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Key Indicators

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<td>UN Education Index</td>
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<td>Poverty³ %</td>
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<td>Gender inequality²</td>
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<td>Aid per capita $</td>
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(1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $2 a day.

Executive Summary

The year 2010 was eventful for Kyrgyzstan, with the violent overthrow of President Kurmanbek Bakiyev, vicious inter-ethnic strife, and the most free and fair elections in Central Asia to date. Bakiyev’s regime collapsed on April 7 when his elite security squad attacked a crowd of at least 10,000 frustrated citizens gathered in central Bishkek. Eighty-six people died in clashes with the regime’s armed forces, and roughly 1,000 more were injured. After Bakiyev sought refuge in southern Kyrgyzstan, opposition leaders announced the formation of a provisional government headed by the interim president, Roza Otunbayeva.

Regime change in Bishkek triggered a series of violent events fueled by ethnic, economic and political disparities in the country. These clashes also demonstrated the interim government’s weak control over local police, especially in southern Kyrgyzstan. The first of these clashes broke out on April 19 in the outskirts of Bishkek. A group of villagers, reportedly ethnic Kyrgyz, attacked a Meshketian Turk community in Mayevka village, killing five Turks. Several further clashes occurred in May 2010 in the southern cities of Osh and Jalalabad.

On June 10, a scuffle among young patrons of a local bar in Osh turned into one of the bloodiest inter-ethnic clashes in Kyrgyzstan’s history. The violence lasted for four days, exposing the interim government’s inability to respond effectively to ethnic conflict. Roughly 450 people died and some 400,000 ethnic Uzbeks had to flee their homes.

Kyrgyzstan’s citizens went to the polls twice in 2010, once for a constitutional referendum on 27 June 2010 and then to elect a new parliament on 10 October 2010. The referendum approved a new constitution that provided for a parliamentary system of government, and it also promoted Roza Otunbayeva from interim to actual president of Kyrgyzstan. Turnout for the parliamentary
elections was about 57%. Five parties, including two openly critical of the new constitutional system and the new leadership, won seats in the parliament. This election was the most free and transparent election in Central Asia to date.

In the aftermath of all these events, Kyrgyzstan’s economy suffered severely, and a new coalition government uniting three parties, led by Prime Minister Almazbek Atambayev of the Social Democratic Party, entered 2011 with a long and overwhelming list of urgent problems to deal with. It remains to be seen how the novel party-based parliamentary rule will work out, and whether the coalition government will manage to avoid collapse in the face of mounting pressure and severe challenges.

History and Characteristics of Transformation

During the first decade of independence, former president Askar Akayev famously declared Kyrgyzstan to be an “island of democracy.” This appellation, however, was soon undermined as Akayev silenced independent media and suppressed his opponents in the run-up to his third presidential election in 2000. Dissatisfied with his regime, opposition movements mobilized to oust Akayev in March 2005. Akayev was replaced by then-opposition leader Kurmanbek Bakiyev, but Kyrgyzstan’s political turbulence continued well into 2010. Bakiyev failed to meet public expectations, quickly succumbing to corruption himself and suppressing rival political forces. At the same time, President Bakiyev clearly sought to increase his powers with a new constitution adopted through a referendum in 2007.

After being re-elected in 2009, Bakiyev continued to sideline his political opponents and silence local mass media. Opposition leaders feared arrests or attacks and saw their relatives threatened with administrative and criminal charges. Several opposition leaders fled Kyrgyzstan prior to the 2009 elections. Over the course of 2009 alone, six journalists were brutally attacked, and two of them died as a result. All major print and online news outlets experienced government pressure and rarely published critical reviews of Bakiyev’s policies. To protect his own family and allies, and with a clear intention of dynastic succession, Bakiyev attempted to create a special committee responsible for selecting an interim president in the event that he left office before his term ended; this initiative did not materialize before his ouster. Moreover, he appointed his would-be successor son Maksim to head an agency, specifically set up for him, which de facto controlled all significant economic assets of the country.

Internationally, Bakiyev played two powers off against each other over the issue of the Manas Air Base, where the United States leases space for its troops involved in anti-terrorist operations in Afghanistan. During a February 2010 visit to Moscow, the Kremlin reportedly promised Bakiyev a $2 billion credit if he expelled the U.S. military from Manas, but he changed his mind in June after the U.S. government agreed to increase its lease payments from $17 million to $60
million per year. His willingness to cater to the highest bidder suggested that Bakiyev’s top policy priority was promoting his personal interests, as he faced little domestic pressure to evict the U.S. airbase.

Because Bakiyev’s hold on power seemed so secure, his overthrow on 7 April 2010 came as a surprise to many. Angered over the arrest of several prominent opposition leaders, protesters gathered in the town of Talas on April 6. What began as a small demonstration demanding Bakiyev’s resignation grew to spontaneous protests across the country. The next day, 86 people died during clashes with police, and roughly 1,000 more were injured in anti-government protests in central Bishkek. When the anti-regime violence reached its peak, Bakiyev fled Bishkek. Opposition leaders, freed from prison, announced the formation of a provisional government headed by Roza Otunbayeva and including leaders of the Social Democratic, Ata-Meken, and Ak-Shumkar parties, as well as some unaffiliated leaders.
The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

After the regime change of April 2010, the state monopoly on the use of force seriously deteriorated. Factors such as former president Kurmanbek Bakiyev’s organization of the security apparatus on the principle of loyalty to him and his regime, continued political uncertainty, the provisional government’s lack of legitimacy, and mistakes in appointing credible new leadership – as highlighted in the short-lived appointment of Bolot Sher as minister of internal affairs – combined to produce a weak and slow incorporation of security and police personnel under the new government’s control.

Predictions that volunteer security groups of youth would evolve into paramilitaries defying state authority have not been confirmed, but such forces are alleged to be present and controlled by individual politicians and parties. The mayor of Osh, Melis Myrzakmatov, is alleged to continue to exert authority over the city police, thereby challenging the authority of the national government.

The legitimacy of Kyrgyzstan as a nation state is not questioned, nor is there a systematically discriminatory approach to granting citizenship. However, the ethnic conflict in June 2010 between Kyrgyz and Uzbek population groups has raised concerns over equal treatment of all citizens, equal access to citizenship rights in political and military spheres, and especially equal guarantees of due legal process in the justice system.

In the aftermath of the violence in June 2010 and the regime change, the question of the new government’s legitimacy has remained acute, especially in the southern regions. The interim government enjoyed stronger support in northern parts of the country. Most residents of Osh affected by June ethnic violence blame the interim government for failing to prevent the bloodshed. This was one of the major reasons for the controversial outcomes of the parliamentary elections of October 2010. The
fact that parties associated with the new government fell far short of predicted victories, while their critics garnered unexpectedly high support, may be attributed to this legitimacy deficit.

The new parliament includes more representatives of ethnic minorities in comparison to previous parliaments. However, gender and ethnic representation in the parliament did not translate into the government’s structures. None of the 22 ministries and major government agencies is headed by a woman; only a few representatives of ethnic minority groups are appointed to top government positions.

