

# Governance problems in Kyrgyzstan: rentier state and building resilience (1991-2018)

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## *Introduction*

Kyrgyzstan is a country in Central Asia that during its recent 32 years of history has seen three of its president's overthrown, two instances of mass ethnic violence and 32 prime ministers. After gaining independence in 1991, Kyrgyzstan encountered a range of socio-economic problems associated with the collapse of the USSR, the establishment of a new state, the rupture of traditional economic and trade relations with other Soviet republics, and the suspension of centralized financial subsidies from Moscow. The new government had to seek other sources of funding for its sustainability and development. The international community treated Kyrgyzstan as a "more advanced democracy" (Garcés de los Fayos and Mendonça 2018) than other regional states, as an "island of democracy" (Anderson 1999) surrounded by Russia, other authoritarian Central Asian countries, and China. This recognition led to increasingly international, mainly Western, support, which included development aid and assistance with democratization and governance reforms. There was an expectation that Kyrgyzstan would become a more liberal and prosperous state as a result.

However, despite receiving a substantial amount of external aid and revenues from mining and from leasing military bases to foreign powers, donors' optimistic expectations have not been realized, and the country has been unable to improve its governance effectiveness. The main research question for this article, therefore, is to analyze to what extent direct connections between changes in sources of government revenue and adjustments in governance can be tracked and how ignorance of a bottom-up approach to development has negatively affected the country's resilience. To this end, the research question has been divided into three sub-questions:

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- (1) Why has Kyrgyzstan been facing problems such as high-level corruption, clientelism, low levels of accountability and submission to the rule of law, and generally inefficient governance plus severe economic problems despite receiving substantial external aid and implementing numerous development projects?
- (2) Why has Kyrgyzstan been unable to make effective use of the considerable aid and state revenues it has received to build resilience?
- (3) What is the connection between increasing revenues from different sources of rent such as external aid, gold exports, and leasing military bases, and increased authoritarianism and corruption, degraded governance, stability, and economic development in Kyrgyzstan?

According to the assessments of the World Bank (2019b), V-Dem (2018), Freedom House (2019), the Bertelsmann Stiftung (2018) and other international institutions, Kyrgyzstan's major governance indicators have not improved or have even deteriorated. The country, to some extent, advanced in democratization reforms between 1991 and 2018. In 2017 the first time in its contemporary history Kyrgyzstan could peacefully and legally conduct a power transition from the previous to the newly elected head of state. However, this fact could not demonstrate stability of the governance system and quickly in 2018 the former president Atambayev and the new one Jeenbekov faced several public clashes showing substantial division between them. Therefore, this research investigates the developments in Kyrgyzstan until 2018 to understand the reasons for back-to-back destabilizations in the country starting from the gaining of independence in 1991.

Most Kyrgyz presidents have remained authoritarian. As far as governance indicators are concerned, the following six categories set up by the World Bank and widely used in academia have been considered by various international organizations: voice and accountability; political stability and lack of violence; government effectiveness; regulatory quality; rule of law; control of corruption (Kaufmann et al. 2003). The V-Dem Institute's (2018) clientelism, political corruption, accountability, rule of law, democracy and civil liberties indexes have been checked as well, as has the Bertelsmann Stiftung's (2018) governance performance evaluation, which consists of the following indicators: steering capability, resource efficiency, consensus building, and international cooperation.

It is widely recognized that the resource-rich post-Soviet states such as Kazakhstan, Russia, Azerbaijan, and Turkmenistan can be considered as classic rentier states. Investigation of the above indicators demonstrates that

Kyrgyzstan can be also viewed as a rentier state, since it depends heavily on natural resources, as well as on international aid and other sources of rent, and this has had a negative effect on its democracy and governance. This study puts forward the argument that this rentier state status and the dominance of a top-down approach in the administration adversely shapes governance and causes problems with the country's resilience. My research attempts to understand the causes of ineffective governance in Kyrgyzstan by analyzing the possible link between the rent-seeking character of its government, a disregard of bottom-up development, and the dysfunctionality of public institutions. The article draws on the theory of the "rentier state" (Mahdavy 1970; Karl 1997), the concept of "unearned income" (Moore 2001) and the concept of resilience (Chandler 2014 ; Korosteleva 2020 ). The combination of these three provides a basic framework for this work. There is some literature (Cooley 2000; Ostrowski 2011; Pál 2016) that discusses the negative influence of external aid and the extraction of natural resources on the governance and development trajectory of Kyrgyzstan. Nevertheless, it does not fully explain the causes of the relationship between excessive development assistance and rising revenues from minerals and renting military bases to powerful states, on the one hand, and worsening misgovernance, reduced resilience, and an underdeveloped economy on the other.

This chapter starts with definitions of "rentier state" theory, "unearned income" and "resilience," before evaluating their advantages and shortcomings in explaining governance issues. The current debates about the different outcomes of rent-dependence on governance, democratization, and state capability have been pointed out. Finally, there is a calculation of rent sources in Kyrgyzstan and their effect on the country's political institutions and governance indicators. This helps to explain why its democracy ratings have improved slightly, whereas governance indicators have shown no improvement despite the country receiving a substantial amount of revenue from aid, the mining industry, and leasing military bases. Altogether, then, this chapter contributes to the ongoing debate about the causes of bad governance by underlining the negative role of rent-dependence.

### *Theoretical framework: rentier state theory, unearned income and resilience*

To my understanding, the concept of a "rentier state" might be valuable in explaining the current situation of "bad governance" in Kyrgyzstan. In

political economy, the term “rent” means “the surplus that is earned after all production costs and ‘normal profit’ have been accounted for” (Moore 2004a). Exporting natural resources like petroleum, gas, and diamonds has been regarded as a rent source for many Middle Eastern, African, Latin American, and other states (Ross 2015). This rent contributes to the revenue acquired by the government and gives it greater opportunities to spend its earnings on strengthening its authority and stability, though this is not attainable in all cases. Hossein Mahdavy (1970: 428) considers countries to be rentiers when they “receive on a regular basis substantial amounts of external rent.” At the same time, the primary beneficiaries of these rents will be states that do not put much effort into the production of rent, being responsible for a relatively limited number of the engaged workforce (Beblawi 1987). The main feature of these revenues is that they originate from both internal and external sources accumulated by state institutions. This aggregation allows the leadership of governments to control their further distribution for various social programs, supporting clientelist networks, strengthening the security apparatus, etc. Most of the more recently published literature on this topic concludes that the impact of mineral affluence on countries’ democratization is negative: it decreases transparency and political accountability (Ross 2001).

