

The Former Soviet Union

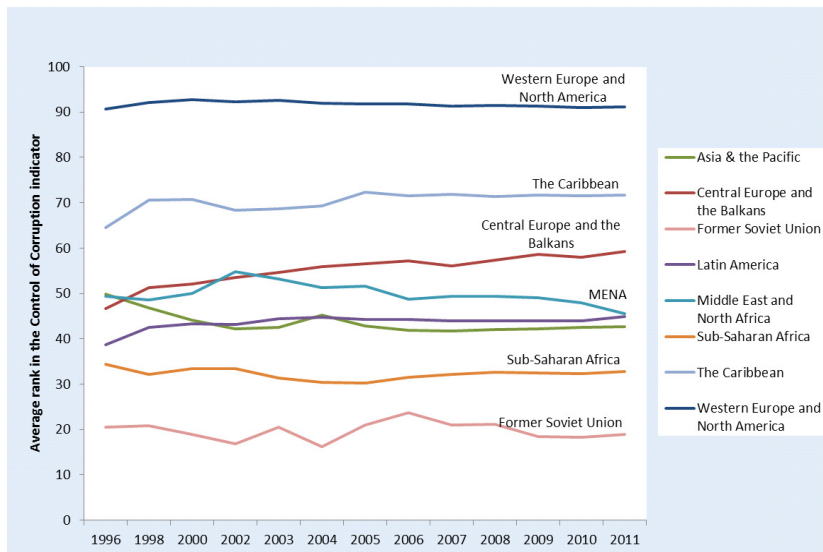
Roxana Bratu, University College London

This report analyses efforts to control corruption in twelve countries of the Former Soviet Union (FSU), namely Belarus, Moldova, Ukraine, Armenia, Georgia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Russia. It argues that despite a general trend towards the augmentation of anti-corruption interventions, national contexts each show different degrees of integration between global anti-corruption and local enforcements. The evidence indicates tensions between internationally-led policies and local practices.

Introduction

Over the past decade corruption has become *the* major challenge that FSU countries have had to face in their journey towards modernisation. Despite numerous anti-corruption interventions, a growing industry of consultants, programmes and funding packages, the region continues to display rather ambiguous trends. According to Transparency International's 2012 report, nearly all the countries in this region fall below the global average (Georgia is the exception). The similar World Bank Control of Corruption shows countries in the region below the level of sub-Saharan Africa, the least developed part of the world (see Figure 1). Within the region, only four countries are above the regional average, with Georgia the anti-corruption champion, followed by Armenia, Moldova and Belarus (see Figure 2). Even though these instruments are the best we have, they have certain limitations. TI's corruption perception index (TI CPI) is based on expert perceptions and does not allow for cross-country comparison over time (Knack 2006; Galtung 2005). The WB indicator is also criticised for being insensitive to change (Mungiu Pippidi 2013). Despite the limitations clearly stated in the methodological annexes, media and policy makers consistently use them as reliable indicators of performance. Such indexes have moulded policy interventions, influenced donors and shaped public opinion. International anti-corruption reforms therefore lack specificity and follow a generic pattern based on a set of tools provided by the international community (Persson, Rothstein, Teorell 2010). The instruments are powerful advocacy tools, but anti-corruption reforms might be more effective if based on more contextualized instruments.

Figure 1. Regional trends of corruption control

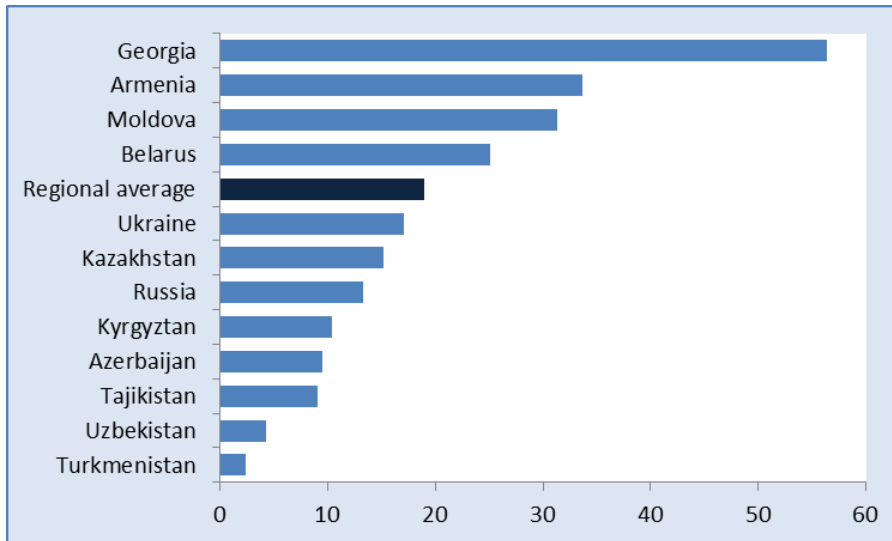


Source: World Bank Control of Corruption, Hertie School of Governance regional aggregation.

Legend: rank from 1 to 100, with 100 least corrupt.

With this view, the paper offers a qualitative analysis of anti-corruption interventions in the region. It is based on secondary data such as: monitoring reports provided by major international institutions, implementation documents, regional research papers, newspaper articles and various ranking/measurement indexes (provided by World Bank, Transparency International, Freedom House etc). In order to ensure the validity and reliability of the material, the sources were cross-checked and data used if it was mentioned by more than two reliable sources. Despite using various media sources, this paper is not based on a systematic media review. For the purposes of this endeavour, corruption is defined as ‘the abuse of entrusted power for private gain’ (TI); an anti-corruption intervention is anything labelled as such by donors, receivers, governments, the private sector, civil society or the general public. In order to trace anti-corruption initiatives, the paper is organised into three main sections. The first section discusses the opportunities and resources for corruption. The second section looks at its deterrents and the third section focuses on anti-corruption and its prospects.