Another area of concern is the status of thousands of labor migrants working in Russia and, to a lesser extent, in Kazakhstan. Some among the migrant population hold both Kyrgyz and Russian or Kazakh passports, creating potential complications in the exercise of citizenship privileges. Also, many young Uzbeks, reportedly up to 40,000, have fled to Russia and Kazakhstan following the June conflict in an attempt to escape renewed violence.

Kyrgyzstan identifies itself as a secular state, and politicians are discouraged from openly advocating their own religion. Although some political leaders are devout believers, their views rarely have an impact on state policy. Fearing the spread of religious extremism, some politicians have avoided open calls for state-sponsored religious practices, yet political leaders generally agree that mass prayers must be permitted in public places on Muslim holidays. Kyrgyzstan officially celebrates major Muslim and Christian Orthodox holidays. The Spiritual Administration of Muslims (SAM) group and the Russian Orthodox Church are both concerned with containing the spread of extremist foreign religious influence, and have cooperated with the government on this matter. However, their influence over the legal system is rather weak.

Basic administrative services extend throughout the entire country but languish under general shortages of both funding and personnel. This was illustrated in late 2010 and early 2011 by a series of schoolteachers’ demonstrations and the acknowledged shortage of teachers. In all areas of administration, rural and peripheral regions are particularly less well served.

With the forced change of government in 2010 and its violent aftermath, some areas suffered further deterioration, including police services and the judicial administration. In particular, the government does not have full control over the police forces in the country’s south. Ethno-nationalist sentiments among public officials and low professionalism among judges hinder fair trials for suspects of the June 2010 ethnic violence. The post-conflict restoration of housing, schools and other infrastructure in Osh and elsewhere is lagging significantly behind the initial schedule.
2 | Political Participation

In 2010, Kyrgyzstanis went to polls twice: once for a constitutional referendum and once for parliamentary elections. Both events took place peacefully, despite fears that renewed violence, whether on ethnic or political grounds, might interrupt the voting process. Turnout for the 27 June 2010 referendum was around 70%, and over 90% of voters supported the new constitution, which establishes a parliamentary system.

Turnout for the parliamentary elections on 10 October 2010 was roughly 57%. Partly because of the newly liberalized political environment in Kyrgyzstan and partly because of widely fragmented political opinion, opposition parties such as Ata-Jurt, Ar-Namys and Respublika, which did not participate in the interim government, won major shares of votes. Weak support for SDPK and Ata-Meken, whose leaders represented the interim government, suggests that authorities did not intervene in the electoral process and seek to influence the Central Electoral Commission. Both the referendum and parliamentary elections received positive assessments from the Organization for Security and Cooperation in Europe (OSCE).

According to OSCE’s assessments, the parliamentary elections took place amid political pluralism and a vibrant campaign. All of the competing parties had equal access to mass media and registration process, providing the voters with a “genuine choice.”

Major criticisms of the electoral process included largely opaque campaign financing and imperfect electoral lists. The latter, along with the dubious application of election law pertaining to thresholds, was especially significant in a controversy that prevented Butun Kyrgyzstan, a party critical of the present regime, from reaching the 5% threshold.

There have been allegations, none of them confirmed, of voter intimidation, bribing and massive illicit campaign financing from external sources for parties critical of the new government.

Overall, both the June referendum and October elections were notable improvements upon previous elections, including a pre-term presidential election in July 2009 in which Kurmanbek Bakiyev was re-elected with nearly 90% of the vote.

With five disparate parties seated in parliament, it took two months to build a governing coalition on pragmatic rather than ideological grounds. Every coalition member party is effectively a veto player on significant policy issues or appointments. Powerful business elites are able to influence policy decisions, both from within the government and from outside. This influence is particularly
noticeable in decision-making about the ownership of major economic entities. In 2010, Kyrgyz mass media pointed to attempts by various political factions to influence decisions about the ownership structures of telecommunications and mineral extraction companies.

Aside from influential unelected business interests, some other potential veto players include the Russian leadership, organized crime and the leadership of the city of Osh. The leaders of four political parties – Ar-Namys, Ata-Jurt, Respublika and the SPDK – travelled to Moscow after the elections, reportedly to consult on the shape of possible governing coalitions. Despite the lack of hard evidence, the influence of organized crime has been amply commented on by observers and researchers; most recently, the current speaker of parliament was shown to have personal links to Kamchy Kolbayev, a notorious criminal. Mayor Myrzakmatov of Osh had a contentious public standoff with the then-interim government and its leader, Roza Otunbayeva. He remains in his position, and while there is no clearly visible conflict, the level of his cooperation and compliance with elected officials is in doubt.

In a sharp reversal of the oppressive atmosphere in the late period of the Bakiyev regime, the rights of individuals and groups to assemble and operate have been considerably widened since April 2010. The new constitution, adopted in June, spells out citizens’ freedoms of association and assembly.

Various political forces and NGO groups are free to stage demonstrations. Victims of the April riots, for instance, along with supporters of the Butun Kyrgyzstan opposition party and young activists opposing Russia’s growing political influence, have all been able to stage spontaneous demonstrations. Civil society’s engagement in the electoral process has been significant as well. A number of NGOs took an active part in preparing both government institutions and voters for the parliamentary elections. They monitored competing political parties’ observers and members of the Central Electoral Commission (CEC) and immediately reported any failures to abide by the rules. NGOs also closely observed the CEC as votes were counted. These NGOs offered the most unbiased assessment of the voting situation across the country.

However, expanded civil liberties in the aftermath of regime change are mostly seen in northern parts of the country. Renegade law enforcement forces in southern Kyrgyzstan continue to pose the greatest threat to the work of NGO activists. Several activists were threatened for trying to uncover police atrocities related to the ethnic violence of June 2010. Fearing that local police forces would not protect them from attacks by defendants’ relatives, some human rights activists have avoided travelling to the country’s southern region to observe court proceedings related to the June violence.
Finally, some self-organized groups still face a strong social stigma, such as groups promoting the rights of the LGBT community, which regularly encounters threats from local actors that disapprove of their work.

There was a noticeable liberation of media reporting after the regime change. Bakiyev’s tight control on media began to wane on the night of 6-7 April 2010, as online news outlets began reporting the growing opposition demonstrations and the detention of some opposition leaders. Kyrgyzstan’s mass media has subsequently become uncensored and diverse. Genuine freedom of expression was evident during the election season. Competing political parties and NGOs were granted open access to the media to voice concerns about the electoral process. Several media outlets played an important role in staging debates among experts and politicians.

The new constitution, adopted in June 2010, includes necessary provisions that decriminalize defamation and libel in the mass media. Corresponding law must be adopted to implement this constitutional provision; one party in the parliament, Ata-Meken, has shown interest in taking the lead. However, as of early 2011, some leaders – such as first vice-prime minister Omurbek Babanov – have voiced their preference, in somewhat vague language, to limit media freedom. Another early negative sign was a call within parliament for a review of the Supervisory Council of the National Public Television Corporation, which was seen as a possible attempt to bring that council under greater control.

