set ambitious goals of poverty reduction and realized that to reach social goals and secure economic growth, it had to attract investments. And taking into consideration

the problems with external debt, these investments had to be direct. The Government understood that the climate for investors had to be made more favorable in order to bring in more investments. A certain part of the government offered measures to deregulate the economy and to decentralize administration, trying to activate a movement in order to improve the investment climate. But again, good intentions were undermined by the bad governance.

An analysis of the situation in the country showed that in seeking to solve many problems, while encountering administrative problems, the government failed to stimulate administrative reform and its transformation to modern methods and standards.

Governments must have a sense of direction and purpose, an instinct to survive for generations. Yet in Kyrgyzstan, this sense was lost, not only for a lack of ability or desire, but also because insufficient attention was paid to this matter. The leadership could not stay above from traditional norms and rules. Instead of progressive democratic forms of administration, parallel quasi-constitutional forms such as *kurulutai* (conventions), *aksakal* courts (public courts of the elders) etc. appeared. The insufficient attention paid to administrative reform was a result of the fact that a majority of the country's leaders simply never experienced working outside the Communist party nomenclature and centralized system of administration. The negative effects of the administration's failure were compensated to certain degree by donors' technical assistance. But critical mistakes were inevitable, and the aggravation of these mistakes by the end of 1990s had put the country on the edge of default.

For a long time, the international community had also been building illusions that as an "island of democracy", or the "favorite student of the IMF", Kyrgyzstan could continually progress on the path of reforms towards the coveted goal, obediently listening to recommendations. However, this was the case only up to a certain point. The problems that accumulated in the end implied that the entire state system turned out to be ineffective in solving problems needed to move reforms along.

Only when critical failures in reforms became evident did donors start to urgently demand that the government reform the system of public administration. It became obvious that even significant investments would not save the situation if these investments were not managed by the trained managers. On the state level, a necessary legislative base for investors and effective institutions of public administration were required, but outer conditions for business were equally needed and this included political stability.

An additional illusion of great consequence was the confidence of donors that democracy and a free market can be built only with the help of NGOs and the development of civil society including the private sector, the mass media, NGOs and political groupings. It is necessary to recognize that the development of civil society received significant attention and resources from international donors, and this did produce results. But one drawback of this was the lack of sufficient attention paid to the development of governance, which forms the environment in which civil society exists. Donors did not pay attention to the fact that the success of civil society depends heavily on governance, on conditions for development created by the state, and on the level of effectiveness of state in administering state functions.

Out of the Fog

The new government is seeking a way out of its problems, and it has offered the restoration of the trust of people to the government and its actions as its main slogan. The government is taking various steps to reach this goal, including appointments for state positions, decreasing the number of state structures, and increasing anti-corruption measures. But these measures remain tiny and fragmentary compared to the challenges ahead.

It is clear that the recently elected government is in need of populist decisions, and that its measures are dictated to a significant extent by the political instability in the country. To really solve the problems, a systematic approach to public administration reform is needed. Otherwise, the same thing that happened with the previous government will happen with the new one. Within short, when the

limit of public trust will be reached and the window of opportunity will close, the Government will be questioned as aggressively as the previous one was. Before the government starts to take more active measures, it has to appraise and seek to resolve Kyrgyzstan's paradox: a society, a free market, and a bad administration.

Looking at countries with transitional economies, it is clear that those that succeeded in reforms, such as China and Vietnam, were able to succeed mainly through having well-functioning state institutions. Well functioning, in this sense, implies a correlation between (1) appropriate and thought through legislative acts; (2) strong administrative institutions; and (3) effective implementation of laws. Given that these three elements are present, other components of success such as transition methods and the speed of transition play a comparatively less important role.

Many reasonable elements are included in the definition of "good governance" that was developed by international donors, and as noted above, the previous government adopted this concept. But a shallow understanding of the core of the concept of good governance and of the mechanisms of implementing it, implied that good governance was never made a real ideological tool of the government and civil society.