Figure 2. Performance on control of corruption- former Soviet Union



Source: World Bank Control of Corruption 2012

Legend: rank from 1 to 100, with 100 least corrupt.

Opportunities and resources for corruption

The model of resources and constraints developed by Mungiu-Pippidi (this volume) would indeed predict poor control of corruption in this region, although we register impressive developments at the level of legal constraints (anticorruption strategies). For instance, **red tape** and corruption of officials continue to be major challenges for business. The 2013 World Bank 'Ease of doing business' ranking shows incoherent development. By that measure, the higher the position the worst the economic environment; and of 185 economies ranked, Uzbekistan was at 154, Tajikistan 141, Ukraine 137, Russia 112, Moldova 83, Kyrgyzstan 70, Azerbaijan 67, Belarus 58, Kazakhstan 49, Armenia 32 and Georgia 9. For the countries at the bottom, the main problems are related to corruption, weak enforcement of contract law, poor institutional frameworks and poor corporate governance. The Wall Street Journal reported that nearly 33% of top officials and finance professionals suggested that corruption was a major hindrance to the Russian economy. The Moscow Times reports that 95% of surveyed businessmen feel that due to corruption, the current environment is not encouraging innovation and entrepreneurship.

Such bleak perceptions might also be because the business climate is dominated by the **intrusion of government into business**, which is a major resource for corruption (Klitgaard 1988). Large state-run enterprises with heavy impact on national economies are a common factor. In Kazakhstan, Samruk-Kazyna controls more than half the national economy and manages the state assets in oil and gas, energy, transport, telecommunication, and the financial and innovation sectors. Moreover, it "has a pre-emptive right to buy strategic facilities and bankrupt assets. It is exempt from government procurement

procedures ... has the right to establish its own procurement rules”¹. In the face of such extraordinary powers, the private sector and foreign companies face serious obstacles. In Tajikistan, little effort has been made to increase the transparency of state owned enterprises, the ruling elite benefiting directly from enterprises such as the Tajik Aluminium Company (TALCO)². According to Freedom House (2012), TALCO uses 40% of the country's electricity supply, and its production is sold through 'opaque' entities registered in the British Virgin Islands. A common practice is selling state property to close allies of the regime for an artificially low price. Sometimes the buyer is a company set up just days before the sale. In Georgia, "Geoland" LLC bought 8000 sq. m. of land in the Kazbegi Municipality, later sold for a nominal sum in November, 2012. It has been revealed that the brother of the mayor of Tbilisi, Irakli Ugulava, owns 50% of the shares of the company³.

The great **mineral resources** of the region are a similarly important resource for corruption, as they provide a powerful incentive to the international community to overlook national problems with democracy and corruption, as well as offering a consistent source of rents for local elites. In Kazakhstan, US foreign investment totalled \$177.7 billion in September 2012 and the bulk of that was directed to the gas and oil sectors. In those sectors, corruption scandals involved internal actors, politicized actions and prestigious international economic entities. For instance, in November 2012 a senior Kyrgyz Energy Ministry official was accused of providing an operating licence to the company KasEnergy which had bought energy at a discount price and then sold it to the general public at a far higher price. The fraudulent scheme had an estimated value of 1.7 million Kyrgyzstan som (KGS) or \$36,000⁴. Meanwhile, the government-owned Kazakh company KazMunaiGaz has decided to put red dye into diesel produced at the Pavlodar refinery. Bloomberg reports that the Pavlodar refinery will “colour 159,500 metric tons of the fuel ... destined to be sold”⁵. A high profile scandal from Kazakhstan (Atyrau region) involved an estimated \$100 million-worth of damage to the state budget, and the brother of the recently dismissed regional governor Bergey Ryskaliyev is under investigation for fraud. Sceptical observers suggest that this corruption scandal is “all part of a wider battle of Kazakhstan’s ... bickering clans” and not a ‘genuine’ corruption scandal⁶.

¹ US Department of State. (2012). *Investment climate statement – Kazakhstan*. Available at: <http://www.state.gov/e/eb/rls/othr/ics/2012/191174.htm>

² US Department of State. (2013). *Investment Climate Statement – Tajikistan*. Available at: <http://photos.state.gov/libraries/tajikistan/231771/PDFs/2013-tajikistan-investment-climate-statement-final.pdf>

³ Transparency International Georgia. (2013). *Illegally appointed municipality governors of Gurjaani and Dedoplistskaro*. Available at: <http://transparency.ge/en/blog/property-sold-gel-1-problematic-trends>

⁴ Sultankulova, A. (2012). *Kyrgyzstan Energy Official Faces Corruption Charges*. RiaNovosti. Available at: <http://en.rian.ru/news/20121112/177388448.html>

⁵ Gizitdinov, N. (2013). *Kazakh Refinery to Dye Diesel Red to Combat Embezzlement*. Bloomberg. Available at: <http://www.bloomberg.com/news/2013-03-15/kazakh-refinery-to-dye-diesel-red-to-combat-embezzlement.html>

⁶ Lillis, J. (2012). *Kazakhstan: Corruption Scandal Engulfs Oil-Rich Western Region*. Eurasianet. Available at: <http://www.eurasianet.org/node/66019>

Major international companies have also been linked with alleged corruption involving the Kazakh Customs Service. An international consortium, known as Tengrizchevroil, consisting of Chevron Corp., ExxonMobil Corp. and [Deutsche Post](#) AG's logistics business DHL opened an investigation into allegations that DHL bribed customs officials in Kazakhstan on behalf of the group. Allegedly, DHL paid "convoy bribes" on behalf of Tengrizchevroil, in order to ensure that "escorts" did not delay the shipping of Tengrizchevroil's equipment; the partnership's logistics agents regularly paid \$150 to \$300 in bribes to customs officials, which DHL then reimbursed⁷. Customs services in the region are reputedly corrupt: as recently as 2007 Global Integrity reported that \$140 million in bribes were collected by Kazakh Customs.