3 | Rule of Law

The latter days of Kurmanbek Bakiyev’s rule featured severe violation of the separation of powers principle, with the president and his inner circle fully controlling all of government. In the interim period between April and November 2010, in a vacuum of formal government, Roza Otunbayeva and her provisional government were in charge of all aspects of the government, combining executive and legislative functions, along with the dysfunctional judiciary. After the adoption of the new constitution in June 2010, when Otunbayeva was confirmed as the legitimate president with a popular mandate, and after the October 2010 parliamentary elections, which launched the new parliamentary system, the formal separation of powers has been re instituted to a considerable extent, albeit in a wholly novel form for Kyrgyzstan. Still, the independence of the judiciary remained highly limited, with numerous sackings and appointments of judges by presidential decrees. Furthermore, judicial proceedings are heavily politicized; questionable trials under the government’s watch continue against former regime representatives and alleged suspects of the June 2010 conflict in the south.
The judiciary is the weakest and most corrupt part of the state. Former presidents Kurmanbek Bakiyev and Askar Akayev used the judiciary to amend the constitution and suppress opposition. Justified as a cleanup of the old system, the new government’s efforts from the early abolishment of the Constitutional Court by decree (of the provisional government) to numerous replacements of judges by President Otunbayeva were in fact massive political interference in the justice system. Until the establishment of a formal government, interim government member Azimbek Beknazarov, named the “curator” of the law enforcement and justice bloc, was allegedly ordering every arrest, prosecution, trial and replacement of judges.

In many trials following June 2010 violence, there was severe obstruction of due process, in which judges were either cooperating in abuses or too weak to prevent them. Under an overall climate of ethnic tensions, many Uzbek defendants and their lawyers were physically abused in courtrooms, and given harsh sentences based on weak or missing evidence. A highly publicized November 2010 trial of 27 defendants, including members of the former regime and several special service soldiers who allegedly applied deadly force against protesters in April 2010, revealed strong politicization and disregard for due process in what was widely referred to as a “staged show trial.”

Public officeholders suspected of abusing their positions are rarely prosecuted in Kyrgyzstan. Most indictments of public figures are the result of political rivalries between incumbent leaders and opposition members. Following the April 2010 regime change, Prosecutor General Kubatbek Baibolov and Deputy Prime Minister Azimbek Beknazarov began a series of investigations into corrupt deals made by the former regime. However, such investigations rarely resulted in compelling cases, and the ensuring trials have been widely criticized for their politicized nature. While President Otunbayeva has stressed the importance of a clean government, no notable progress was made in bringing corrupt officials to accountability as of early 2011. A number of former regime officials believed to be corrupt were elected to the parliament, especially within the Ata-Jurt party. No member of the post-Bakiyev government has been prosecuted or investigated for corruption or abuse of office. For various reasons, none of the Kyrgyz government extradition requests, submitted to several countries in which members of the Bakiyev regime have found refuge, have been honored.

Although civil and human rights groups are able to function freely in Kyrgyzstan, few citizens trust law enforcement agencies and the judicial system. Civil rights are guaranteed de jure, but are often violated by state agents. The situation is particularly murky in southern Kyrgyzstan, where the civil rights of ethnic Uzbeks are widely abused. Only Uzbeks have been prosecuted for the June 2010 ethnic violence in southern Kyrgyzstan. Nineteen Uzbeks were sentenced to life in prison;
one of these Uzbeks is Azimjan Askarov, a human rights activist accused of instigating inter-ethnic hatred.

Some of President Otunbayeva’s efforts to guarantee fair and transparent court proceedings have been inefficient, and some of her remarks – especially regarding the prosecution of those responsible for April 2010 deadly violence – appeared to condone disregard for the civil rights of some. The targeting of alleged religious extremists continues to be an area of concern.

Mechanisms to secure civil rights, such as judicial institutions, law enforcement and prosecutorial offices, exist de jure, but they have de facto systematically committed such abuses themselves.

4 | Stability of Democratic Institutions

Although democratic parliamentary elections were held in Kyrgyzstan, state institutions remain ineffective. While the constitution formally defines government structures, political processes are usually handled through informal means, such as back-door connections and corruption. The judicial system and law enforcement institutions are plagued by corruption and often engage in human rights abuses. Political leaders and influential businessmen often use corrupt courts for their own ends. Bakiyev facilitated such practices by destroying any remnants of accountability during his reign. Whether the newly elected parliament will be able to strengthen government institutions remains to be seen. The parliament itself might become a source of instability if political parties cannot agree on key government appointees, or if the ruling coalition collapses, thereby forcing the president to announce new parliamentary elections.

The parliamentary elections of October 2010 were designed to ensure that all regions were fairly represented. Compared to Bakiyev’s regime, the new process for appointing the cabinet has become more decentralized due to the fact that five competing parties are represented in the parliament. However, although the parliamentary elections received strong recognition internationally, not everyone in Kyrgyzstan was ready to accept the results. Several of the political parties that lost insisted that election results were falsified. Southern voters were less than enthusiastic about the parliamentary elections. Otunbayeva’s government lacks support in southern Kyrgyzstan, where most residents regard the regime change as a political coup by northern elites. The Ar-Namys and Ata-Jurt parties, both strongly supported in the south, condemned the new parliamentary system in the run-up to the elections, arguing that a centralized presidential system with a strong leader is more appropriate for Kyrgyzstan. Since the elections, both parties have apparently softened their position on the issue.
Twenty-nine out of 50 registered political parties competed in the October 2010 parliamentary elections. The vast majority of these parties were formed shortly before the elections, and nearly all of the parties are based on personalities rather than on issues. Among the five political parties that won parliamentary seats, two – Ata-Jurt and Respublika – were formed just months prior to the elections. One of the country’s oldest parties, Ata-Meken, won the fewest seats in parliament. While party leaders were willing to participate in pre-election debates with their rivals, parties rarely have clearly defined political ideologies. The competition between parties was largely driven by their ability to finance political advertisements and promote their key leaders. Very few voters in Kyrgyzstan have a strong affiliation with any political party, and most parties have rather shallow roots in society. The five winning parties put together received less than 50% of the vote. The new parliamentary system of governance might force parties to increase intra-party cohesion, to form stronger connections with the population, or, if they fail to succeed in either respect, to collapse.

Interest groups are slowly taking root in Kyrgyzstan. Several youth-oriented business organizations sprung up as a response to Bakiyev’s oppression of small and medium-sized businesses. These organizations became more vocal after the mass looting in Bishkek that followed the events of 7 April 2010. Several entrepreneurial interest groups spoke out against Kazakhstan’s unilateral decision to shut down the border with Kyrgyzstan between April and July 2010. Furthermore, ad hoc interest groups emerged before the April 2010 regime change in reaction to some of Bakiyev’s regulations. For example, drivers with right-side steering wheels protested the government’s decision to ban such cars. Also, drivers of public transport staged several protests demanding that the government decrease taxation on small and medium-sized businesses. Unlike her predecessor, Otunbayeva and her government have encouraged interest group formation. Still, in many areas, interest group representation has been episodic and uneven; thus, there has been little articulation of the interests of victims of the violence and destruction of June 2010, especially among ethnic Uzbeks, who lost not only family members but also their homes and businesses.

