

# Commonwealth of Independent States

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

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## Overview

The 12 countries of the Commonwealth of Independent States (CIS) are united by the systemic nature of their corruption, a legacy of the Soviet era, when irregular practices were all but made respectable as the only viable means for ordinary people to persuade an inefficient and all-pervasive bureaucracy to perform its proper functions. The ingrained practice of 'beating the system', once confined to personal or family requirements and not always associated with outright corruption, is estimated to cost private citizens at least US \$2.8 billion a year in bribes.<sup>1</sup>

Throughout the region, anti-corruption initiatives begin, characteristically, from the top and, despite the increasing role of democratic institutions, independent media and NGOs, the speed of implementation is determined and controlled by political heads of states. Pressure from international lending agencies and donors is undoubtedly significant: the governments of Armenia, Belarus, Georgia, Kyrgyzstan, Moldova, Russia and Turkmenistan all adopted anti-corruption rhetoric in 2002. What are absent are more effective ways of translating the rhetoric into consistent and effective programmes that address corruption.

The cost to business of corruption remains exorbitant, dampening the appeal the region holds for foreign investors in spite of its rich energy and mineral deposits and well-educated workforce.

There are a number of influential NGOs in the CIS region, but several governments are intolerant of civil society organisations. More alarmingly, conditions of press freedom deteriorated sharply in 2001–02. International organisations, as a consequence, play a particularly important role in sustaining NGOs and pressuring governments in the region to introduce higher standards of transparency, accountability and disclosure.

## International and regional

In September 2001 the World Bank approved a US \$250 million loan to Ukraine for medium-term economic development and reform programmes. It stipulated step-by-step institutional reforms, good governance in the public sector, more efficient

## Tough lines in Central Asia

Islamic extremism has grabbed the headlines as the main cause of instability across Central Asia, but underlying much of the political tension in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan is corruption. These countries are plagued by problems that lend themselves to corruption – weak institutions, low salaries for public servants, limited opportunities in the private sector, inactive civil society and the lack of independent media.

Tajikistan, the poorest of the Central Asian republics, only recently emerged from a civil war and is almost entirely dependent on foreign aid. Much of the assistance provided by governments and multilateral organisations, however, is lost to corrupt officials. Because Tajikistan provided the only direct route into northern Afghanistan, the number of aid groups operating out of the capital, Dushanbe, surged during the first weeks of the Afghan crisis. Those aid groups quickly found that humanitarian aid earmarked for northern Afghanistan was not making it there. Physicians for Human Rights and other organisations complained that corruption at the Tajik-Afghan border was severely affecting their ability to help refugees in northern Afghanistan.

One Tajik official told the International Crisis Group, a think tank based in Brussels, that he knows many people who earn modest government salaries but are still able to drive expensive cars and build large homes for themselves. ‘Where do they get their money from?’ he asked.<sup>1</sup> Graft has proven to be such a problem in Tajikistan that in November 2001 United Nations Development Programme administrator Kálmán Mizsei urged the government to

take tougher measures to eliminate corruption and implement broad reforms, or risk a reduction in aid.<sup>2</sup>

Rhetoric by Central Asian officials in response to such criticism is rarely conducive to real reforms or action. One group, however, has benefited from its stand against corruption. Hezb-ut-Tahrir, an underground Islamist group that wants the republics of Central Asia replaced by a new caliphate under shariah law, has been able to use the issue to draw in new recruits. Although the group professes to be peaceful, it has created considerable anxiety among the region’s governments, which fear it as an emerging Islamic force.

Hezb-ut-Tahrir’s view that Islamic law would end the predations of corrupt officials has proved a powerful draw for new members. Governments have responded with mass arrests and courts have handed down long sentences to members of the banned organisation. In Uzbekistan alone, it is estimated that as many 7,000 people are imprisoned for their religious or political beliefs.<sup>3</sup> Unfortunately, the governments of Central Asia have not taken the same tough line against corruption, the real threat to the region.

International Crisis Group’s reports on Central Asia can be found at [www.crisisweb.org](http://www.crisisweb.org).