Two more factors foster corruption in the region: ethnic conflicts and underground black economies. The realities of those factors on the ground have determined the policy makers to combine anti-corruption policies and aid packages with policies against drug-related crime, tax evasion and avoidance, security crime and terrorism. The conflict between Armenia and Azerbaijan over Nagorno Karabakh prompted military aid from the United States. Armenia received \$600,000 and Azerbaijan \$2,700,000, while Nagorno Karabakh as a de facto independent state received \$5,000,000. The Georgian military service received \$1,800,000 and \$12,000,000 in 2013, probably in relation to the Georgia - Russia conflict of 2008 over South Osetia. The regional bilateral tension between Uzbekistan and Kyrgyzstan has been causing significant social and economic harm, as Kyrgyz nationalists suppressed the Uzbek population in Osh, and Uzbeks have begun to withdraw their business and assets from the region⁸. The Anti-Crime and Corruption Department Chief of the Kyrgyz Ministry was killed in Osh, his death allegedly caused for professional motives⁹.

The NATO operation in Afghanistan prompted **substantial amounts of foreign aid in the region, another resource of corruption** reported in the literature (Ledeneva 2003). For example, Tajikistan and Kazakhstan received \$355 million and \$214 million according to OECD statistics. Because of a lack of proper oversight, in 2007 an investigation by the National Bank of Tajikistan revealed that the government had misused \$310 million of aid¹⁰. There have been no major aid-related scandals since then, and in 2010 with help from the UNDP, Tajikistan has created the Donor Anti-Corruption Forum which has sought to increase transparency in the distribution of foreign aid. Meanwhile, the conflict has strengthened the cross-border drug trade for all the countries that were part of the NATO's Northern Distribution Network. That situation led to an increase in the bribes demanded by

⁷ Matthews, C. M. (2012). *Second Oil Venture Probes Corruption Allegations in Kazakhstan*. The Wall Street Journal Blogs Available at: <http://blogs.wsj.com/corruption-currents/2012/06/13/second-oil-venture-probes-corruption-allegations-in-kazakhstan/>

⁸ USDOS. (2012). *Country reports on human rights practices. Secretary's Preface*. Available at: <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/#wrapper>

⁹ Ivashchenko, Y.(2013). *Kyrgyzstan: Anti-crime and corruption department chief shot dead in Osh*. Fergananeews. Available at: <http://enews.fergananeews.com/news.php?id=2448&mode=snews>

¹⁰ Wickberg, S. (2013). *Overview of Corruption and Anti-corruption in Tajikistan*. U4 Anti-Corruption Resource Centre. Available at: <http://www.u4.no/publications/overview-of-corruption-and-anti-corruption-in-tajikistan>

border officials and other members of the transit sector. UNODC highlighted that approximately 90 MT of heroin was trafficked along the 'northern route' in 2010.

Deterrents and constraints

Implementing anti-corruption reforms required both an expansion *and* a specialisation of its institutional establishment. Specialised anti-corruption bodies have been set up in most of the FSU countries, usually under the direct supervision of the highest level of political authority (Armenia, Azerbaijan, Kazakhstan, Tajikistan, Russia, Ukraine). On the one hand that endows them with high prestige and shows the governments' 'political will'. For example, the Armenian Ethics Commission for High Ranking Officials was praised by the OECD. On the other hand it makes them susceptible to political influence. The Agency of the Republic of Kazakhstan on Fighting Economic and Corruption Crimes was accused of acting at the political whim of President Nazarbayev¹¹; the Tajik Agency for State Financial Control and Fight against Corruption was created in 2008, but it is still understaffed and perceived as one of the country's most corrupt institutions¹². In Ukraine, the National Anticorruption Committee has not held a meeting for over a year and the 800 million *hryvna* budget for implementing the anticorruption programme has never been allocated¹³. Such mixed results call into question the necessity for designated anti-corruption institutions at the national level.

A strong and effective law enforcement system is very much a necessary condition for modernisation (Della Porta and Vanucci 1999). Within the FSU countries, anti-corruption reforms related to law enforcement had two purposes: first to create a strong and reliable judicial system that could tackle corruption *outside* it, and second to eliminate corruption *within* the law enforcement agencies themselves.

Within the general anti-corruption framework, policies related to law enforcement agencies generally aim to increase the level of criminalization through *higher crime rates, higher sentences* and *high profile offenders*. The volume of *corruption –related crimes has increased*. In Kazakhstan financial investigators identified nearly 1,800 corruption cases in public procurement between 2008 and 2012, with financial damage amounting to more than \$46 million¹⁴. In 2012, the Russian authorities prosecuted 889 officials (including 244 city mayors and 114 lawmakers of various levels) and 1,159 law enforcement officials on corruption charges¹⁵. In Belarus, 276 corruption cases were prosecuted while the Ukrainian

¹¹ (2012). *Kazakhstan Offers Rewards for Corruption Whistleblowers*, RFE/RL. Available at: <http://www.rferl.org/content/kazakhstan-rewards-offered-for-whistle-blowers/24697524.html>

¹² Wickberg, Sophia. (2013). *Overview of Corruption and Anti-corruption in Tajikistan*. U4 Anti-Corruption Resource Centre. Available at: <http://www.u4.no/publications/overview-of-corruption-and-anti-corruption-in-tajikistan>

¹³ Khmara, Oleskii (2013). *Why is Ukraine incapable of fulfilling the demands of Fule's list? An analysis of state anticorruption policy*. Transparency International. Available at: <http://blog.transparency.org/2013/03/04/why-is-ukraine-incapable-of-fulfilling-the-demands-of-fules-list-an-analysis-of-state-anticorruption-policy/>