It has to be clearly noted that the creation of good governance consists of a two-part task: the creation of an effective administration, and the creation of a democratic administration. It is impossible to reach the goal of building good governance by having solved only one task. Good governance is a systematic matter and has to be solved in a systematic way. Attempts by the previous government to democratize the administration through decentralization of administration, introduction of public budgetary and parliamentary hearings, involvement of civil society into the development of strategy could and did not produce palpable results without parallel measures on improving the effectiveness of administration. Measures to improve effectiveness would include changes in the procedures of decision-making, introduction of a system of monitoring and evaluation, and the reorganization of public administration and public service. Even worse, the government's half measures and the lack of results

discredited the very idea of democratic administration in Kyrgyzstan. And set against worsening public administration and the growth of corruption, these measures were not presented in the best light and more and more resembled populism.

The new government needs to realize that a democratic administration is only a necessary condition for the sustainable development of society, but is by itself not sufficient. Its necessity is obvious, but it will be possible to use its results only on the condition that the measures of democratization are followed by, and comply with, measures on the improvement of the effectiveness of the state administration as a whole.

The issues of democratization and improved efficiency are related: in order to reach improvement in the effectiveness of administration, the democratic component has to be increased in public administration. This can be done through the participation of interested parties of civil society in decision-making, monitoring and evaluation, public budgetary hearings, and so on. Of course, these measures are not complete but are needed to reach results. In turn, a gradual improvement in the effectiveness of administration can become a necessary base for real democratic changes. Dual integral correlation between these two components of good governance, therefore, can be easily traced.

Second Lesson of Independence

Kyrgyz society quickly learned the first lesson of independence – it could dynamically transition into a new state with market principles in the economy and democratic institutions in public life. The success of reforms was in many regards due to the fact that society understood and accepted the ideas and advantages of democracy and a free market, in spite of the enormous difficulties of the transition period. The source of the failure in these changes was the weakness of the system of state administration. The state did not manage to quickly reorient to new tasks and functions, its apparatus remained old, bulky and inflexible. The methods used within state structures and by civil

servants therefore often contradicted the spirit of free economy and democracy.

To change the situation and provide a new impulse to the market and to democratic changes, Kyrgyz society in our opinion has to learn a second, equally important lesson: move on to building effective structures and institutions of state administration. At the same time, we should speak not only about public administration in general but about the involvement of society in the process of governance. The Government cannot reach these set goals on its own, it needs the energy of society and of the people. The government has to explain honestly to society what it wants to change and how it will do it.

An analysis of the political and economical situation in the country clearly shows that state administration is in crisis. This crisis came after several years of stagnation and led to regime change, that was undertaken through a people's revolt against the old system. Having tried to analyze the barriers that existed to society's development, to connect them and to find connecting threads, our sense is that almost all sources of the problems led to the issue of an ineffective administration. If the country had vast natural resources, this problem could have been alleviated. However, Kyrgyzstan does not possess this possibility, therefore the problem of administration in the evaluation of the socio-economic condition of the country is very noticeable. Administrative potential plays a most important role in modern Kyrgyz history. It can play a positive role as it did during the first years of independence, when radical reforms were administered in a short time, and it can also play a negative role, as happened when it resulted in huge external debt and a surge in corruption. How to use limited resources effectively to reach the goals of development? This is the dilemma that the country faces, but also one that has an appropriate solution.

It is very important for the new government to set and achieve one main goal: effectiveness and democracy in administration.

We suggest the idea of a "Professional Kyrgyzstan" as a state ideology in administration: to create functioning institutions of state

administration through improvements in the effectiveness and professionalism of employees. This has to become the main priority and the main task of the government, and hence in practice an ideology. The basis of the government's political will must become to understand that professionalism and effectiveness are crucial elements to work on in the nearest future. Reach this goal will depend on the cooperation of all branches of government.

Suggested solutions to the problem of public administration include the following:

- Measures to reform political administration; with a view to preventing the possibility of autocratic rule and creating a clear division of roles and responsibilities among different branches of power.
- Measures to reform public administration; working toward deregulation and removal of red tape, and creating a functional approach directed at detailing tasks and priorities; the elimination of double or excessive functions and of conflicts of interest.
- Measures to effect radical change on the decision-making process on all levels of government, seeking the participation of professionals, providing independence and respecting alternative views.
- Measures to change the selection and appointment procedures in civil service, based on merit.
- Measures to develop criteria of evaluation of effectiveness of administration, with the main criteria being end result, openness and independence of views.