Later studies also find the negative implications of the resource “curse” on democracy, good governance, and increased conflict probability (Le Billon 2014). Governments reliant on rent sources may be released from the need to raise taxes from citizens and become more autonomous, which can make public agencies less accountable and more authoritarian, impede the diversification of economies and thereby hinder economic growth. Rent-dependence may heighten the struggle for power in rentier states, because their traditionally authoritarian nature considerably increases the personal gains obtainable from leadership positions (Kuru 2014: 413). Other research places emphasis on the influence of resource revenues on the capacity of public servants, the development of political institutions, the rise of corruption, absence of transparency in public spending, and a worsened judicial system (Robinson et al. 2006).

Many countries dependent on the export of natural resources are indeed excellent examples of rentier states: the majority of the Gulf States, Nigeria, Angola, Venezuela, etc. However, this theoretical approach cannot be made a general rule for all countries exporting a substantial quantity of natural resources or explain the rising authoritarianism and the governance and development problems in the world. Some countries like Chile, Botswana,

and Norway, despite their dependence on natural resources, have been able to avoid the resource curse and are currently considered as democratic countries. At the same time, countries that are not so dependent on income from exporting natural resources and do have experience of democratic institutions can also turn to authoritarian rule, as has happened in Turkey and Hungary. Therefore, testing the rentier state theory and resilience concept with concrete cases is essential in order to understand its operational capability and the implications of the countries' rent-seeking behavior on governance and development.

The current expansion of democracy and good governance in Europe is rooted in the historical period when European states needed a considerable amount of funds to provide the resources for regular military campaigns, so they evolved capable public institutions and bureaucracies to collect taxes from their citizens who in return required increased accountability and responsiveness from their governments (Tilly 1992). However, in rentier states leaders do not rely substantially on generating internal revenues such as taxes, which means the people do not have enough instruments to influence their policies (Kuru 2014: 399). This leads to “political underdevelopment” in countries when their governments are “ineffective ..., arbitrary, despotic and unaccountable” (Moore 2001: 386) with an immature civil society, widespread patron–client networks and suppressed human rights.

Mick Moore (2001), while explaining the causes of states' “political underdevelopment” identified rent theory by introducing the concept of “unearned income.” He (ibid.: 389) underlines that any country's income “can be considered ‘earned’ to the extent that the state apparatus has to put in organizational and political effort in working with citizens to get its money.” He also argues (ibid.: 404–406) that the prevalence of “unearned income” in a state's revenues makes the government less dependent on citizens, public bureaucracy ineffective, the political system unstable, and state expenses non-transparent. Elsewhere (Moore 2004b), he also separates the dependence of countries on rents from natural resource, a concept mainly developed to elaborate the resource curse narrative in the Middle East, from dependence on strategic rents (including aid and military support) that could be more relevant in explaining the case of Kyrgyzstan, which does not possess natural resources in considerable quantities apart from gold.

“Resilience” is a relatively new concept that criticizes the top-down governance model with respect to solving existing problems and foreseeing new development challenges (Edkins 2019). This new approach was quickly

integrated into the agendas of leading international institutions like the World Bank, European Union, UNDP, etc. One of the most popular definitions of “resilience” was given by the EU: “the ability of states and societies to reform, thus withstanding and recovering from internal and external crises” (European External Action Service, 2016: 23). However, in later views resilience developed into an ability to understand and facilitate local self-reliance and self-organizing practices instead of adopting top-down techniques through international intervention (Korosteleva and Petrova 2022). Bottom-up development trajectories based on local responses to emerging problems are expected to be more sustainable and effective in the longer term than simplified efforts to implement blueprint approaches.

Whereas Moore concisely analyzes the possible implications of rent-dependence for governance under the new label of “unearned income,” most of his analysis is based on assumptions without giving convincing evidence using either specific case studies or cross-country tests. Moreover, while speaking about the aid-dependence of some countries and acknowledging the difficulty of calculating the exact amount of aid received, he has not differentiated the types of foreign assistance that can go into public budgets or be spent directly by development agencies without going through the state financial system. Also, it is not clear how international aid in the form of humanitarian support, technical assistance, or capacity-building training can be harmful to governance effectiveness and revenue-raising.

It is widely accepted that oil and natural gas-rich Central Asian states such as Kazakhstan and Turkmenistan are classic rentier states (Gawrich et al. 2011). However, Kyrgyzstan is also hugely dependent on non-tax revenues to maintain its public functions. Reliance on these types of income may inhibit economic and political change in Kyrgyzstan. Unearned revenue could lead to deteriorated government effectiveness, rising instability, and authoritarianism. The problem in providing evidence for this claim comes from the difficulty of counting income from rent sources accurately and the ambiguity of timeframes when rent revenues might have negative implications.

Kyrgyzstan received a considerable amount of foreign assistance to support its governance and democratization reforms. Together with the mining industry and military base leasing, foreign aid formed a significant part of the public revenues. This issue raises a question about the possibility of considering aid as a rent source. Many scholars agree that aid has similar negative results to natural resources (Knack 2001; Brazys 2016) and “might create perverse incentives and lead to anti-developmental outcomes” (Moss

et al. 2006: 4). Besides, the external character of the aid makes recipient governments accountable mainly to foreign donor countries and their citizens, not to their own voters (Brautigam 1992). It leads aid-dependent countries into the situation known as the “aid curse” when they cannot cover their essential expenses without funding assistance from donors. According to the various research findings, aid can be harmful to recipients when it makes up from 5 to 15.45% of a country’s GDP (Moss et al. 2006: 19). Particularly relevant to Kyrgyzstan’s case is research that proves that a combination of resource extraction and dependence on aid flows is associated with political instability and the resignation of leaders as a result of popular protest or coups (Ravetti et al. 2018).

Despite the widespread belief in the negative implications of aid windfalls being similar to those of revenues from natural resources, there are some fundamental differences. Usually, donor aid has a conditional basis, requires advance negotiations as to the amount and form of the planned assistance. It may not be in the form of financial support and might be given instead as technical assistance; it could also to some extent involve control by the donors over funding transfers. The existing situation in the country and the level of its government’s effectiveness seem to be significant features in the rational and productive spending of the aid. Furthermore, the aid amount is usually very volatile and may change substantially from one year to the next, depending on many political and economic factors, so this feature limits the capacity of recipient countries for long-term planning and allocation of the donor funding.

### *Rent sources in Kyrgyzstan, their impact on governance and democratization*

This section covers the listing of primary rent sources in Kyrgyzstan, calculation of their amount yearly from 1992 to 2017, analysis of the democracy and governance indicators trying to find consistency between these indicators and received rents, discussion of examples of the government’s ineffectiveness and rent-seeking behavior. The results demonstrate the improvement in several democracy indicators such as electoral process, accountability, and civil liberties provision, but at the same time stagnation or decline in almost all governance indicators in comparison with 1991–1992. These improvements in democracy indicators might only reflect some cosmetic changes made to please aid donors, whereas overall governance has not advanced.