With regime changes in 2005 and 2010, Kyrgyz public political engagement has fluctuated. In the 2010 parliamentary elections, touted as possibly the most fair and free elections, voter turnout was the lowest in recent history, barely surpassing 57%, and returning five winning parties with a total support of less than 50% of votes. But, overall, a majority does want to have their voices heard and media to inform them. In a May 2010 survey by the International Republican Institute and Baltic Surveys/Gallup, by far most respondents (62%) first mention freedom when asked
what they associate with democracy. In the same survey, 59% agree with the statement that it is healthy for Kyrgyzstan to have an active opposition.

Mass media outlets regularly host debates on various political issues. Numerous NGOs and activists seek to promote democratic norms by closely observing the government’s activities. NGOs have played a pivotal role in ensuring that elections are conducted freely and fairly. Furthermore, local human rights activists have criticized the government’s handling of trials against members of the Bakiyev regime, calling for the new president to ensure fair procedures despite Bakiyev’s deep unpopularity in Bishkek.

Residents in the north and south view political processes somewhat differently. Against the backdrop of a tumultuous summer of 2010 across the region, many – but far from all – in the south were skeptical of parliamentary government, had less trust in the new government and viewed political developments through the prism of north-south competition. However, in the absence of any major, reliable and recent survey, it is hard to gauge support for democracy, either in the south or across the country in general.

Trust among the population and civil society is growing in northern parts of the country. Although most NGO groups are primarily financed through external sources of funding, their activities in Bishkek and rural areas are widely popular. Even during Bakiyev’s reign it was possible for local self-organized groups to attract supporters to protest government policies or promote a common cause. When Bishkek was overtaken by looters and law enforcement agencies were demoralized in April 2010, groups of druzhinniki (self-organized citizen patrols) were formed across the capital city to protect neighborhoods; similar groups were organized and active in the south during the summer’s tumultuous events. After the ethnic violence subsided, several self-organized groups and activists initiated projects to promote reconciliation. However, the government and parliament support these efforts unsystematically. In the post-conflict regions of the south, furthermore, social trust and cohesion has suffered severely. Traditional networks of mutual self-help, centered around families and village communities, still exist and are important. Some political leaders, particularly those whose support base is concentrated in the south, prefer to emphasize that Kyrgyzstan is divided into north and south. As such, an informal agreement among political parties comprising the ruling coalition was to make sure that if the prime minister is a representative of the north, the parliament speaker must be from the south. Presidential elections in 2011 might once again reinvigorate such rhetoric and become a competition between “northern” and “southern” candidates.
II. Economic Transformation

6 | Level of Socioeconomic Development

According to World Bank data, 27.5% of Kyrgyzstanis lived on less than $2 a day in 2007, which was the estimated poverty line. The level of inequality, expressed in the Gini coefficient, was a relatively moderate 33.5 for the same year. However, in public perception, inequality has been growing and is a major problem, with large portions of the population barely subsisting, and a very small elite, typically engaged in both business and politics, accumulating ever more wealth. A major factor in supporting the subsistence of poorer families has been remittances from labor migrants working abroad. With numbers estimated somewhere between 600,000 and 1.2 million, labor migrants send home the equivalent of up to 50% of the country’s annual GDP.

Working at bazaars may resemble active participation in economic life, but in fact it is a method of subsistence for most of the involved families of labor migrants, petty traders and bazaar workers. They buy only basic living essentials, do not save any significant amount of money, and do not invest in profitable ways. The numbers of such families, as well as families that subsist in more traditional ways such as growing their own crops and keeping domestic animals, are hard to estimate, as no realistic data exist.

Socioeconomic exclusion has few pronounced ascriptive categories, such as gender, ethnicity or religion. The rather low score of the Gender Empowerment Measure (just above 0.3) belies the fact that, in significant numbers of poorer families, including those who have sent laborers abroad, women are the chief breadwinners, whether alone or in combination with male earnings. Similar data do not exist for ethnic or religious categories; however, in general it is valid to say that ethnic minorities on average do slightly better than the Kyrgyz in terms of economic well-being, although minorities are excluded significantly more often from political and other public fora.
Kyrgyzstan lacks the necessary institutional framework to ensure fair market competition. Formal and informal taxes have been a major challenge for small and medium-size entrepreneurs. Particularly during the Bakiyev and Akayev years, entrepreneurs without contacts in the government had to pay informal levies to regime affiliates in order to keep their businesses afloat. The situation has changed only slightly since Bakiyev’s ouster. The amount of informal tax collected by corrupt officials has decreased and the freedom to launch and withdraw investments has expanded. However, businesses face greater uncertainty as the political situation remains in flux. Several major businesses, particularly in telecommunications, have
been subjected to spurious investigations. Tens of thousands of entrepreneurs in Bishkek suffered from looters in the aftermath of regime change, while in Osh, numerous ethnic Uzbek entrepreneurs lost property during ethnic clashes in June.

According to the World Bank’s “Ease of Doing Business” index, Kyrgyzstan implemented substantial reforms in 2010 to increase competition and create stronger institutional frameworks for doing business. In 2011, Kyrgyzstan ranked 44th (out of 183 economies) in the World Bank’s assessment (up from 47th in 2010). Starting a business, registering property and getting credit earned high marks. Dealing with construction permits and enforcing business contracts received lower marks. Areas with the most barriers include paying taxes, trading across borders and closing a business. On average, it takes four years to close a business, with a recovery rate of barely 15.3 cents on the dollar.

The shadow economy still remains a problem; drug trafficking and smuggling of minerals are major sources of illicit income. It is difficult to estimate the share of the informal market. According to Kyrgyzstan’s National Statistics Committee’s data, the country’s shadow economy makes up roughly half of GDP and has reached over $26 billion in recent years.

The State Committee for Antitrust Regulation is the chief agency charged with preventing the formation of unlawful monopolies and controlling a limited range of allowed monopolies. It conducts annual reviews of allowed monopolies and publishes a list. While it has generally been responsive to market developments, in some instances the committee was subject to political control. During Bakiyev’s reign, regime holders established sector-by-sector controls and stifled competition. A notable example was a cartel-like move among mobile service providers for several months prior to April 2010; all of them suddenly introduced a connection fee for all calls at the same time. This fee was abolished after the April government turnover. President Otunbayeva’s government has pledged to allow greater competition for businesses. The results of these policies will become available in 2011.