This report has emphasized the issue of the administration's weakness. Clearly, voice will argue that there are more important problems in the country than the problem of the effectiveness of the state system, such as corruption and poverty. But these problems have been discussed

repeatedly, with almost no results. Identifying observable problems is easy, but mapping out actions and administering necessary measures to alleviate them is another. Indeed, deeper study of the problems indicates that a main underlying cause of poverty and corruption is bad public administration. Hence, it declaring war on the evils of poverty and corruption leads nowhere unless the government is able and willing to move on administrative reform. The struggle to eliminate corruption and poverty has to be led primarily for improved effectiveness and democratization of public administration. Results of this fight will, through synergy, lead to lowering corruption and poverty as well.

The main strategic task and priority of the state in the current time of development must become the creation of a new management based on a class of young professionals of a new type, that is able to effectively solve economic tasks. This has to become a real answer for the major challenges of the time. This idea is simple and understandable for everyone and most importantly to the business community. It will be accepted positively by the entire civil society, and civil society must be actively involved in administrative reform. An effective public administration must create the base for solving social and economic problems. The democratic development of society will become the basis for the self-regulation of the processes of development. In this context, abstract slogans now being launched such as “executive power – for the people”, “parliament – demonstrator of people’s hopes” will be filled with content.

The executive branch of power must professionally, with quality, and in time, present services to society. This requires being transparent and accountable in its activities. Building of harmony and consensus in society on the basis of economic resurgence will become a practically reachable goal. Such a path of development would allow minimizing national, tribalist, religious and regional components of barriers preventing development.

In this context, the international community also has an important role in Kyrgyzstan: supporting the state’s priority being directed to the democratization and reform of the administration with a view to

improving its effectiveness. It is important that this assistance be offered in exchange for real results that would realize the idea of creating a democratic and well-functioning state. The path for the creation of such a democratic state will become an alternative to the rise in the region of radical Islamism and attempts of pro-Islamic groups to offer their model of development.

Choosing Priorities in Public Administration Reform

The above-mentioned measures on the reform of public administration, if launched in a way that roots the reform program in the popular mind, could turn into a powerful countervailing force to tribalism and regionalism in the administration. If coupled with the supervision of the highest echelons of power, oversight of civil society, and enforced through tangible sanctions, principles of meritocracy will root out other alternatives for the administration's functioning. If sanctions are toughened and criminal prosecution for the diversion from principles of meritocracy is introduced, this would constitute a serious statement to radically change the situation in civil service. Undoubtedly, the leadership of the judicial branch of power need to be involved in this process. As a result of reforms in public administration, it is hence possible to foresee the emergence of a mobile, professional and honest state system.

The most difficult question in achieving these aims is likely to be the transformation of civil service to a meritocratic system. This is clearly closely connected with the reform of the remunerative system, the system of guarantees and motivations, and mentality.

The touchiest issue for society is appointment policy of the government. This area has always been surrounded by political battles. In Kyrgyzstan, the relationship between the government's appointment policy and tribalism in politics is especially strong. Hence it is crucial that this issue be connected with the government and its goal of bringing back the trust of the people. What can be offered here? Today, and even in the old government, there had always been a problem with the lack of professional personnel. The many reasons for this have been mentioned.

In the past, the government tried to attract administrators through open competition. However, as stated by the deputy prime minister himself, few responses were received to these calls for applicants. Many of those who work in business, or in international projects and have a good education could have come, as they did in the early 1990s, but now the system of civil service discredited itself so much that youth, if there they have any alternative, will choose this alternative rather than civil service. This is not counting the few honest professionals of high caliber who stayed on and continue to work purely because of patriotic feelings or because they are unwilling or unable to reorient themselves at an advanced age. Low salaries, absence of motivation and security, are the main obstacles to attracting young professionals to the civil service. At this point, it is not much more than an illusion to hope that professionals will come to civil service and voluntarily leave international organizations, business, or employment opportunities abroad.

What else can be offered as a solution? Again, tried and proven international experience. Most prestigious financial institutions have programs such as “young professionals”. Their selection is very rigorous, but if a young professional passes it he or she receives help from supervisors; career growth doors are open; new opportunities for career advancement appear; and there are wider horizons for future administrative positions with good salaries.