After 1991 Kyrgyzstan encountered a problem in solving the increasing socio-economic issues related to the collapse of its existing political and economic links with ex-Soviet republics, and the stoppage of financial transfers from the central government that formed a substantial portion of the country's budget revenues. In 1991, for example, transfers from the Soviet Union budget to Kyrgyzstan amounted to 12.2% of the country's GDP and 35.2% of its total budget income (Dąbrowski and Antczak 1994). Moreover, compared to its other bigger neighbors in the region (Kazakhstan and Turkmenistan), Kyrgyzstan did not own vast oil and gas resources to compensate for the withdrawal of these significant subsidies from Moscow. Therefore, this situation pushed the country to concentrate its efforts on finding new funds from international aid and development assistance.

In the 2000s, the Kyrgyz government diversified its income sources slightly by raising revenues from the extraction and export of precious metals (Pomfret 2011) and giving the USA and Russia access to military bases in exchange for a rent payment, assigned financial development assistance, and large-scale military aid (Cooley 2008). At the same time, Western countries gave Kyrgyzstan's declaration that it was moving towards democratization and liberal economic reforms high praise, increased development aid and political support, and accepted the country into the World Trade Organization in 1998 making it the first ever post-Soviet country to be admitted to this international institution. However, continuous receipt of aid required the country to follow the recommendations of the donors in implementing reforms in the spheres of democratization, elections, liberalizing civil society activities and the media, governance, the rule of law, and tackling corruption.

### *Rent sources and their calculation*

Here are the primary rent sources in Kyrgyzstan:

1. *External aid and development assistance.* From 1991, Kyrgyzstan received a massive amount of development assistance and financial aid—about US\$8.4 billion between 1992 and 2017 (112% of the country's GDP in 2017—US\$7.5 billion), which was equal to US\$129.3 per capita in 2015 – the highest rate in the whole of Central Asia (World Bank 2018).

2. *Revenues from precious metals (mainly gold) exports* provided an average of 10% of GDP (EBRD 2015) and more than 40% of the country's export revenues (World Bank 2015).



3. *Military base leasing revenue.* Up to 2014 Kyrgyzstan simultaneously hosted military bases for the USA and Russia. The US paid US\$60 million per year in official rent for Manas airbase, US\$100 million a year via USAID projects and around US\$300 million-plus for fuel supply (Hartley and Walker 2013). Russia paid approximately US\$4.5 million annually until 2018, then increased payment to US\$4.8 million for renting Kant airbase from 2019 (RFE/RL 2019), but, at the same time in 2012 Moscow cancelled US\$489 million of Kyrgyzstan debt and promised to grant military equipment costed at more than US\$1 billion in exchange for a prolongation of the rent agreement for the base (Ott 2014).

A small and mountainous country with limited natural resources and underdeveloped industry, dependent on obtaining raw materials from other Soviet republics, its economy predominantly based on agricultural production,<sup>2</sup> Kyrgyzstan also suffered from poor transport infrastructure<sup>3</sup> and its distance from any open waters. Therefore, the country's new leader, Askar Akaev, decided to draw in Western countries and international financial institutions as new funding sources. Kyrgyzstan's needs stimulated the country's broader openness to foreign advice and aid in comparison with its neighboring states (Bossuyt and Kubicek 2015). At the same time, Akaev initiated mining of the goldfields. Later Kyrgyzstan leased its military bases to the US and Russia for additional income. The rent from all these sources went partly to the state, partly to politically well-connected people, however, this research considers as rent only the revenues received by the state.

In 1995 GDP decreased to 47% of the 1990 level and industrial production to 75% (CASE 2005). During the period 1993–95 the highest poverty rate among Eastern European and ex-Soviet republics was registered in Kyrgyzstan (Pomfret 2006). From 1992 to 2000 Kyrgyzstan received, solely from the IMF and the World Bank, aid and loans amounting to US\$1.7 billion (Ostrowski 2011: 296) to support its economic transition from a Soviet-style centrally planned economy to a market economy. The majority of these funds were spent on budget support, improving public financial management and the rule of law, raising the effectiveness of the public administration, and developing the education sector.

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2 In 1992 40% of the GDP was agricultural sector production, two thirds of the population lived in the rural area (UNCTAD 2013).

3 After the collapse of the Soviet Union the length of the Kyrgyz railway network was only 372 km which connected the capital Bishkek with a couple of surrounding towns in the north of the country (Center for Social and Economic Research CASE 2005).

Primary datasets for aid statistics by the OECD, IMF, the World Bank, USAID, DFID, and the National Statistical Committee of the Kyrgyz Republic were analyzed to measure the amount of rent.<sup>4</sup> There were slight differences in the statistics: the Kyrgyz national statistics do not have a special section devoted to development aid and assistance, though they do provide data in the national currency on yearly “transfers” from foreign states and international organizations to the Kyrgyz public budget. The lack of clarity in this category of national statistics and the use of data in the national currency, conversion of which to foreign currency (US\$ for the purposes of this research) might cause difficulties through varying exchange rates prevented me from working with this data. Consequently, I decided to confine myself predominantly to using the data given by OECD and the World Bank.

Collection of the data for gold production and revenues from sales of gold also required extensive research. According to Kyrgyz legislation, the government has a priority right to buy all precious metals extracted on its territory (Valdez & Baimagambetov 2005: 1024) and uses this privilege to purchase all the gold produced annually for subsequent processing and selling (Centerra Gold 2018). Gold export is considered as rent for the government, because all export revenues go to the state accounts. The data from the UN Comtrade, the National Statistical Committee of the Kyrgyz Republic, the Observatory of Economic Complexity of the MIT Media Lab,<sup>5</sup> The Extractive Industries Transparency Initiative,<sup>6</sup> the Natural Resource Governance Institute,<sup>7</sup> the World Gold Council,<sup>8</sup> and the information given on the website of the biggest gold mine operator in Kyrgyzstan – Canadian company “Centerra Gold” have been analyzed.<sup>9</sup>

The most challenging part of this research was to find the amount of rent obtained for leasing military airbases to the USA and Russia. Given the security aspects of the agreements between Kyrgyzstan and these great powers, their full texts and the exact sums paid to the Kyrgyz government as defined in these documents are not available. I therefore collected most

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4 Official website - <http://stat.kg/en/statistics/vneshneekonomicheskaya-deyatelnost/>.