Kyrgyzstan has been a member of the World Trade Organization since 1998. As a result, import licensing and custom valuations are fairly liberal processes, while tariffs are low and largely uniform. As the first CIS country to join the WTO, Kyrgyzstan has become an important hub for Chinese exports. In 2010, Kyrgyzstan considered joining a customs union comprised of Russia, Belarus and Kazakhstan. Roughly 2,500 of Kyrgyzstan’s 12,000 customs tariffs matched those of the union, but the rest were lower. The biggest challenges to liberalized foreign trade in Kyrgyzstan are corruption in the customs service and higher tariff barriers among neighboring countries.
Kyrgyzstan’s banking system has remained relatively stable in the past few years, partly because of low external borrowing. A major dent to the banking system was caused by Aziauniversalbank, formerly controlled by Bakiyev’s close ally Michael Nadel. Aziauniversalbank was the largest bank in Kyrgyzstan, controlling roughly 20% of total banking assets in the country. Following the ouster of the Bakiyev regime, significant funds ($170 million) were reportedly transferred to foreign banks. A number of personal deposit boxes were disclosed by the new government; these boxes were allegedly linked to the Bakiyev family and contained large amounts of funds. The Aziauniversalbank was put under external oversight by the National Bank, barring most private customers and legal entities from access to their accounts for months. While the case of Aziauniversalbank is illustrative of the banking sector’s rather volatile autonomy, Kyrgyzstan’s banking system and capital markets are generally in line with international standards.

8 | Currency and Price Stability

The national bank has been generally efficient in balancing national currency rates against the U.S. dollar and the euro, avoiding sharp major fluctuations. Kyrgyzstan continues to maintain a free-floating exchange rate regime. The Kyrgyz government has been closely following recommendations made by international lending institutions regarding macroeconomic stability. However, inflation reached 13% in 2010, slightly higher than the average inflation rate of previous years. This was caused by several factors, including the petroleum products export tariffs imposed by Russia in April 2010, as well as price hikes for a range of food products, including bread, meat and vegetables. While the national bank has been mostly autonomous and rather effective in maintaining currency exchange stability, inflation control does not have a clear institutional basis.

In the past decade, Kyrgyzstan’s macroeconomic situation has been relatively stable despite two regime changes. To a large extent, this was driven by stability in neighboring Kazakhstan and Russia, countries that were able to avoid major economic downturns during the global financial crisis. Both countries are also major beneficiaries of Kyrgyzstan’s labor migrants. Furthermore, the flow of remittances sent by Kyrgyzstani labor migrants working abroad has been quite stable. Kyrgyzstan’s high external debt and budget deficit following the April 2010 regime change and June 2010 conflict remain major threats.

Kyrgyzstan’s external debt reached $2.5 billion in 2010. Throughout 2010, the Kyrgyz government and parliament lacked a clear policy as to how Kyrgyzstan will proceed with paying off the debt. The parliament planned to discuss debt policy in early 2011, along the lines of adopting annual budget. Deputy Prime Minister
Ibragim Junusov said that seeking funds to pay off public employees will be both the parliament and government’s priority when crafting the new budget. It is expected that Kyrgyzstan’s external debt will reach $3 billion in 2011.

9 | Private Property

Property rights and regulations on acquisitions are well defined in Kyrgyzstan, but they are not consistently followed. The April 2010 regime change has led to changes in the ownership of major economic enterprises, such as the gold-mining company “Jerui,” Aziauniversalbank and several electricity companies. The mobile telecommunication companies Megacom and Beeline have had their rights significantly curtailed, as they stand accused of heavy involvement in corruption and illicit transfer schemes with the previous regime. All of these large businesses had allegedly been taken over informally or controlled by the previous regime. Although Otunbayeva has sought to nationalize most strategic sectors as part of her government’s efforts to reduce corruption, the process has lacked transparency. Small and medium-sized businesses are able to operate more freely, without constant fear of a swift takeover by the government.

Bakiyev’s government appropriated many strategic economic entities under the guise of privatization, particularly in the energy and telecommunications sectors. Otunbayeva’s government seized most of the entities formerly controlled by Bakiyev. The new government disbanded the Central Agency on Development, Investment and Innovation, which was established by the previous president and led by his son, Maksim. The agency was formed under the guise of governmental reforms and controlled all foreign financial inflows, including aid and credits. The agency also controlled the country’s leading hydroelectricity and gold companies.

The new government also nationalized over 30 companies that were reportedly acquired illegally by members of Bakiyev’s regime. These include Aziauniversalbank and various other financial institutions, construction companies and resorts at Issyk-Kul Lake. Whether Otunbayeva’s government will be able to establish transparent ownership or re-privatize these entities remains to be seen.

Under turbulent political conditions, another frequent phenomenon was forced property takeovers by well-connected or otherwise notorious groups, an earlier example being the mobile company Bitel GSM. The government has prioritized the prevention of such takeovers, with some success.

Thus, private property is fully permitted and supported by law and constitution. However, its protection in practice has come under repeated stress given the volatile political climate.
10 | Welfare Regime

Kyrgyzstan’s state-funded social safety nets are largely inefficient. Although they cover large portions of the population – such as disabled persons and pensioners – they rarely meet the real needs of the beneficiaries. Often payments go to persons ineligible for subsidies or are distributed with significant delays. Benefits such as maternity leave make a difference only for women whose base salary is above average, because women with low income can’t afford subsistence on modest state benefits. Generally, recipients of welfare benefits rely on other sources of support, such as their families, relatives and subsistence farming. After the April 2010 regime change, the economic situation worsened, and the government did not have enough funds to sustain safety net programs through the rest of 2010. Otunbayeva’s government sought external funds from donor organizations, Russia and the United States.

The new constitution guarantees equal opportunities in all spheres for women, ethnic groups and religious minorities. But although women and non-Kyrgyz people have leading roles in NGOs and opportunities in the private sector, there is still a heavy bias toward Kyrgyz males within the public sector, especially at higher-level jobs. Consequently, the current government consists predominantly of ethnic Kyrgyz men. Equal access to education exists in principle, but problems do exist for smaller ethnic minorities to get education in their own languages. Young women in rural areas often face pressure to marry, thereby foregoing formal higher education, or they have difficulties finding work while still single. Lastly, Kyrgyzstan’s armed forces and police are composed mostly of Kyrgyz recruits, which became a pressing issue in the context of the ethnic violence in southern Kyrgyzstan.

Some positive change is notable as well. After the June 2010 violence, most political parties tried to include candidates representing ethnic minority groups, which was also a requirement specified in the electoral code. As a result, roughly one third of the new parliament is composed of female and non-Kyrgyz MPs. Roza Otunbayeva is the only female president ever among Central Asian countries to date.

11 | Economic Performance

Bakiyev’s departure and its aftermath affected Kyrgyzstan’s economic performance in 2010. The International Monetary Fund projected a 3.5% decline in GDP for the year. The official unemployment rate remains at 18%, but the actual figures are considerably higher. In 2010, prices for key consumer products, including foods and fuel, rose considerably, and various government measures to control prices were ineffective overall. The state budget is unbalanced with a large deficit and depends
on foreign assistance to make up the shortfall. By mid-2010, foreign debt stood at $2.6 billion, or 55.57% of GDP. Kyrgyzstan’s external debt ballooned in the aftermath of the ethnic violence in June 2010, as Bishkek borrowed an additional $184 million for reconstruction. By the year’s end, tens of thousands of businesses in Bishkek and Osh were still awaiting reimbursement payments. In 2010, Kyrgyzstan paid $44 million to service external debt.