¹⁴ (2013). *Коррупция в системе госзакупок нанесла государству ущерб на более чем 7 млрд тенге - финпол*. Zakon. Available at: <http://www.zakon.kz/4549532-korruptsiya-v-sisteme-goszakupok-nanesla.html>

¹⁵ Russian Legal Information Agency. (2013). *No 'untouchables' in fight against corruption – Kremlin*. RAPS. Available at: http://rapsinews.com/anticorruption_news/20130222/266500492.html

courts received 2,740 criminal cases involving corruption. In 2012, the damage from corrupt cases in Ukraine was nearly \$225 million, according the Ukrainian Ministry of Justice. It is a challenge to interpret these statistics. On the one hand, they can be seen to show the efficiency of the justice system. On the other hand, they reveal that judicial resources have been directed towards anti-corruption, in accordance with the government priorities. That leads to the specialization of a significant body of police forces and magistrates in the anti-corruption area and puts additional pressure on the rest. On average, corruption amounts to roughly 1.5% of the total number of crimes. For example, in Belarus, where there was a general decline in crime in 2012, the share of corruption cases decreased slightly from 1.3% to 1.1%¹⁶.

Higher crime rates are associated with *harsher sentences*. The former Kyrgyz president Bakiyev and his son were sentenced to twenty five years in prison for abuse of office. According to Miroslav Niyazov, former Secretary of the Security Council of Kyrgyzstan, those events were just for show, initiated by the authorities in the hope that they would be rehabilitated in the eyes of the public¹⁷. In January 2013, David Kezerashvili, the former Georgian Defence Minister, was indicted for taking bribes and smuggling. He allegedly obtained \$12 million from smuggling ethanol, which caused a loss to the State of \$50 million. The ex-minister faces punishment of 11 to 15 years imprisonment¹⁸.

The high profile of the offender is usually coupled with *significant financial prejudices*. In 2012, the region offered numerous examples of waves of high profile investigations, indictments and arrests. In Kazakhstan, Bergey Ryskaliev, the former mayor of Atyrau region, was accused of embezzling funds by awarding contracts for public procurement to his friends and relatives, signing contract agreements at wilfully inflated sums, and of making unjustified transfers of funds to contractors by fictitious acts of completion and subsequent withdrawals of the same funds through false accounts. The financial damage amounted to over \$469,665,000¹⁹. In Kyrgyzstan the following individuals were arrested: an MP from "Ata-Jurt" Nariman Tyuleev, a former mayor of the capital, the Minister of Social Development, Ravshan Sabirov the deputy of "Ata-Meken" followed by the Head of Criminal Investigation Department Tilek Alibaev along with his second-in-command Bazarbekov Abdraimova; and the leaders of the mobile telephone company "Megakom"²⁰. A former Armenian Environment Minister, Vardan Ayvazyan, demanded a bribe from a gold mining company and was subsequently fined \$37.5 million by a US court although no investigation was launched in Armenia²¹. Furthermore, the former head of the State Social Security Service was arrested and accused of embezzling approximately

¹⁶ (2013). *Experts Think That Anti-Corruption Measures in Belarus Should be More Effective*, in Russian, Interfax BY. Available at: <http://www.interfax.by/news/belarus/125895>

¹⁷ (2012). *Борьба с коррупцией в Киргизии: показуха или реальность?* BBC Bishkek. Available at: http://www.bbc.co.uk/russian/international/2012/07/120715_kyrgyz_corruption_beshov.shtml

¹⁸ (2013). *Экс-министру обороны Грузии предъявлены обвинения в незаконном присвоении 12 миллионов долларов*. Available at: <http://www.apsny.ge/2013/soc/1359604728.php>

¹⁹ (2013). Bnews.kz. Available at: http://www.bnews.kz/ru/news/heading/glavnye_novosti/

²⁰ (2012). Kabar.kg. Available at: <http://kabar.kg/rus/kabar/full/44910>

²¹ (2012). *From 8-K to Global Gold Corporation*. Yahoo Finance. Available at: <http://biz.yahoo.com/e/120911/gbgd8-k.html>

\$278,000²². In Uzbekistan arrests were made of more than 40 members of a group headed by Akbarali Abdullayev, a nephew of the President. Until recently Abdullayev was considered a likely candidate for the post of President of the Senate and regarded as a potential "successor" to Karimov. The shadow "owners" of the Fergana Valley were arrested too. They were from the Akramoviyh clan and closely related to Akbarali and his mother Tamara Sabirova, who herself owned 70% of the industries in the Fergana valley. Allegedly, the arrests were made on the direct orders of President Karimov²³. In Russia, a former Minister of Agriculture, Elena Skrynnik, was accused of involvement in a \$1.3 billion fraud. The former deputy head of the Russian Ministry for Regional Development, Roman Panov was accused of embezzling funds allocated for the APEC summit in Vladivostok, and 6.5 billion roubles were reported to have gone missing from the budget intended for the GLONASS development system²⁴.

Such high profile arrests could have been seen as signs of commitment by the relevant nations' leaders to stepping up their anti-corruption efforts. More often, though, they were interpreted as acts of punishment of adversaries. The politicised nature of anti-corruption reforms effectively undermined its core aim by *confusing the spheres of victim and offender*. In Ukraine there are allegations that the Yanukovich administration would use the judiciary to persecute its political opponent, Yulia Tymoshenko. In Russia, in November 2012, President Putin dismissed the Defence Minister Anatoly E. Serdyukov after the police raided the property of a land agency involved in the sale on the open market of a valuable state-owned property near Moscow. It was known as the Oboronservis case and the losses to the Defence Ministry from corruption were allegedly \$130 million²⁵. The removal of Serdyukov was one of the highest-level dismissals linked to a corruption case in recent times in Russia. Many had viewed Serdyukov as part of Putin's inner circle, and while the gesture might be seen as Putin's pledge in his third presidency to address corruption, it might just as well be the case that the Minister's active reforms of the armed forces by cutting costs and personnel were received with displeasure.