5 Official website - [https://oec.world/en/visualize/tree\\_map/hs92/export/kgz/all/show/2017/](https://oec.world/en/visualize/tree_map/hs92/export/kgz/all/show/2017/).

6 Official website - <https://eiti.org/homepage>, website of the organization’s office in Kyrgyzstan - <https://eiti.org/kyrgyz-republic>.

7 Official website - <https://resourcegovernanceindex.org/country-profiles/KGZ/mining>.

8 Official website - <https://www.gold.org/goldhub/data>.

9 Official website - <https://www.centerragold.com/operations/kumtor>.

of the data by investigating the official websites of the US, Russia, and Kyrgyzstan and media news. Besides, the total revenues for hosting the air-bases surpassed the official rent payment to the Kyrgyz government many-fold. Both the USA and Russia provided multimillions' worth of military equipment and training to representatives of the Kyrgyz law enforcement and military agencies, besides increasing development aid and writing off Kyrgyz public debt in exchange for access to the bases (Gelfgat 2014). In addition, the USA allowed high-ranking Kyrgyz officials and their relatives to be incorporated in the commercial fuel supply chain to Manas airbase that brought in hundreds of millions US\$ annually (Toktomushev 2015). However, this study considers as rent from the military bases in Table 1 only payments acquired by the government budget and does not count any tax payments, military equipment, or earnings by private companies.

#### *Implications for governance and democratization*

All the indicated rent sources were added together to arrive at the amount of annual total rent and the rent-to-GDP ratio was assessed to understand the significance of rent revenues for the Kyrgyz public budget and the overall economy. The results of this calculation are given in Table 1. These calculations show significant annual fluctuations in the rent amount. In the early days of Kyrgyz independence, the rent-to-GDP ratio was only 5%, but it quickly rose to almost 38% in 1999, the highest rate recorded during the research period from 1991 to 2017. Analysis shows that, comparatively speaking, Kyrgyzstan received slightly greater aid packages immediately before and after the toppling of presidents in 2005 and 2010. Aid and gold revenues have increased during recent years, which has compensated to some extent for the closure of Manas airbase and stoppage of the US rent payments in 2014.

Table 1. Rent sources in Kyrgyzstan, 1992–2017 (counted in million US\$)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Aid	21.08	95.01	133.5		284.67	230.45	239.59	239.49	283.17	214.71																	
Gold					0.07	0.002	184.34	195.82	183.12	195.35	224.57	187.72	165.76	185.72	200.02	287.39	267.48	202.96	311.05								
Military base renting (US)																											
Military base renting (Russia)		4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	
Total rent	21.08	99.51	178		289.24	234.92	438.43	439.81	470.79	414.56																	
GDP (current USD)	2316.56	2028.29	1681		1661.02	1827.57	1767.86	1645.96	1549.06	1569.69	1525.11	1488.79	354.98	555.02	504.67	523.51	677.64	842.66	864.28	1233.72	1394.02	1097.3	1340.73	1468.1	6678.18	6811.09	7022.93
Percent age of rent to GDP	0.91	4.91	10.59		17.41	12.86	24.23	26.72	37.69	30.27																	

Sources: OECD, World Bank, Kyrgyz Republic National Statistical Committee, academic articles and media news (on military base payments)

On average, the rent-to-GDP ratio in Kyrgyzstan 1992–2017 was about 20% annually, which is close to the results of the classic rentier states in Central Asia, Turkmenistan and Kazakhstan (Gawrich et al. 2011; Pál 2016), which are heavily dependent on revenues from sales of gas and oil. According to World Bank data (2019a), the ratio of rent from natural resources to GDP in Kazakhstan on average during the period 1992–2017 was 18.5% with a top rate of 33% in 2008. In Turkmenistan the average was 43%, with a top rate of 86.5% in 2001 (see Table 2). In Kazakhstan, this data does not include revenue from the mining industry and the export of gold, coal, iron, uranium, copper, and other minerals, which together with oil and gas earnings made up about 50% of GDP in 2018 (EITI 2019a). In this way, Kyrgyzstan's revenue from its rent sources is less than that of the countries heavily dependent on extractive industries.

Several international organizations, think tanks, and NGOs have assessed the advancement of Kyrgyzstan in governance and democratization issues during its independence period. This chapter investigates the assessments made by the World Bank, the V-Dem Institute, Freedom House, the Economist Intelligence Unit, Fund for Peace, Center for Systemic Peace, and Bertelsmann Stiftung. The various indices evaluating Kyrgyzstan's per-

formance give contradictory results on the advance of democratization in the country. While Freedom House and the World Bank assess democratic development trends negatively, the majority of these indexes show improvement in political accountability, electoral processes, political participation, and democratic institutions. However, almost all evaluations of Kyrgyzstan governance that I analyzed found that the situation had either deteriorated or stagnated; very few assessments believed that the country had enhanced its performance even to a minimal degree.

Table 2. Total natural resources rents in Kazakhstan and Turkmenistan (% of GDP)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Kazakhstan	9.5	8.8	7.0	7.1	8.6	10.6	9.3	7.2	11.0	26.7	21.0	21.7	22.3	27.0	30.1	29.5	26.7	32.6	21.0	24.4	27.5	24.4	20.0	18.4	10.8	12.4	16.2
Turkmenistan	61.9	47.9	51.9	40.4	39.4	53.6	30.9	19.2	71.2	86.5	63.5	58.7	51.9	53.9	64.7	63.2	65.3	29.3	30.5	43.5	38.9	33.5	24.1	18.2	12.0	17.4	

Source: World Bank, 2019a

The Bertelsmann Transformation Index (see Table 3) observed substantial progress in the democratic status of the country: the rate has increased more than three times from 1.8 in 2003 to about 6.2 in 2018 (on a ten-point scale); at the same time the governance index showed a negligible and uneven rise from 3.4 to 4.7 with intermediate declines in 2010 and 2014 (Bertelsmann Stiftung 2018). Transparency International (2018) ranked Kyrgyzstan in 132<sup>nd</sup> place out of 180 countries on its corruption perception index with a score of 29 points in 2018, which is a slight improvement from 21 in 2003 (Table 4).