12 | Sustainability

Kyrgyzstan ranks 79th in the Environmental Performance Index, and environmental issues remain at the margin of government policies. Since 2006, water and electricity supplies during cold periods have been a major concern. Corruption in the hydro-energy sector during Bakiyev’s regime almost led to the collapse of the Toktogul reservoir, a major energy production facility. Otunbayeva’s government has established more transparent and efficient governance over the energy sector, which should help supply electricity throughout the 2010-11 winter season without the need for sharp tariff increases. Management of the hydro-energy sector has improved, as shown in the rapidly increasing water level in the Toktogul reservoir. Several small NGOs and individual activists have been trying to bring government attention to climate change and melting glaciers, but to little avail. NGO work in this area was mostly sustained by international donors. Unsurprisingly, environmental regulation is weak in Kyrgyzstan.

In 2009, Kyrgyzstan spent over 6% of GDP on education, but the funds hardly make the education system efficient. Only 0.2% is spent on R&D, and instruction in the natural sciences is virtually non-existent. While literacy rates are still close to 100%, the number of uneducated among the younger generations has been increasing in rural areas. In 2010, Kyrgyzstan ranked last in the Program for International Student Assessment rating. Secondary education suffers from several problems especially in rural schools, including poor teacher training, low salaries and a shortage of qualified teachers in many disciplines. Corruption in secondary schools and universities undermines the quality of education. Private schools and universities in major cities offer better-than-average education and are less affected by corruption. But only the more affluent members of the population can afford private education. The few private universities that do exist tend to focus on the humanities, business and the social sciences.
Transformation Management

I. Level of Difficulty

Kyrgyzstan’s government faces several major structural difficulties. One is the country’s geopolitical location. Kyrgyzstan is landlocked with no rail tracks connecting it to the nearest deep sea port in Pakistan. The country’s terrain is predominantly mountainous, with a major range separating the north from the south. The undeveloped and aging infrastructure is another challenge; a domestic rail system almost does not exist, making major cargo transportation cumbersome. The mountain ranges also complicate transport by other vehicles. An increasingly pressing concern is the aging energy infrastructure, from major hydro-power dams to power lines. Some analysts view this as the greatest upcoming economic challenge. Nature is another source of frequent challenges. While the mountainous terrain makes major floods frequent, the location of most of the country along lines of seismic instability means frequent earthquakes, which results in flooded or shattered villages. Further challenges are poverty, organized crime, the effects of drug trafficking and the high rate of labor migrants. Up to 20% of the working-age population work outside the country and send a significant overall amount in remittances, which are not taxed. Under all these circumstances, Kyrgyzstan’s government faces a steep uphill battle in implementing reforms, let alone securing actual socioeconomic development.

Kyrgyzstan’s network of interest groups and civil society is perhaps the strongest in Central Asia. After the April 2010 regime change, non-governmental organizations in human rights, anti-corruption and other politically sensitive areas regained their liberty of action, which had been severely curtailed during the later Bakiyev regime. There is a wide spectrum of interest groups in Kyrgyzstan that represents a range of issues and social groups, including pro-democracy movements, organizations fighting for gender rights and associations advocating on behalf of the disabled.

Still, most of these organizations are highly dependent on external grant funds, and they are therefore often castigated by people as servants of foreign interests. The reach of most of these organizations among the people is limited, and popular participation in such activities is rather low. Traditional modes of social cooperation, which are centered around family and kinship groups and villages,
persist but are put under stress when every household faces economic difficulties. While occasional popular activities take place, as seen in the April 2010 events, such cooperation is episodic, uneven and sometimes manipulated by moneyed interests. Thus, while modern NGOs have not yet produced a ‘tradition’ of civil society, the older traditions of social cooperation have been weakening.

Amidst political instability coupled with serious socio-economic problems, the intensity of various conflicts has peaked. The bloodiest ethnic conflict in Kyrgyzstan’s modern history took place between Kyrgyz and Uzbeks in the city of Osh and its surroundings during 10-14 June 2010, claiming more than 450 lives, many more wounded, and thousands of burnt houses and businesses. This conflict was preceded by smaller ethnic clashes between the Kyrgyz on one hand and Uzbeks, Turks, Kurds and Dungans on the other.

In 2010, activities of a normally quotidian political nature have also turned violent and divisive, beginning with the severe beating of law enforcement officers in the city of Talas on April 6, culminating in the violent showdown in Bishkek on April 7 that ended in dozens of deaths, and continuing in numerous smaller-scale clashes across the country over regional stakes. On many occasions, such conflicts had clear regional motives or overtones.

The intensity of religious conflicts is not as high, but individual cases of intolerance and violence, such as a series of explosions allegedly involving Islamic extremists, have occurred more often than in the past.

Overall, the various conflicts of 2010 could be the result of political instability and the lack of government, but they also indicate the presence of conflict potential during more stable, peaceful times.

II. Management Performance

14 | Steering Capability

President Otunbayeva has put forward a number of strategic policy priorities that seem to be consistent over time. The major policy priorities under Otunbayeva include the introduction of a parliamentary system of governance and increased transparency in policy-making. The interim government was able to organize a constitutional referendum and parliamentary elections, opening the way to more transparency, with no one political force controlling decision-making.
It remains to be seen, however, whether a parliamentary system will facilitate consistent government decisions and overall stability in the country, or will turn into a source of instability, with political bargaining and office-seeking becoming more contested and corrupt. Whenever a government is still settling down, its new constitutional framework is still being tested; the political atmosphere in the country is therefore highly volatile, and it is difficult to speak of consistency in terms of policy. In areas such as energy policy, regulation, privatization and nationalization, foreign policy, and dealing with the aftermath of the ethnic conflict, it is too early to say whether the government’s current positions will remain consistent over time or will fluctuate wildly.

Under the provisional government led by Roza Otunbayeva, priorities have focused on shorter-term problems of stabilization, the prevention of further conflict and, once conflict broke out, ending it. Longer-term issues, such as adopting a new constitution establishing parliamentary rule and opening up the political playing field, have been initiated.

But in late 2010, a new regular government was put together, and Prime Minister Atambayev and his cabinet, rather than President Otunbayeva, are now responsible for most policies and their implementation. By the end of the reporting period, it was too early to assess the government’s implementation record. An important policy battle was waged over the parliamentary approval of a budget that was criticized as extremely unbalanced and unrealistic. The proposed budget was indicative of the government’s tendency to yield to populist policies – such as raising salaries for major constituencies – without realistic capacity to implement them. In areas such as energy imports, mining, telecommunications, and especially in the fight against corruption, policies have not been spelled out, and performance has seemed haphazard and unsystematic.