**Robert Templer**

- 1 International Crisis Group, ‘Tajikistan: An Uncertain Peace’, Asia Report no. 30 (24 December 2001).
- 2 RFE/RL, 26 November 2001.
- 3 International Crisis Group, ‘Central Asia: Uzbekistan at 10 – Repression and Instability’, Asia Report no. 21 (21 August 2001).

allocation of public resources and a better quality of service delivery, especially for the poor.<sup>2</sup>

Good governance in the private sector has been high on the agenda of Russia’s president Vladimir Putin, who is seeking foreign direct investment (FDI) on a scale

similar to that in China. Russia received only US \$4.43 billion in FDI in 2000, compared to US \$48 billion in China.<sup>3</sup> Japan and the European Bank for Reconstruction and Development are funding a joint initiative to improve the investment climate in Russia by creating a corporate code of conduct that addresses such problems as asset stripping, transfer pricing, share dilution and other practices that abuse minority shareholder rights.

Anti-corruption programmes in the region included a World Bank grant of US \$299,000 to the government of Armenia to develop an anti-corruption strategy. This strategy, which was compiled by an expert group for the anti-corruption commission, headed by Prime Minister Andranik Markarian, was completed in mid-2002. The Organization for Security and Co-operation in Europe (OSCE) is coordinating an international anti-corruption working group, which is an emerging best practice in donor coordination. The United States has given Armenia about US \$1.35 billion in the past decade, with a further US \$51.9 million allocated for 2002. Some of these funds will support a 'Democracy Programme' to increase transparency, rule of law and multiparty politics.<sup>4</sup>

The Soros Foundation and the U.S. Department of Justice granted significant assistance to an anti-corruption programme in Georgia. The World Bank implemented measures, including reforms in public procurement, licensing, internal audits, the judiciary, health and education.

During a visit to Tajikistan in late November 2001, United Nations Development Programme administrator Kálmán Mizsei warned President Imamali Rakhmonov that Tajikistan stood to lose international aid unless more intensive efforts were made to reduce corruption and implement reforms. The president responded with a volley of anti-corruption warnings to ministers and dismissed on corruption charges the head of the government agency responsible for channelling international aid to the victims of natural disasters.<sup>5</sup>

The misappropriation of foreign aid is extensive in Russia. In April 2002, Russia's Accounts Chamber publicly acknowledged that International Monetary Fund (IMF) funds to Russia in the late 1990s had been massively misused and similar fears surround some US \$900 million in U.S. aid to Georgia over the past five years. Anatol Lieven, a senior associate at the U.S.-based Carnegie Endowment for International Peace, notes that 'the result of that aid in almost any sphere, except food aid, is very hard to detect. One reason is the incompetence of post-Soviet structures, but corruption played an enormous role.'<sup>6</sup>

The question of double standards in regard to the fight against corruption is a recurrent theme in the CIS's anti-West rhetoric. Uzbekistan's partnership with the United States – particularly after September 11th, when Uzbek bases became a major platform for the U.S.-led war in Afghanistan – raised the question of whether, rather than being subjected to increased scrutiny, Tashkent was being let off the hook for corruption and human rights violations because of its strategic value. Aid and loan statistics seem to indicate the latter: the United States provided Uzbekistan with US

## Censorship by death: Ukraine silences critics

When the prominent Ukrainian journalist Igor Aleksandrov entered his office on the morning of 3 July 2001, his assailants were waiting. A colleague upstairs heard blows and screams. By the time he got downstairs, Aleksandrov was lying in a pool of blood, his head cracked open, two baseball bats by his side. The attackers had fled. Although he was rushed to hospital for surgery, Aleksandrov never regained consciousness. He died four days later, at the age of 45, the 11th journalist to be killed in Ukraine in the past six years.

As director of the independent television company Tor, Aleksandrov had gained notoriety for his programme *Bez Retushi* (Without Censorship), which featured investigative reporting of government corruption and organised crime. The programme regularly ruffled important feathers by exposing the corrupt activities of municipal authorities in Slavyansk, the eastern city where Tor was based. Once an official investigation into the murder was under way, the head of the regional ministry of internal affairs insisted that revenge was the leading motive. The case is still not resolved.