*Table 3. Bertelsmann Transformation Index, Kyrgyzstan 2003–2018 (0 worsening to 10 improvement)*

Year	Democracy Status Index	Governance Index
2003	1.8	3.4
2006	4.08	4.19
2008	6.0	4.7
2010	4.4	4.2
2012	5.4	4.9
2014	5.8	4.7
2016	6.0	4.8
2018	6.15	4.73

Source: Bertelsmann Stiftung, 2018

*Table 4. Annual Corruption Perception Index, Kyrgyzstan 2003–2018 (0=most corrupted, 100-least corrupted)*

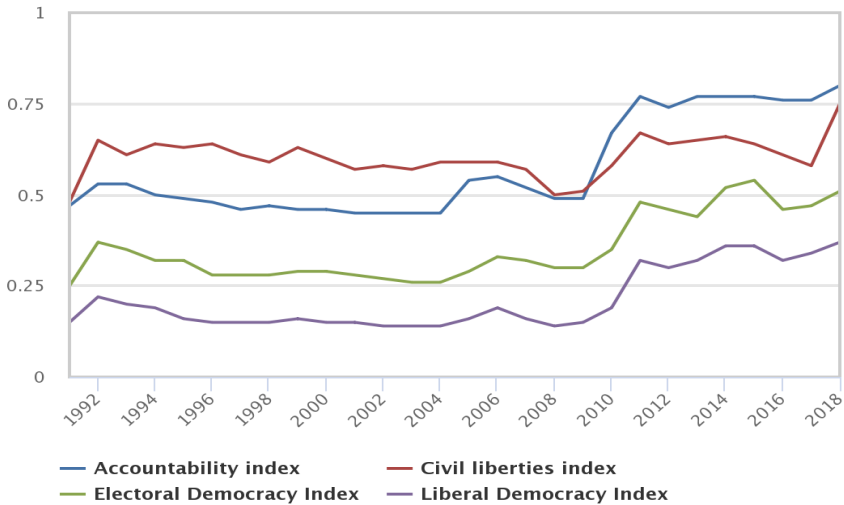
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kyrgyzstan	21	22	23	22	21	18	19	20	21	24	24	27	28	28	29	29

Source: Transparency International, 2018

The V-Dem Institute has also given a different evaluation of Kyrgyzstan's development in the democracy and governance components. In the Institute's Electoral Democracy Index, the country gradually doubled its score from 0.25 in 1991 to 0.51 in 2018 (scaling from 0 to 1); on the Liberal Democracy Index Kyrgyzstan also rose from 0.15 to 0.37 with rates stagnating during the Akaev and Bakiev presidencies; the accountability index went up from 0.47 to 0.8; the civil liberties index from 0.48 to 0.75 with significant intermediate fluctuations (V-Dem 2018; see also Figure 1). For the most part, in giving higher assessments to Kyrgyzstan in democratization and liberalization indicators the experts have considered its regular parliamentary and presidential election campaigns, the presence of a huge number of political parties, active private media, and diversity of views among the main political figures. However, these positive democratic changes in the country did not affect its sustainable development, resilience to political

upheavals and economic crises, productive public administration, and capable bureaucracy.

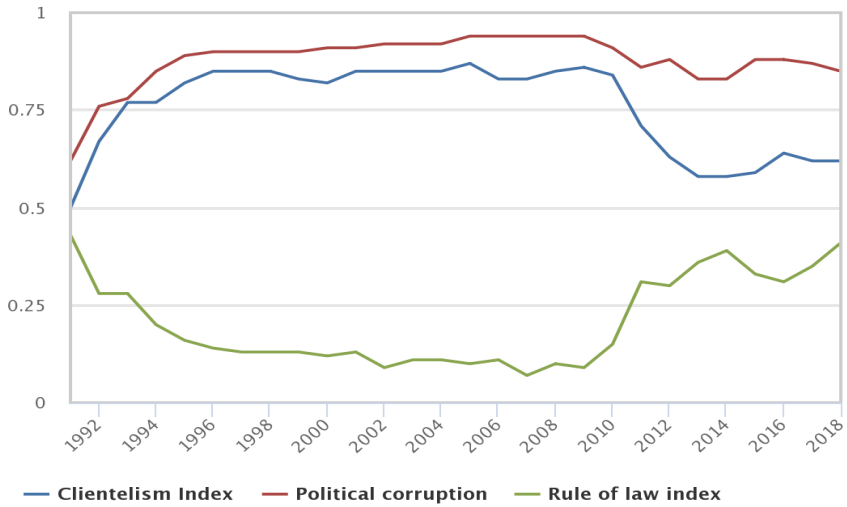
Figure 1. Performance on several democracy indexes, Kyrgyzstan 1991–2018



Source: V-Dem Institute 2018

At the same time, in the V-Dem Institute’s indicators measuring governance activity, Kyrgyzstan’s ratings are not so positive and show a worsening or stagnation after independence was gained in 1991 (Figure 2). For example, over the longer term, between 1991 and 2018, the rule of law deteriorated slightly from 0.43 to 0.41, though there was a substantial interim fall to 0.07 in 2007, the level of political corruption grew considerably from 0.62 to 0.85, and the clientelism index was also boosted from 0.5 to 0.62 with an interim peak of 0.87 in 2005.

Figure 2. Performance on several governance indexes, Kyrgyzstan 1991–2018

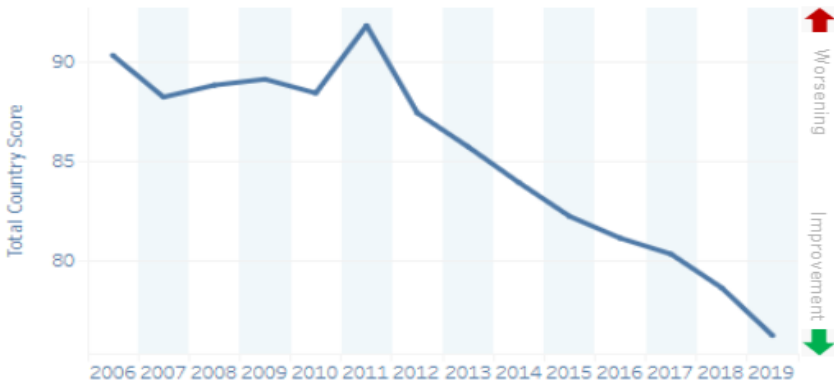


Source: V-Dem Institute, 2018

The Fund for Peace (2019) that publishes the Fragile States Index annually has praised Kyrgyzstan’s improvement of its position in the rankings from 28<sup>th</sup> most fragile country in the world in 2006 out of 146 countries assessed to 68<sup>th</sup> in 2019. Only in three subindicators—fragmented elites, equality and inclusion of various groups in political processes, intervention of external actors in internal political and economic issues—has the country undergone a decline in comparison with previous years. However, recent turmoil in Kyrgyzstan after the parliamentary elections in 2020 and the border conflict with Tajikistan in 2021 demonstrated that the country is still frail, and during the last several months it has been facing substantial difficulties in establishing order and covering budget expenses and has even approached foreign donors asking for immediate financial support. Despite this serious instability in Kyrgyzstan, however, the Fund for Peace did not change its ranking in 2020–2021.