Just like with policy consistency and implementation capacity, it is a challenge to assess the government’s learning ability at this stage. In effect, there were three different governments during this reporting period: the Bakiyev government, Otunbayeva’s provisional government, and the coalition government led by Prime Minister Atambayev. Between the latter two, one major learning experiment was the introduction of a parliamentary system of government, a significant learning challenge that changed the configuration of political competition, accountability and power sharing. While it is too early to pronounce the shift as successful, government performance in specific policy areas has seemed unchanged. Amid widespread rumors of renewed corruption at all levels, with mostly the same old individuals reappearing in many ministerial and other high-level positions, the government has not yet shown that it has not learned new ways to operate, nor has it sought to learn.
15 | Resource Efficiency

In the late stage of Bakiyev’s reign, the most notorious figure next to the president, his son, Maksim Bakiyev, controlled the management of most human and financial resources. Resources were mostly used in corrupt or inefficient ways. Significant amounts of government funds, including foreign loans, were deposited in interest-yielding private banks, such as the Aziauniversalbank, but not put to productive public use. Under the current government, the country’s debt has continued to grow, and debt servicing has become increasingly burdensome.

The new government, formed late in 2010, is comprised of a three-party coalition, which implies that appointments were based more on political bargains than on professional competence. Several ministerial-level appointees were clearly not fit for their positions. Competitive hiring practices at the lower levels of ministries and agencies have been more performative than substantive. Early evidence suggests that the government’s management of the state budget and finances is also afflicted by inefficient, unrealistic and populist tendencies.

Along with the disarray at the center, public administration across the country has also undergone numerous dismissals and appointments that are rarely based on professional performance and merit. The effects of conflict and destruction from April through June 2010 placed a great deal of strain on scarce state resources of all types.

The interim government needed to decide quickly whether to hold new parliamentary and presidential elections and how to divide power among its leaders. After weeks of deliberation, the interim government scheduled parliamentary elections for 10 October 2011 and presidential elections for the end of 2011. The complex process of reaching an agreement on a parliamentary coalition has also been a steep learning curve for Kyrgyz ministers of parliament, who had no previous experience with working in such a transparent environment.

Consequently, the new government’s ability to coordinate conflicting policy objectives remains to be seen, as the process of settling down to a normal operating routine is still ongoing. The government, still struggling to regain legitimacy and authority, seems to be pursuing a populist agenda that will inevitably lead to incompatible policy options. Thus, pledges to increase salaries for government-paid workers, such as schoolteachers, are at odds with the ballooning budget deficit and government debt. While more evidence is still needed on the coordination of routine policies and administration, some political-level coordination can be observed; examples include the inability of the central government to fully reign in the defiant mayor of Osh city, Melis Myrzakmatov; the conflicting positions of various officials over the proposed OSCE police advisory group following the Osh
conflict; recurrent friction between the prosecutor general’s office and the State Committee for National Security; and the lack of close cooperation between the prime minister and his first deputy, suggesting an internally riven cabinet.

Corruption remains the biggest problem in Kyrgyzstan, as the country ranks 164th in the Transparency International Corruption Perception Index. There was no notable case of prosecution in recent years, except for charges filed against opponents of the Bakiyev regime for political reasons. The Bakiyev regime’s corruption reached its apex in the formation of the Central Agency for Development, Investments and Innovation, headed by the president’s son, Maksim Bakiyev, who effectively hijacked control of the country’s economy. Annual income and property declarations by public officials, conducted since 2006, remained a formality with no legal authority or public scrutiny.

After April 2010, the new regime began to dismantle much of the old system; however, the sincerity and genuineness of these efforts remains uncertain. Allegations of corruption under the new regime are widespread among the public. The external administrator of the Megacom mobile communications company claimed that a head of the company paid $400,000 to the new government’s prosecutor general to clear him from criminal prosecution for corrupt dealings with the old regime. Similar but unconfirmed allegations concerning the first deputy prime minister, Omurbek Babanov, shook the coalition government. However, it is already a notable change that such information became public, and that allegations about a deputy prime minister led to a special parliamentary investigation. These and some other developments suggest that, in a more competitive party-based parliamentary government, parties may impose some checks on each other’s leaders and representatives.

16 | Consensus-Building

In principle, all major political actors in Kyrgyzstan agree that democracy and a market economy are appropriate for the country; the most important disagreement centered on whether or not a parliamentary system of governance was suitable for the country. After the elections, this debate subsided, as both of the pro-presidentialism parties acquiesced, and one of them eventually joined the coalition government. While all major actors underscore their support for democracy, it is not clear how genuine this support is, especially among the parties that champion presidentialism, namely Ata-Jurt and Ar-Namys. If parliamentary government falters too frequently, the debate about forms of government is sure to return.
Given the country’s legacy of Soviet socialism and the population’s perception of vast governmental authority as normal or even desirable, a social-democratic welfare state is a middle ground that all parties accept, and purer versions of a market economy are viewed by all major actors as undesirable.

There are almost no principal and outspoken anti-democratic actors that have veto power in Kyrgyzstan. Even the renegade mayor of Osh, Melis Myrzakmatov, claims to enjoy democratic support of his constituents as he continues to defy the country’s central government and wields authority over the city police. Pro-presidentialism parties such as Ar-Namys, Ata-Jurt and Butun Kyrgyzstan are not anti-democratic in principle. The most potential anti-democratic force may lie within the population itself, as it is fed up with “too much democracy” and yearns for a “strong hand” to bring order.

All told, Kyrgyzstan’s main problem in democratization is not anti-democratic actors, but rather the “closet” authoritarianism of confessed pro-democracy actors across the board. To prevent such an outcome from repeating itself, one remedy is to avoid the concentration of authority in one person or office, and that was the main idea behind the adoption of a parliamentary system.

The main political cleavage in Kyrgyzstan remains the north-south regional divide, which is now joined by a second important cleavage across the Kyrgyz-Uzbek ethnic divide. The north-south cleavage has been significantly amplified since April 2010, when the Bakiyev regime, perceived as southern in character, was toppled. The parliamentary elections returned regionally divided results in which Ata-Jurt, a mostly southern party that ran a nationalist and thinly veiled regionalist campaign, came ahead of all others because of overwhelming support in the south, even though they received little support in the north. In putting together a government, regional parity in allocating major posts, an old informal rule in the government, became even more important under the new system. Thus, while regional power sharing is a way of containing the cleavage, some actors try rather to emphasize the cleavage rather than control it during elections.

The ethnic cleavage, most importantly between the Kyrgyz and Uzbeks, is relatively less salient because very few Uzbeks or others are actually represented at the high end of politics. However, after 2010, the divide has become very sharp, and laws such as ethnic quota requirements for political parties insufficiently address the problem. Whether more is done to mend the situation remains to be seen.