In order to reduce corruption within law enforcement agencies, a popular reform envisaged the use of *technology*. In Kyrgyzstan, a new recruitment system for judges put in place in 2012 consisted of computerised examinations. In Kazakhstan, President Nazarbayev initiated the "Law Enforcement Attestation Process", an exercise that involved competency testing for officers from a wide range of law enforcement agencies. According to the USDOS website, "This exercise diverted the attention of many officers from their regular duties and led to the dismissal or transfer of thousands of officers."

²² (2013). Armenia: Witnesses interrogated over 'fake pensions case'. Tert.am Available at: <http://www.tert.am/en/news/2013/04/11/khachikyanvazgen/>

²³ (2012). Uznews.net. Available at: http://www.uznews.net/news_single.php?lng=ru&cid=30&nid=20282

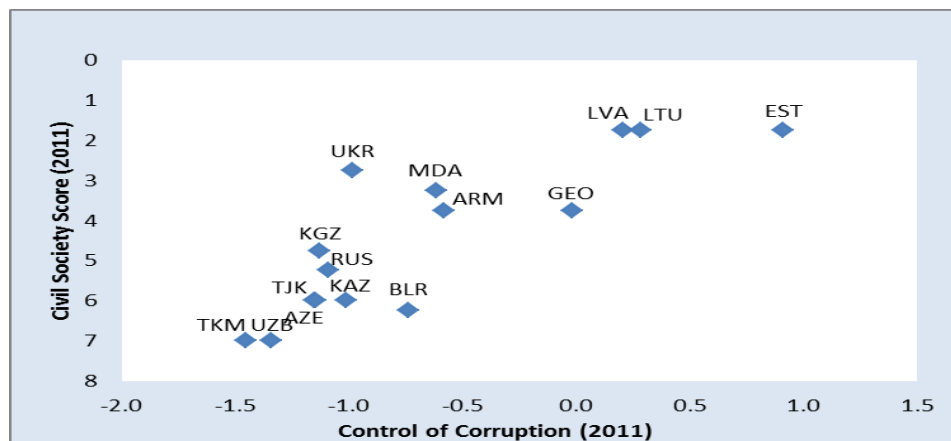
²⁴ Solopov, M. (2012). Chief GLONASS builder fired amid corruption scandal. Gazeta.Ru. Available at: http://en.gazeta.ru/news/2012/11/12/a_4848833.shtml

²⁵ RIA Novosti. (2013). Available at: [Naval Museum Director Arrested in \\$13 Million Fraud Case.](http://en.rian.ru/military_news/20130413/180619780/Naval-Museum-Director-Arrested-in-13-Million-Fraud-Case.html)

New *repressive policies* have been associated with the desire to ‘cleanse’ the law enforcement agencies. Georgian President Saakashvili famously sacked the entire traffic police force to solve corruption problems; the strategy proved successful in Georgia but it is debatable whether it could be successfully transplanted to other countries. Furthermore, mass lay-offs might be a successful anti-corruption policy, but they bear enormous social costs. Putin, for example, remarked that ‘Georgia has a few thousand traffic cops; Russia has over a million. Firing them all at once is simply not an option²⁶.’ Instead, he issued statements telling the secret police (FSB) to stop intimidating businesses and to stop trying to extort bribes. Complementary policies involve *incentivizing* by increasing the salaries of the public sector and offering financial rewards to whistle-blowers. In November 2012 the Kyrgyz government announced a new scheme to reduce corruption among the judiciary by raising the salaries of judges. In August 2012, Kazakhstan allocated \$213,000 a year to incentives for citizens to report cases of police corruption. Rewards may range from \$300 to \$1000 depending on the type of wrongdoing uncovered. The rewards are to be paid only in cases where officials are found guilty of corruption in court. It remains to be seen whether the policy will be successful.

Civil society, as a normative deterrent to corruption, is reportedly the weakest link in the former Soviet Union (Mungiu-Pippidi 2010), and is strongly associated with loose control of corruption (see Figure 3). Government pressures, restrictive regulatory frameworks, irregular funding and lack of support from state institutions are the main challenges faced by civil society in FSU countries.

Figure 3. Civil society and control of corruption



Legend: Association (linear regression) between control of corruption and civil society, Ukraine is the only outlier

Source: Mungiu-Pippidi 2010, updated with 2012 data

²⁶ Aris, B. (2012). *Kremlin Plans New Crackdown on Corruption in Russia*, Telegraph. Available at: <http://www.telegraph.co.uk/sponsored/russianow/opinion/9253040/Russia-corruption-crackdown.html>

The low capability of civil society in constraining state capture is to be expected seeing the state of democracy in the region. Some countries, such as Belarus, are still categorized as 'repressive states' according to the 2013 Freedom House index of civil and political freedom rights. Formal government constraints on civil society organisations are common in Kazakhstan and Tajikistan, where the right of association and assembly is severely restricted. In Tajikistan, organizing an 'illegal gathering' can result in up to five years in prison, while in Kazakhstan participation in an 'illegal gathering' can lead to a \$550 fine²⁷. In both countries there are criminal penalties for insulting the President, and political dissident groups have been targeted. In 2012, Russia expanded the definition of 'treason', reintroduced defamation as a criminal offence and increased the fines associated with it to 2million roubles, or \$61,000. Fines for individuals or organisations who violate the laws on arranging and participating in protests increased 150 and 300-fold respectively in June 2012²⁸. New legislation now forces organisations that accept foreign funding or donations to register as 'foreign agents,' while also tightening membership criteria and increasing 'supervision.' Critics claim that such legislation is designed to stop any capacity for government opposition and the term 'foreign agents' carries some seriously negative Soviet connotations. NGOs in Russia have reported numerous cases of government intimidation such as police raids, the stationing of 'protective' units of police in offices and the expulsion of certain organisations, like USAID.