Figure 3. State Fragility Index, Kyrgyzstan 2006–2019



Source: Fund for Peace, 2019

The Economist Intelligence Unit (EIU) has been producing a Democracy Index for the countries of the world since 2006. It has evaluated Kyrgyzstan's democratization positively with a rise in the overall score from 4.08 in 2006 to 5.11 in 2018; civil liberties provision has been assessed stably with an average rate of more than 5 points; though, while underlining the substantial improvement in political participation from 2.78 to 6.67, experts have considered government functioning to be ineffective with low rates from 1.86 to 3.29 and tangible fluctuations (EIU 2018).

*Table 5. Economist Intelligence Unit's Democracy Index, Kyrgyzstan 2006–2018 (0 worsening to 10 improvement)*

	Electoral process and pluralism	Functioning of government	Political participation	Political culture	Civil liberties	Overall score
2018	6,58	2,93	6,67	4,38	5,00	5,11
2017	6,58	2,93	6,67	4,38	5,00	5,11
2016	7,42	2,93	5,56	3,75	5,00	4,93
2015	7,83	3,29	5,56	5,00	5,00	5,33
2014	6,58	3,29	6,67	4,38	5,29	5,24
2013	6,58	2,21	5,00	4,38	5,29	4,69
2012	6,58	2,21	5,00	4,38	5,29	4,69
2011	5,75	1,86	4,44	4,38	5,29	4,34
2010	5,75	1,14	5,00	4,38	5,29	4,31
2008	4,83	1,86	3,89	4,38	5,29	4,05
2006	5,75	1,86	2,78	5,00	5,00	4,08

Source: EIU 2018

The Polity IV index, worked out and counted annually to estimate the development of democratization and authoritarianism in various countries, has been evaluating tendencies in Kyrgyzstan from 1991. The findings of this index are, to some degree, contradictory. It has positively appraised the changes in the country in the directions of the institutionalization of democracy, decrease in authoritarianism, electoral process, competitiveness of the highest public positions, and constraints on unilateral decision-making by public officials (Marshall et al. 2017), but, at the same time, by its reckoning the fragility of the country has grown slightly and political and economic effectiveness has fallen (Marshall and Elzinga-Marshall 2017).

The World Bank and Freedom House are the most consistent critics of Kyrgyz advancement in the governance and democratization spheres. Among the former's six primary World Governance Indicators Kyrgyzstan has demonstrated (see Table 6) tiny growth only in "Voice and Account-

ability”; in the other categories, “Control of Corruption,” “Government Effectiveness,” “Political Stability,” “Regulatory Quality,” and “Rule of Law” the country has shown an apparent deterioration in comparison with 1991 (World Bank 2018). The adverse change in the categories of government effectiveness and the rule of law has been especially significant (see Table 6). At the same time, Freedom House (2019) has criticized Kyrgyz performance in democratic governance, independent media presence, and judicial framework indicators; though other spheres like civil society, electoral process, local governance, and corruption have shown a lesser decline (see Table 7).

Table 6. *The World Bank Governance Indicators, 1996–2017 (-2.5 worsening to +2.5 improvement)*

	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Control of Corruption: Estimate</b>	-1.0	-0.8	-0.9	-1.0	-1.0	-1.1	-1.3	-1.3	-1.3	-1.2	-1.3	-1.2	-1.2	-1.1	-1.2	-1.1	-1.1	-1.1	-1.1
<b>Government Effectiveness: Estimate</b>	-0.4	-0.1	-0.5	-0.6	-0.6	-0.7	-0.9	-0.8	-0.8	-0.8	-1.0	-0.7	-0.6	-0.6	-0.7	-0.9	-0.9	-0.9	-0.7
<b>Political Stability and Absence of Violence/Terrorism: Estimate</b>	-0.2	-0.2	-0.2	-0.6	-1.1	-1.2	-1.2	-1.4	-1.0	-0.6	-0.6	-1.0	-1.1	-0.9	-0.9	-0.8	-0.9	-0.6	-0.4
<b>Regulatory Quality: Estimate</b>	-0.3	-0.1	-0.1	-0.1	-0.4	-0.3	-1.0	-0.7	-0.4	-0.4	-0.3	-0.3	-0.2	-0.3	-0.3	-0.4	-0.5	-0.4	-0.4
<b>Rule of Law: Estimate</b>	-0.7	-0.7	-0.9	-0.8	-0.7	-0.8	-1.1	-1.3	-1.3	-1.4	-1.3	-1.3	-1.2	-1.1	-1.1	-0.9	-1.0	-1.0	-0.9
<b>Voice and Accountability: Estimate</b>	-0.8	-0.8	-1.1	-1.0	-1.0	-1.0	-0.9	-0.8	-1.0	-1.1	-1.0	-0.9	-0.7	-0.6	-0.5	-0.5	-0.4	-0.4	-0.4

Source: World Bank, 2018

Table 7. *Freedom House. Nations in Transit: Kyrgyzstan 1999–2018*

	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
National Democratic Governance	5,00	5,25	5,50	6,00	6,00	6,00	6,00	6,00	6,25	6,50	6,75	6,50	6,50	6,50	6,50	6,50	6,50	6,50	6,50
Electoral Process	5,00	5,75	6,00	6,00	6,00	6,00	5,75	5,75	6,00	6,00	6,25	6,00	5,50	5,50	5,50	5,50	5,25	5,50	5,75
Civil Society	4,50	4,50	4,50	4,50	4,50	4,50	4,50	4,50	4,50	4,75	5,00	4,75	4,75	4,75	4,50	4,75	4,75	5,00	5,00
Independent Media	5,00	5,00	5,75	6,00	6,00	5,75	5,75	5,75	6,00	6,25	6,50	6,50	6,25	6,25	6,00	6,00	6,00	6,00	6,25
Local Democratic Governance	-	-	-	-	-	5,75	6,25	6,25	6,50	6,50	6,50	6,50	6,50	6,25	6,25	6,25	6,25	6,25	6,25
Judicial Framework and Independence	5,00	5,25	5,25	5,50	5,50	5,50	5,50	5,50	6,00	6,00	6,00	6,25	6,25	6,25	6,25	6,25	6,25	6,50	6,50
Corruption	6,00	6,00	6,00	6,00	6,00	6,00	6,00	6,00	6,25	6,25	6,50	6,25	6,25	6,25	6,25	6,25	6,25	6,25	6,25
<b>Democracy Score</b>	<b>5,08</b>	<b>5,29</b>	<b>5,46</b>	<b>5,67</b>	<b>5,67</b>	<b>5,64</b>	<b>5,68</b>	<b>5,68</b>	<b>5,93</b>	<b>6,04</b>	<b>6,21</b>	<b>6,11</b>	<b>6,00</b>	<b>5,96</b>	<b>5,89</b>	<b>5,93</b>	<b>5,89</b>	<b>6,00</b>	<b>6,07</b>