Aleksandrov's brutal murder followed another unsolved investigation, that of journalist Georgi Gongadze, whose decapitated body was found in a forest near the town of Tarashcha in November 2000. An outspoken critic of high-level government corruption on his Internet news site, *Ukrainska Pravda* (Ukrainian Truth),<sup>1</sup> Gongadze had been extremely critical of President Leonid Kuchma and his entourage.

Exposing corruption in Ukraine continues to be a life-threatening pursuit. Aleksandrov and Gongadze were successfully silenced, and their murder cases remain conspicuously unsolved. Their fates – along with other cases of intimidation – have led many Ukrainian journalists to practice self-censorship.

While the Ukrainian news media enjoy freedom of speech and of the press according

to the constitution and a 1991 press freedom law, government officials are aggressive in their use of tactics to persecute critics. Journalists who publish articles critical of any public official risk being sued for damages. In 2001, at least 11 newspapers, two regional television stations and numerous individual journalists were heavily fined after being sued for libel, or 'injury to personal honour and dignity'. Journalists argue that overly broad libel laws are being used to drive opposition newspapers out of business, given that there is no set limit on the size of fines.

Under such a legal regime, both private and state-owned media demonstrate a strong tendency to self-censorship when addressing matters sensitive to those in high office. Newspapers are vulnerable to pressure on a variety of fronts: restricted access to affordable, state-subsidised newsprint; dependence on political patronage for access to financial assistance from the State Press Support Fund; intense scrutiny from government officials, particularly at the local level; and politically motivated visits by tax inspectors.

Despite pressure from local civil society organisations, Ukraine's parliament has not even considered drafting a law on access to information. On the contrary, in a significant step backwards, the constitutional court adopted a resolution in 1998 that actually limits journalists' rights to collect any personal information without first obtaining the agreement of the individual in question. This law has been a boon for corrupt public officials.

Until the government enacts legislation that actively extends the right to access to information – rather than reinforcing the existing climate of impunity – the lives of investigative journalists will continue to be at risk and the identity of their murderers may never be known.

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<sup>1</sup> [www.pravda.com.ua/en/](http://www.pravda.com.ua/en/).

\$160 million in aid in 2002.<sup>7</sup> For its part, the European Union announced a doubling of aid to Uzbekistan and the Asian Development Bank plans to lend US \$300 million over three years to reduce the country's economic isolation,<sup>8</sup> matching a similar loan from the World Bank.<sup>9</sup> It is unclear whether anti-corruption conditionalities will be attached to the loans.

Some monitoring related to corruption is conducted by the Helsinki Commission on Security and Cooperation in Europe, an independent agency of the U.S. government charged with encouraging compliance with the Helsinki Final Act and other OSCE commitments. In its December 2001 hearings on Central Asia, the commission examined human rights and democracy in Kyrgyzstan, noting a regression in democratic reform, including election rigging, high-level corruption and crackdowns on opposition parties and the independent media. Given that Kyrgyzstan was once considered the most democratic state in Central Asia, the findings were disappointing.<sup>10</sup>

International organisations have played a crucial role in monitoring democratic elections and human rights in CIS member states. The United States and the OSCE, among others, voiced concerns about media censorship during the 2001 presidential election in Belarus, in which President Alexander Lukashenka won 75 per cent of the vote.

## National

The Armenian newspaper *Hayots Ashkar* stated that the fight against corruption requires the political will to establish law and order, appropriate legislation and more professional law enforcement officers. As Armenia lacks all three, the paper concluded, 'superficial talk will remain a substitute for the fight against corruption in the foreseeable future'.<sup>11</sup>

The same can be said about most CIS nations. In Moldova, President Vladimir Voronin is keen to be seen to be tackling the roots of corruption, as demonstrated by a decision to establish a council to monitor relations between the fiscal inspectorate and the taxpayer, as well as a thwarted attempt to establish a Centre for the Struggle against Economic Crimes and Corruption. But cynics suggest that such schemes are designed to win votes rather than reach the heart of the problem.