Due to the rising profile of civil society, some governments have started to create alliances with various NGOs. Such alliances can become iconic partnerships, but can also be the means by which politicians use an alternative voice to put forward their opinions – which is rather more commonly the case in the region under discussion here. Political interference can lead to preferential treatment, funding and corruption. In Uzbekistan, more than one NGO was involved in anti-corruption awareness campaigns; the 2012 Istanbul Action Plan report noticed that it was unclear "based on which criteria NGOs are selected to assist the Government in its anti-corruption efforts", while in Armenia, certain NGOs benefited from Government largesse. In April 2013, the Armenian Ministry of Finance declared that between 2010 and 2013 31 NGOs were funded from the state budget, together receiving approximately \$ 1,215,000 . Local media reported that no information could be found on the internet about the first three recipients of the funding. Furthermore, each of the six NGOs that had been sponsored without interruption over the three years had been set up by the same person, a certain Suren Nersisyan²⁹.

Nevertheless, successful cooperation between governments and civil society in the area of anti-corruption reforms is possible. In Armenia, the Association of Investigative Journalists (HETQ) was extensively involved in the 'Armenia against Corruption' project. The Central

²⁷ Human Rights Watch. (2013). *World Report 2013 – Kazakhstan*. Available at: <http://www.hrw.org/world-report/2013/country-chapters/kazakhstan?page=2>

²⁸ ICNL. (2013). *NCO Law Monitor: Russia*. Available at: <http://www.icnl.org/research/monitor/russia.html>

²⁹ (2013). *Harcum N 1160*. Available at: <http://www.givemeinfo.am/hy/case/1160/>

Election Commission of Ukraine requested and implemented a voter-awareness campaign with the OSCE during the parliamentary election there in 2012.

Online activism in the area of anti-corruption has become very notorious in Russia. In 2011 Alexey Navalny established the Anti-Corruption Fund Rospil as a way to increase transparency in public procurement. Rospil uncovered violations in the awarding of public contracts that amounted to 30 billion roubles in 2012. In November 2012 he launched a new project – RosZKH – which aimed to eradicate corrupt practices in housing and communal services. Similarly, in Ukraine, the site nashigroshi.org (“Our Money”) investigates corruption in the field of public contracts. Nashi Groshi has recently uncovered one \$22,270 tender for snow removal from the courtyards of presidential administration buildings; another investigation showed that the annual travel expenses for members of the Supreme Administrative Court amounted to \$270,685³⁰. In Ukraine, online activists created an online civil map of corruption – CorruptUA, where citizens can report corruption and place it on a map of the country.

The risks faced by civil society activists are very serious. After a recent criminal case Aleksey Navalny faces 10 years in prison for allegedly embezzling \$500,000 from a state-controlled timber company in Kirov in 2009. Prosecutors initially dismissed the case, but federal officials revived it after Navalny became the most prominent leader of the street protests last year. In Belarus, the protests that followed the 2010 elections were brutally suppressed with hundreds of arrests. The government continued its policy of harassing civil activists and treated them as enemies of the state; draft amendments were signed by President Lukashenka to restrict funding options for civil society organisations³¹. In preparation for the upcoming elections in Azerbaijan, officials tend to prevent activists from taking part in any actions or protests³².

The other factor inflicting normative constraints, a free media, is likewise doing rather badly in FSU. The 2013 World Press Freedom Index provided by Reporters Without Borders shows that media freedom is not high on the agenda of the FSU states. Captured media, violence against journalists and repressive governments are just a few of the characteristics of these countries. In Belarus, suppression of the media continued after the disputed elections in 2010; in 2011 95 journalists were detained during the summer’s “silent protests”³³. The Kazakhstan International Bureau of Human Rights reported that there were particular concerns regarding freedom of expression due to increases in libel suits against newspapers and journalists, along with physical attacks. In 2012, the two main opposition newspapers, Golos Respubliki and Vozglyad, were forced to halt publication a

³⁰ Khmara, O. (2013). *Public procurement websites fail to serve their purpose*. The Kyiv Post. Available at: <http://www.kyivpost.com/opinion/op-ed/public-procurement-websites-fail-to-serve-their-purpose-322563.html>

³¹ Freedom House. (2012). *Nations in Transits - Belarus*. Available at: <<http://www.freedomhouse.org/report/nations-transit/2012/belarus>

³² 2013). *Азербайджан усиливает давление на НПО в преддверии выборов*. Available at: <<http://panorama.am/ru/society/2013/03/22/guluzade/>>

³³ Freedom House. (2012). *Nations in Transits - Belarus*. Available at: <<http://www.freedomhouse.org/report/nations-transit/2012/belarus>

matter of days after the prosecutor-general's office announced that it had asked an Almaty court to ban a number of independent and opposition national news outlets, before any ruling had been made on the substance of the case³⁴. In Ukraine, the 2012 Freedom House report noted an increasing monopolisation of national media by pro-government businessmen and politicians as well as an increase in paid political coverage. The same report remarked that in Uzbekistan, foreign broadcasting media outlets - Radio Free Europe/Radio Liberty, Voice of America, BBC World Service - cannot obtain permission to broadcast from within that country nor can they acquire accreditation for their offices. Furthermore, the authorities employ the practice of hiring "experts" to fashion criminal cases against journalists on charges ranging from national defamation to extremism.

Anticorruption and its prospects

The past decade was characterized by the globalisation of anti-corruption policies, conducted first and foremost through the multiplication of anti-corruption narratives, materialised in the form of international conventions. The conventions provided the international community with a standardised set of anti-corruption instruments. FSU countries have all become part of the global anti-corruption movement, at least formally. They have all ratified the United Nations Convention against Corruption (UNCAC) and Russia, Belarus, Moldova, Ukraine, Armenia, Georgia and Azerbaijan adopted the Council of Europe Civil and Criminal Law Conventions on Corruption, with Russia paving the way by signing the OECD Anti-Bribery Convention in April 2012.