Source: Freedom House, 2019

In general, the findings shown above reveal quite a strange situation—the advancement of democratization and enhanced provision of human rights and freedoms are not correlated with improved governance and even run in parallel with deteriorated public administration. Almost all the indices analyzed predominantly confirm the same results. This can be explained by the fact that Kyrgyzstan, being dependent on external aid, has had to meet the expectations and requirements of its major donors—Western states and international organizations. Consequently, the country has liberalized its legislation, provided opportunities for private media, allowed the registration of a large number of NGOs and political parties, and conducted blueprint reforms in governance system. Even so, at the end of the day all this could not bring real positive changes to Kyrgyzstan. In many cases these NGOs and political parties were captured by specific politicians or families and used to further their own narrow interests rather than promoting prosperity, accountability, and diversity.

### *Examples of government ineffectiveness and rent-seeking behavior*

The existence of major rent-raising sectors in Kyrgyzstan has resulted in the classic implications of rent-dependence mentioned in the literature—authoritarianism, clientelism, corruption, limited economic diversification and growth. Part of the received rent has been misused and, as has been

the case with the allocated aid, been directed to promoting internal reforms predominantly to satisfy donors and to demonstrate progress in “democratization” without real and profound changes.

Major aid organizations’ announcement of advancement in democratization and market reforms as one of the significant criteria for aid allocations in the early 1990s (Resnick 2018) had a direct impact on the development strategy adopted by Kyrgyzstan. Its reliance on aid influenced the country’s hurry to reform the political system, public administration, and economy under pressure from donors. This rush led to a weakly designed implementation of reforms without full consideration of the local context, history, and traditions (Andrews 2013). Also, because of widespread corruption, the aid provided was not spent effectively and efficiently, the government leaders directed the funding flows to their political and financial-economic support groups strengthening the patronage network and the power of the president, Askar Akaev.

To meet the anticipations and preconditions of foreign donors, Akaev’s administration quickly copied the majority of the “best practice” programs in exchange for increased financial support. The donors concentrated their requirements initially on promoting transparency, increased accountability, and tackling corruption in public sector (Sharshenova 2015). An example of such a “blueprint” approach was the civil service reform in Kyrgyzstan in the early 2000s. When the Kyrgyz government asked for the new tranche of financial aid, the World Bank demanded an improvement in the public service, which was characterized as highly corrupt (Liebert 2013). Without proper analysis of the consequences, recognition of possible challenges, and, more significantly, authentic commitment to its implementation, the country’s leadership admitted this reform and the outcome was not positive. Copying the experience of Western countries Kyrgyzstan introduced the institution of state secretaries in ministries who would not be political appointees, but this innovation ended up with the current first deputy ministers being renamed state secretaries and did not substantially change the existing system (*ibid.*).

Misuse of donor aid became a widespread practice as in the case of the World Bank’s funding for the program supporting the restructuring of inefficient state-owned enterprises, which were quickly bankrupted or privatized soon after receiving grants (World Bank 2001). McGlinchey (2011b: 95) underlines that this funding was predominantly distributed among the enterprises headed by representatives of Akaev’s support network. The Asian Development Bank (ADB) also reported (2012: 43) that its water

supply and sanitation project that aimed to construct 300 water supply systems in 730 Kyrgyz villages was suspended halfway because of “serious governance issues involving procurement and financial irregularities” and that at that moment only 118 systems had been built and they were of poor quality. These examples demonstrate the use of the aid in many cases for the benefit of the clientelist network and financial fraud by local and central government officials.

The mining industry, another primary sector for rent collection, has also been characterized as inefficient, corrupt, and non-transparent. Kumtor gold mine, as the leading export product provider, is always under the scrutiny of Kyrgyz politicians. Over a period of 15 years, the mine’s operator Centerra Gold renegotiated its working conditions in the country five times (*The Economist* 2013; *Eurasianet* 2018). This number almost coincides with the number of presidential changes in the country between when Jeenbekov negotiated the contract for extracting gold in Kumtor for the second time during his short presidency starting from 2017, and when the newly elected president Japarov nationalized the mine in 2021 (Reuters 2021).

The mining sector has faced several corruption scandals arising out of the connections between Kumtor’s operator company and top-level public officials, with bribery and clientelism involving the establishment of shell companies, suspicious transfers to bank accounts in various foreign countries, etc. (Galdini and Satke 2014). The Extractive Industries Transparency Initiative (EITI 2019b) evaluates Kyrgyzstan’s progress in compliance with organization’s standards as “inadequate” and criticizes non-disclosure of contracts and license agreements with extractive companies and the opaqueness of the state-owned mining company’s financial transfers. According to one more ranking, the National Resource Governance Index (NRGI), the Kyrgyz Republic’s performance in the mining industry has been assessed as “weak” (NRGI 2017) with a strongly negative appraisal of its shortcomings in regard to the rule of law, the high level of corruption in the sector, and its harmful influence on the environment.

To boost rent sources, the Kyrgyz government has also developed the “sale” of its strategic location in proximity to China, Afghanistan, Iran, and other regions of significance for great powers like the USA and Russia (Schatz 2009: 218). Leasing military bases to these countries became an essential source of revenue to both the Kyrgyz national budget and corrupt public officials. The government required an increase in the annual payment for the Manas based rented by the USA three times from 2001 until its

closure in 2014 from US\$2 to 60 million (Toktomushev 2015). The US made substantial additional payments of US\$150 and 117 million to the annual rent price for Manas airbase twice, in 2007 and 2010 after the renegotiation of the rent terms with the Kyrgyz government (Cooley 2010). The list of additional Russian payments to rent a military base and support the Kyrgyz government is even more impressive. The Kyrgyz Republic saved US\$2 billion on oil deliveries thanks to its exemption from Russian export duties between 2011 and 2019 (*Eurasianet* 2019), besides receiving a US\$150 million grant and US\$300 million in preferential loans in 2010 (Djumataeva 2010) and a US\$30 million budget support grant (*The Moscow Times* 2019).

Moreover, children and other close relatives of both presidents Akaev and Bakiev had personal business interests in maintaining the US airbase by the provision of jet fuel and other services amounting to US\$300 million annually (Engvall 2018). The concentration of rent sources around the presidents' families and, at the same time, the limited access that other powerful networks had to these revenues augmented their resentment and readiness to oust the country's leaders. Similarly, Bakiev's attempt to use the rivalry between the USA and Russia for his own benefit with regard to their military presence in Kyrgyzstan eventually undermined his regime.