The current political leadership permits civil society participation in virtually all aspects of public life. Suggestions made by local NGOs were taken into consideration during the constitutional reform process and preparations for the parliamentary elections. Civil society actors have often proved quite competent at...
election time. Prominent human rights activists have sought to draw government attention to human rights abuses in the aftermath of ethnic conflict there. Although the government’s reaction to these calls was rather weak, the larger public was still able to learn about instances of police atrocities and corrupt judges. Civil society actors have also participated in tax reform and investment discussions, and they have filled positions on various public boards and committees, for instance at the national public television and radio corporation and the Central Election Commission. In most of these instances, however, the effect of civil society input is still small, as government agencies or officials often proceed with their own agenda anyway. Still, the growing participation of civil society groups is significant and constitutes a dramatic shift away from the character of Bakiyev’s reign. It remains to be seen whether the new parliament will be willing to collaborate with civil society.

The four days of bloodshed in June 2010 is an extremely important tragedy and injustice that will require widespread reconciliation for the society to come back together. Although the political leadership recognizes the importance of reconciliation, little is being done. The police in Osh and Jalalabad continue to treat the ethnic Kyrgyz and Uzbeks in a discriminatory fashion. Corrupt law enforcement agencies and courts contribute to ethnic tensions. Only ethnic Uzbek defendants have been sentenced over the June violence. Overall, roughly 300 cases related to the June violence have been opened, but only a handful came to trial. The vast majority of the cases are stalled for various reasons, especially because the security of defendants, witnesses and lawyers is in jeopardy.

Another relevant trial is that of the culprits accused of the April 2010 violence against demonstrators, which is said to have claimed 87 lives. The trial began with major problems surrounding due process, which sharply polarized public attitudes. The trial was seen as a politically motivated issue.

With two ousted former presidents and their families living abroad, and with many of the current chief decision makers having worked under one or both of these presidents, political reconciliation appears to be an ambitious goal. A recent lustration initiative soon fell through, both because many current leaders may be subject to it, and because it would inevitably become another political tool.

17 | International Cooperation

Under the rule of former President Bakiyev, the use of international support was equivocal. When applying international support, the regime pursued narrow and selfish interests rather than the long-term interests of the country.
President Otunbayeva and her team have been overwhelmed with urgent short-term needs, which has prevented a focus on long-term planning and strategy. With the economy in critical condition, and with the enormous harm inflicted by the conflicts during the summer, the government appealed for international support to get the country back on its feet. In several roundtables, sponsored chiefly by Kazakhstan as OSCE chair, international donors pledged support of up to $1 billion over several years. However, with the Kyrgyzstani government and parliament largely dysfunctional for months, there was no clear long-term development strategy for using such foreign aid aside from post-conflict reconstruction.

Former President Bakiyev was infamous for his ability to play off rival interests against each other, as seen in the issues surrounding the U.S. Manas Transit Center and a Russian loan of $2 billion. He first declared that he would expel the U.S. forces, thus securing a Russian credit deal, reportedly in return for limiting the U.S. presence in the country, but soon after receiving the Russian money, Bakiyev welcomed Washington back. Otunbayeva’s government has not had enough time to prove itself as a reliable international partner, but positive changes in the hydro-energy sector, as well as the developing political and economic crisis, have encouraged the World Bank and other partners to renew their collaboration with Bishkek. A special agency for economic and infrastructure reconstruction in the south has been set up to coordinate efforts, including the management of received funds. The agency’s performance has not been very clear. However, a number of reconstruction goals have not been met by initial deadlines. In an upset, President Otunbayeva’s initial support for an OSCE police advisory mission in post-conflict Osh met fierce opposition among many politicians and the majority of the public. Overall, regaining credibility as a partner is still an open issue for Kyrgyzstan.

Former President Bakiyev’s relations with neighboring countries were strained. He proved to be an unreliable yet cunning international partner. Since coming to power, Otunbayeva’s government has tried to conduct a more balanced foreign policy. The new president met both with her Russian counterpart, Dmitry Medvedev, and U.S. President Barack Obama during the first few months of her term. Otunbayeva welcomed international and regional experts and observers to oversee the 2010 elections. She has been working with a wide spectrum of international donor organizations in her search for economic and humanitarian support. Otunbayeva also participated in the Collective Security Treaty Organization summit and OSCE meetings. Russia remains Prime Minister Almazbek Atambayev’s primary partner, and his first foreign trip after becoming head of the government was to Russia.

Kyrgyzstan’s relations with Kazakhstan and Uzbekistan have improved as well. Kyrgyzstan acknowledged Uzbekistan’s support during the June 2010 conflict by accepting over 100,000 refugees for a few days, and avoiding the escalation of the conflict. However, both Astana and Tashkent prefer to shut their borders whenever
Kyrgyzstan experiences instability, thus hurting Kyrgyzstan’s already weakened economy. Bishkek’s relations with China remained stable throughout 2010, with Otunbayeva seeking to maintain balanced cooperation with all neighboring countries.
Strategic Outlook

Maintaining political and social stability will be Kyrgyzstan’s key challenge in the coming years. The new parliamentary political system is likely to generate continued leadership instability. Should the ruling coalition collapse, uncertainty about the country’s future political development will intensify. The battle over government positions will continue to be the parliament’s major concern, leaving other important issues, such as economic recovery, the reconstruction of Osh and reforming the security structures, on the back burner.

Kyrgyzstan’s southern region is another source of instability. Osh and Jalalabad remain tense. Low levels of unrest persist, and law enforcement agencies continue to protect the ethnic Kyrgyz population while turning a blind eye to the mistreatment of ethnic Uzbeks. Unless a stable political leadership emerges in Bishkek that is able to reform the police and military forces, law enforcement violations will continue unchecked in Osh and surrounding areas. The likelihood of more violence remains high because the perpetrators have gone unpunished and the investigation of the causes of the unrest and its chief actors remains superficial and partial.

The presidential elections, scheduled for late 2011, will be yet another important milestone in Kyrgyzstan’s political development. If the elections are as transparent and free of government pressure as the October 2010 parliamentary elections, and if no political force tries to amend the current constitution, Kyrgyzstan’s democratic development has a chance to succeed. Alternatively, competing political forces may opt to resort to violence to try to increase the president’s power. The leaders of the five parties represented in the parliament are likely to compete against each other for the presidency. The strong value some of the leaders attach to the presidential post is alarming, as it indicates that political leaders still view the presidency as a source of strong power, despite recent constitutional changes that grants most powers to the parliament.

Finally, economic recovery will be among the most important challenges in 2011. Kyrgyzstan’s state budget deficit will increase over the winter months and remain high throughout the year. Social tensions and discontent may grow across the country, should the government not be able to pay salaries, pensions and benefits.

Overcoming all odds and sustaining a steady development of the new governmental system, while also giving serious priority to reconstruction and reconciliation, will require strong determination and dedication to the common cause from the leaders of the five parties in parliament. International support, which is particularly crucial to keep the economy afloat and maintain a minimum of public support for the government, should stress the necessity of constructive political engagement from all parties and leaders. Although she has lost political leverage, President Otunbayeva still has a powerful symbolic role that she can use to further encourage reconciliation and cooperation among all of the major actors in Kyrgyzstan’s politics.