The expansion of the anti-corruption domain was accompanied by the multiplication of international/regional partnerships that monitored and incentivised the implementation of anti-corruption reforms – the 'carrot and stick' approach, in fact.

- The OECD's Anti-Corruption Network for Eastern and Central Asia established the Istanbul Action Plan in 2003, a sub-regional peer review programme, for Ukraine, Armenia, Georgia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.
- The European Union has monitored anti-corruption reforms through the European Neighbourhood Policy and the Eastern Partnership. The latest report uncovered the lack of a coherent trend towards modernisation in the region. It expressed concerns regarding Azerbaijan in relation to the following areas: the electoral process, independence of the judiciary, protection of human rights, alignment of media freedom legislation to international standards, and the need to build a sustainable democracy. Praise went to Georgia, Moldova and to a certain extent Armenia, who were assured of continued financial support from Brussels.
- In the latest meeting of EURONEST (Baku, April 2012), Ukraine advanced its negotiations on the Association Agreement with the EU, making progress on the

³⁴ Reporters Without Borders. (2012). *Opposition newspapers in Kazakhstan silenced ahead of court ruling*. Ifex. Available at: http://www.ifex.org/kazakhstan/2012/12/07/opposition_newspapers_convicted/

Visa Liberalisation Action Plans. The Agreement should be signed in November at the Vilnius Partnership Summit, if Ukraine steps up its anti-corruption efforts.

- Furthermore, within the Partnership for Modernisation, the EU has agreed to finance a joint anti-corruption project to be implemented by the Council of Europe and the Russian Business Ombudsman. The European Commission has made a priority of supporting projects aimed at promoting good governance in both Tajikistan and Kazakhstan.
- The World Bank chose Tajikistan as one of four European and Central Asian states in which to pilot its Governance and Anti-Corruption programme. The programme has worked to strengthen transparency and accountability in the public sector.
- National governments too have made available financial support in the region. The UK has a £42 million budget administered through the Department for International Development Central Asia programme.

Apart from generic support for anti-corruption reforms, the international community also promoted more in-depth interventions intended to 'change the rules'. The European External Action Service (EEAS) allocated € 1,470,000.00 to encourage political participation among the young residents of rural areas of Armenia, Azerbaijan and Georgia. EEAS also allocated €97,602.95 to Georgia, particularly to the Samtskhe-Javakheti region. Within the framework of human rights, that particular project focuses on the re-socialization of young offenders.

Monitoring aspects that were considered particularly challenging in the area were high on the agenda of the international donors. USAID has allocated large amounts to the presidential and parliamentary elections in Armenia and Georgia \$3,988,000 and \$17 million respectively. However, it did not allocate any financial resources for the upcoming presidential elections in Azerbaijan, which will be held on the 16th of October 2013. The purpose of the funds was to ensure the transparency of the elections, to minimize corruption risks, and to assist electoral institutions and stakeholders in strengthening the political will to change the election culture. The idea is to enable the establishment of a competitive electoral environment as well as to support the broadcasting of TV programmes to increase citizens' awareness of their rights and duties as voters.

Since countries in this region are keen to attract foreign investment, the impact of corruption on the private sector is dealt with separately. The success of anti-corruption policies in the private sector is on the one hand related to making it a priority at the national level, and on the other hand to its being part of international economic agreements, conventions and institutions.

- Georgia, which is the most successful country in the region, has prioritised tackling anti-corruption in the private sector through the action plan of its 2010 - 2013 anti-corruption strategy.

- In Uzbekistan, President Karimov signed a new law entitled “On the defence of private property and the guarantee of the rights of owners”, in September 2012. According to Karimov, the law was designed so that “every entrepreneur should know that he can without fear invest in his own business, expand production activities, increase production and generate income [...] keeping in mind that the government is guarding the legal rights of the property owner”³⁵.
- In order to secure property rights Kazakhstan ratified the Singapore Treaty on the Law of Trademarks and the Rome Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations.
- Uzbekistan began the accession process to the CIS Free Trade Zone Agreement, while Armenia joined the World Trade Organization;
- Azerbaijan, Kazakhstan and Kirgizstan are part of the Extractive Industries Transparency Initiative (Tajikistan became a candidate in February 2013). In Kazakhstan, 123 extractive companies have chosen to implement the principles of the organization, which include reporting on all contracts and expenditure. Kazakh companies are 'close to compliant' with all EITI standards, but the Kazakh government should encourage all extractive companies to submit to audits which are of an international standard.
- In the FSU, the major barriers to business have been the licencing, customs and tax authorities. Recently, governments have started to address those problems in order to support economic development while reducing corruption. Russia eliminated the requirements for several preconstruction approvals and cadastral passports, Ukraine simplified the process of setting up a business and used an effective time limit for processing transfer applications, Belarus simplified property transfers by eliminating the necessity to obtain municipality approval in Minsk; Kazakhstan introduced an electronic system for granting licences; Armenia, Georgia, Kyrgyzstan, Russia and Ukraine introduced one-stop-shops to simplify the procedures for obtaining approvals. Reduced taxation and the use of electronic forms in the tax system have proved successful policies in Ukraine, Russia and Georgia. However, Kyrgyzstan and Belarus have increased the costs of doing business by introducing additional taxes, policies somewhat related to anti-corruption concerns although they envisage wider and deeper change in society.