The Kyrgyz economy is still weak, average annual GDP growth for the period 1991–2018 was 1.57%, and GDP per capita (in constant 2010 US\$) at US\$1087 in 2018 had still not reattained its 1990 level of US\$1096 (World Bank 2018). Gold accounted for almost 40% of the country's exports in 2018 and remittances from Kyrgyz labor migrants for 33% of GDP (Holzhacker and Skakova 2019).

The above examples of how rent sources are distributed in Kyrgyzstan illustrate their controversial consequences for the country's stability and progress. Absence of true political commitment among the country's leadership considerably restricted the expected positive outcomes of the governance and democratization reforms carried out in the country. In reality, not many spheres in Kyrgyzstan underwent meaningful change in accordance with the recommendations of donors. In many cases the income from rent strengthened clientelist networks, increased corruption, fueled inter-elite confrontations over the control of the revenue sources, and intensified the North–South division causing permanent instability and uncertainty in the country. Aid donors to Kyrgyzstan definitely had positive intentions of bringing sustainable development, political cohesion and building up a capable governance system, but local realities captured this agenda for their

own purposes and largely redirected these funds to strengthen the regimes and benefit ruling groups.

### *Findings of the analysis*

1. The research found a correlation between increased rent and ineffective governance—while rent has been rising yearly, governance indicators have been stagnating or declining gradually and stability and sustainable economic development have not been achieved. The V-Dem Institute, the World Bank, Freedom House, and the Centre for Systemic Peace’s datasets on government effectiveness, political stability, corruption, the rule of law, and clientelism, which have the most extended observation history of Kyrgyzstan’s development from the 1990s, demonstrate this tendency. Other assessments by the EIU, the Fund for Peace and the Bertelsmann Stiftung, even if they reveal a slight positive change in governance indicators in the interim period show significant fluctuations because of political instability. These variations illustrate the vulnerability of these achievements as a result of the fragile internal political situation in the country.

2. The evidence provided demonstrates that Kyrgyzstan is in a paradoxical situation: despite ineffective governance, the country has improved its results in democratization according to the rankings of the Centre for Systemic Peace, the EIU, and the Bertelsmann Stiftung. There are probably two reasons for this inconsistency. First, to obtain the vast amount of financial support it has received Kyrgyzstan needed to please the donors and adopted several laws and procedures to meet “international standards,” which barely had any effect in practice—as in the examples given above of what happened with regard to civil service reform, the water supply, and state-owned enterprises. The existence of more than 200 registered political parties (Ibraev 2017) and 17,391 registered civil society organizations in the form of NGOs (ICNL 2019), plus regular changes of president have also positively influenced the advancement of democracy indexes. However, the parties are usually created on the basis of patron–client relations, have a personalized leadership, and are riven by continuous infighting (Imanalieva 2015); NGOs are almost entirely dependent on foreign aid and lack accountability or professionalism (Bayalieva-Jailobaeva 2018). Regular changes of president happened after three presidents were ousted and the elections were criticized for “widespread misuse of public resources and pressure on voters, as well as vote-buying” (OSCE/ODIHR 2017). Second,



the location of Kyrgyzstan, with its dynamic internal politics and openness to cooperate and to follow the proposed agenda of foreign donors, in a deeply authoritarian region has likely led various international NGOs to put the country in a favorable light and resulted in overrated evaluations of its democratization.

3. Fluctuations have been observed in both rent sums and governance performance in different years that have limited the opportunity to trace the precise tendencies in rent-taking and its influence on governance and democratization. Moreover, as it is difficult to determine when the effect of rent received usually begins to influence governance performance, it is hard to make robust linkages between rent and governance.

### *Conclusion*

This chapter has investigated the changes in governance in Kyrgyzstan from 1991 to 2018 and the influence of rents on these transformations and on building resilient governance. I have collected and counted the annual amounts of rent, then checked development trends in governance using several sources. The results can be presumed to have indicated interrelations between receipts of lavish rent and governance indicators. Much of the rent received has been used to support existing patron-client networks and specially to benefit the presidents' family members and close relatives, so it has contributed to the deterioration in governance. Whereas there are contradictory evaluations of governance effectiveness in various sources, the indexes that analyzed these indicators over the most extended period, those of the World Bank, V-Dem Institute, and Freedom House, are unanimous in their negative assessments. Nevertheless, observed variance among many democracy and governance indexes prevents me from passing strong judgments on the rent–governance relationship in Kyrgyzstan.

There are consistently negative trends in many indicators assessing governance effectiveness in terms of political stability, corruption, the rule of law, and clientelism, and positive movements in indexes evaluating the advance of democratization in terms of civil liberties, civil society, and electoral processes. This inconsistency and the improvement in the democracy indexes might be explained by the country's relative openness and the implementation of shallow amendments to its political system mainly to please donors. The rent-dependence of Kyrgyzstan might encourage it, following the requirements of foreign donors, to conduct "democratic

transition and market reforms” and ignore local responses to the current challenges. However, the real results of these changes still seem to be vague and limited. The substantial amount of aid allocated and the accessibility of the country to donors and international NGOs might influence the progress in the evaluation of its advances in democratization.

My research has faced two difficulties in testing the “rentier state” theory in the case of Kyrgyzstan. First, while extremely important in terms of supporting local elites and creating new funding sources for government expenses, the rents are difficult to measure in precise numbers. For example, the amount of foreign aid from different countries and international organizations varies in different sources, so the author has used the numbers from the World Bank and OECD, the institutions that have the most extended history of collecting these statistics. In exchange for leasing airbases to the USA and Russia, Kyrgyzstan received not only direct budget revenues, but also benefitted from considerable amounts of indirect earnings made when various kinds of goods and services were purchased from local companies affiliated with presidents’ families; military equipment and continuous training were provided for Kyrgyz military personnel; and large quantities of public debt were forgiven that had been an onerous burden on the national budget. Second, there is no real guidance in the literature about the time sequencing one might expect to find between a change in the rent variable and changes in governance variables.

Finally, it is important to underline that rent-dependence may not be the principal cause of the bad governance in Kyrgyzstan. It is essential to consider other factors as there cannot be a single explanation of the governance problems of the country. Ignoring local specifics and directly implementing “best practices” from around the world contributed substantially to the decline in Kyrgyzstan’s resilience in the face of new vulnerabilities and crisis. At the same time, the rentier nature of Kyrgyz government has contributed to the deterioration of public administration and the gradual weakening of the country. This has made Kyrgyzstan fragile in the face of any emerging situation like political turmoil, a pandemic, border conflicts with neighboring countries, or withstanding pressure from powerful external countries.

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