Something similar could be organized in Kyrgyzstan. It would be possible to select the 30-50 most prepared and gifted managers that can pass a rigorous selection process. The selection committee should consist of independent advisers, including international ones, to provide objectivity to the selection process. Winners, to serve under contracts, should be offered individual programs of motivation and guarantees, and should be seen as a national treasure. This program must include career growth after passing tests; winners should be made to attend career advancement programs in the country and abroad. A similar program, with the exception of high-level positions, could be offered to recent university graduates. International and domestic donors could be invited to support such a program. The suggested approach evidently assumes that the entire civil service

reform will be running in parallel and does not aim to replace it. Finally, it is needed in the New Tax Code to make a serious step to offer substantial tax incentives for those who spend their money on career improvement and on education in general.

Suggestions for Economic Administration

Stability is essential for economic development and growth. Top economic priorities are macroeconomic stability, lowering external debt, and creating conditions favorable for business and investment. Another economic priority must be to raise the level of professionalism in the government and lower bureaucratic barriers within the private sector.

Everything mentioned about civil service reform should be reflected in economic changes. The Government must learn to better manage the country's economic and financial affairs, in part by creating a more welcoming investment climate and by refraining from intruding too heavily into the economy itself. Each governmental department must adopt a single criterion for hiring: competence.

Everything else, tax and customs rates, administration, foreign trade conditions must be subjugated to reaching this goal – the creation of a favorable investment climate, attraction of direct investment, and ensuring that investment can be successful. The only criterion for priorities in the production of goods and services should be business competitiveness. If manufactured goods and services are competitive, then they have priority. Only these tough conditions can lead to success under such limited financial conditions. As international experience has shown, it is foolish to support uncompetitive businesses through special privileges or state subsidies. Such businesses cannot operate independently, hurt competition and increase corruption. Besides, Kyrgyzstan is too poor a country to successfully practice protectionist policies. Businesses must operate under equal conditions. The state needs to establish clear protections against intrusions – both administrative and criminal – into businesses' efforts to operate and turn a profit.

Suggestions for A Democratic Administration

Improving democratic administration begins with constitutional reform. Changes should be designed to foster the development of democracy and human rights. The first change must be one that would prevent the re-emergence of an authoritarian regime. The following reforms are also needed:

- A more balanced distribution of roles and responsibilities among the branches of government, with movement toward a parliamentary-presidential form of governance;
- Expanded possibilities to develop political parties and a transition to parliamentary elections based on party lists;
- Stronger system of government accountability to society;
- Stronger participation of civil society in state decision-making processes and other matters of the state;
- Greater transparency in government activities;
- More measures to protect human rights and private property.

In making public administration more democratic, the state must avoid certain pitfalls. Reforms should not allow for overlapping powers among different branches of government. Also, any measures taken should result in the state offering better quality services and fairer distribution of public wealth.

Suggestions for Creating A State Based on the Rule of Law

As has been argued above, there is enormous disregard for the law in Kyrgyzstan. To earn back the nation's trust in government, the new administration must foster trust in the law. It is possible to radically change the procedures of passing legislation, in turn reducing opportunities to seize political power while increasing public participation in forming laws. The Government must develop and adopt clear procedures that will be registered by administrative and

legislative acts, according to which all important decisions have to pass evaluation of independent experts.

International experience has shown that there are indeed ways to evaluate the regulatory impact of legislative actions. When creating laws and regulations, a broader array of opinions should be sought within government, including from other parties that might have an interest in or be influenced by a legislative decision.

The legislative process should be more accessible to society. Opening up the process of debating, proposing, adopting and enacting new laws and policies could lessen the risk of incompetent decision-making. A more participatory role would also improve society's respect for the law. Such procedural reform does not require huge resources, but could have a significant economic effect and drastically reduce incidences of corrupt decision-making.

Conclusions

Kyrgyzstan's economic and political problems are directly linked to years of ineffective public administration. While pursuing and enacting reforms, neither the government nor international donors paid ample attention to reforming the government itself. In this environment of poor governance, society's pathologies became formidable barriers to democratizing public administration and destroyed the foundations of statehood.

Democratic ideas in Kyrgyzstan face new challenges today, yet an old solution remains viable. The best way to move the country forward is through a free society and market-based economy. For this to happen, the government must commit to radically reforming state institutions, making them smaller and more mobile, professional and honest.

After gaining independence in 1991, the people of Kyrgyzstan made an irrevocable choice to create a free society. Basic democratic principles entered their collective conscience. Those concepts are being reevaluated today. We believe in the potential of Kyrgyz society to make a second great leap, once again in the direction of radical reforms.

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