There are indeed a number of encouraging initiatives. In Russia, more than 20,000 firms formed coalitions to identify problematic legislation and to press for reform. One achievement was the simplification of obtaining permits, an accomplishment praised by the 2013 Doing Business Report. In Ukraine, a coalition of business associations demanded that the National Prosecutor launch an investigation into the mayor of Sumy's imposition of burdensome requirements on local businesses³⁶. In Kyrgyzstan, the Bishkek Business Club

³⁵ Cleek, A. (2013). *Uzbekistan: New law promises no-fear investment climate*. Eurasianet.org. Available at: <http://www.eurasianet.org/node/65936>

³⁶ Centre for International Private Enterprise. (2011). *Annual Report*. Available at: http://cipe.org/sites/default/files/publication-docs/AR2011_final_PDF.pdf

has been working to introduce anti-corruption programmes for businesses. Furthermore, Kyrgyz business associations have offered to cooperate with the Council for Entrepreneurship Development, so that the new legislation is produced in cooperation. A group of young Russian entrepreneurs set up a creative anti-corruption initiative. They developed 'Bribr' which was an iPhone application (app.) to report bribes across Russia anonymously. Using the app. anyone can enter information with details including location, the sum of money transacted and the reasons for offering or demanding the bribe. So far, nearly 3 million roubles have been reported, according to Bribr's website.

Politics remains the major source of problems. USAID showed that in the aftermath of the Orange Revolution, Ukraine made important steps towards addressing corruption, but the situation rebounded following political disputes. After the widely disputed Russian presidential elections, the relationship between Putin's administration and the West, in particular with the US, was put under strain. The Russian government suspected that domestic unrest was being stirred up by foreign advocacy groups and so expelled USAID from the country in September 2012. In December 2012, the US passed the Magnitsky Act, freezing US assets and denying visas to a selected group of Russian officials who were allegedly involved in the murder of Sergei Magnitsky. In response, Russia passed a law to ban Americans from adopting Russian babies. Undoubtedly, the US act was not welcomed by either the Russian government or business circles, and Russia has been working hard to avoid a European version of Magnitsky Act. Nevertheless, it is difficult to say if it had any impact on anti-corruption reform in Russia, as the country received positive assessments from GRECO.

The countries from this region seem rather keen to implement reforms when the 'carrot' is access to markets, for example to labour markets in the case of Ukraine through the visa liberalisation programme, or protecting their own financial interests. The Cyprus crisis hit Russian business deposits hard, while the Magnistky Act put American investments under strain. For their part, the EU is unwilling to upset its neighbours given its dependence on Russian gas and other regional natural resources. Economic forecasts for the next 30 years suggest Russia will be the second greatest world provider of oil, and Ukraine is a strategic partner since a large proportion of Russian gas flows to the EU through Ukrainian pipelines. It is no surprise then that at the EU-Russia summit held in Yekaterinburg in June 2013 both parties agreed that the EU and Russia had a harmonious and strategic partnership. Russian president Putin stated that in 2012 the trade turnover between Russia and the EU grew by 4.1% and expressed his hopes that the trend would continue and would soon reach the \$500 billion mark. According to *Deutsche Welle*, the relationship between Russia and the EU is governed by a 'new pragmatism' which refers to enhanced economic cooperation as opposed to opposition and conflict. In that context, the German newspaper reports that there was "only praise for the newly agreed road map sketching out energy relations"³⁷ between the two partners, which means that Russia would open up its pipelines to competitors. The great effort to curb corruption in these countries must therefore come from within.

³⁷ Goncharenko. R. (2013). *EU, Russia and the new pragmatism*. Deutsche Welle. Available at: <http://www.dw.de/eu-russia-and-the-new-pragmatism/a-16858898>

Conclusion

This paper has surveyed anti-corruption trends in twelve FSU countries between March 2012 and March 2013. It has found that the region does not show a coherent trend towards modernisation. Anti-corruption tools seem to have succeeded in Georgia, but failed dramatically in Turkmenistan. Countries such as Ukraine and Russia have fallen back after they had been making progress. Policy-wise, the most successful interventions have been those focused on changing the rules. However, these conclusions should be reassessed in the future because the countries in this region are at different stages in implementing these types of reforms.

References

Della Porta, D. & Vannucci, A. (1999). *Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption* Aldine Transaction.

Galtung, F. (2005). Measuring the Immeasurable: Boundaries and Functions of (macro) Corruption Indices, in Galtung, F and Sampford, C. (eds.), *Measuring Corruption*. Burlington: Ashgate, 101-132

Haller, [D.](#), Shore [C.](#) (Eds.) (2005). *Corruption: Anthropological Perspectives*, Pluto Press.

Klitgaard, R. (1988). *Controlling Corruption*, University of Berkeley, CA: University Press.

Knack, S. (2006). Measuring corruption in Eastern Europe and Central Asia: a critique of cross-country Indicators', *World Bank Policy Research Working Paper*: 3968.
http://www.wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/07/13/000016406_20060713140304/Rendered/PDF/wps3968.pdf

Krastev, I. (2004), *Shifting Obsessions: Three Essays on the Politics of Anticorruption*, Budapest: Central European University Press.

Ledeneva, A. (2003). The Commonwealth of Independent States Regional Corruption Report' in Hodess, R, Inowlocki, T. and Walfe, T. (Eds.) *Transparency International Global Corruption Report, 2003*, Profile Books, 165-176 (see www.transparency.org).

Ledeneva, A. (2006), *How Russia Really Works*. Cornell University Press

Mungiu-Pippidi, A. (2010). The other transition. *Journal of Democracy*, 21(1), 120-127.

Mungiu-Pippidi (2013). *The Good, the Bad, the Ugly: Controlling Corruption in the European Union*, Working Paper no. 35, Berlin: European Research Centre for Anticorruption and State-Building, accessible at <http://www.againstcorruption.eu/reports/the-good-the-bad-and-the-ugly-controlling-corruption-in-the-european-union/>

Persson, A., Rothstein, B. and Teorell, J. (2010) 'The Failure of Anti-corruption Policies: A Theoretical Mischaracterization of the Problem', QoG Working Paper