When petty corruption is ubiquitous, as is the case in most countries of the region, punishment becomes a scarce resource. 'So many people are involved in corruption,' said Georgia's president Eduard Shevardnadze, 'that there are not enough cells to hold them all.'<sup>12</sup> 'If we fail to eradicate the impunity syndrome, which has taken root throughout the country, in nearly every household and in the conscience of nearly every citizen of Georgia,' he said on television in January 2002, 'we will find it extremely difficult to advance and we will fail to meet many objectives.'<sup>13</sup>

### Legislating against corruption

Russia has passed many laws that assist in combating corruption, but the prospects for their effective implementation remain uncertain. A new package of reforms enacted in December 2001 is aimed at cutting down courtroom bribery by introducing a fivefold increase in judges' salaries. The law also bans the intervention of state prosecutors in private litigation between contending business parties and limits judges' immunity from corruption charges.

International pressure resulted in the Russian finance ministry creating a Financial Intelligence Agency in February 2002 as a step towards implementing the Law on Counteracting the Legalisation (Laundering) of Incomes Received by Criminal Means, due to come into force the same year. Russia hopes the anti-money laundering law will help remove its name from the blacklist of the Financial Action Task Force.

Although a number of anti-corruption measures have been approved in Georgia, including the establishment by presidential decree of an anti-corruption council in July 2001, measures taken so far appear to have lacked substance.<sup>14</sup> After the IMF pointed to issues of 'weak administration and widespread corruption' in a recent report, Georgia established a VAT fraud unit and passed legislation to strengthen the VAT refund system. President Shevardnadze is also pushing for executive reform, in collaboration with the anti-corruption council; a first phase entails stripping parliamentarians of their immunity from prosecution. In March 2002, the president called for tougher laws against corruption, tax evasion and misappropriation of state property.<sup>15</sup>



Alex Dimitrov, Moldova

Other CIS heads of state declared corruption a ‘threat to national security’ and called for more powerful laws to combat it. In April 2002, Kyrgyzstan’s president Askar Akaev declared clan and family relations breeding grounds for corruption, which he said has ‘made its nest’ in the summits of power.<sup>16</sup> The tone of his statement, however, was taken more as a warning to prominent families and clans than a challenge to the country’s endemic corruption. The Kyrgyz Code of Ethics for Government Personnel, which came into effect in January 2001, has done little to prevent government officials from engaging in business or employing relatives.

Despite a presidential decree in Azerbaijan more than two years ago ordering the preparation of draft anti-corruption legislation and a national programme within six months, legislation was adopted only in December 2001. Adil Ismailov, head of the Independent Consulting Assistance for Civil Society in Azerbaijan, argues that even if the anti-corruption measures were perfect, they would have little impact because ‘the country is corrupt from top to bottom’.<sup>17</sup>

### **Professionalism of law enforcement agencies**

Tightening up Russia’s law enforcement agencies formed an integral part of President Putin’s goal to ‘consolidate the state’. To secure his efforts, however, he chose to appoint to key positions his own political allies, mainly of Saint Petersburg origins, thus undermining the very principles of meritocratic impartiality he sought to install.

At the Federation Council in May 2002 Russian prosecutor-general Vladimir Ustinov urged the adoption of a punitive campaign against corruption, including inside the enforcement agencies themselves.<sup>18</sup> Two agencies suspected of corruption – customs and traffic police – came under special scrutiny in 2001–02. The total number of traffic police was cut by 15 per cent nationwide, while those remaining benefited from pay rises.<sup>19</sup>

In August 2001, Kurmanbek Bakiev, then prime minister of Kyrgyzstan, came down hard on ministers and police officials as a result of their lacklustre efforts to target corruption, smuggling and economic crime.<sup>20</sup> Bakiev claimed that most criminal groups had friends in the law enforcement bodies and were therefore unlikely to be caught.<sup>21</sup> The newly appointed interior minister of Kyrgyzstan has declared the anti-corruption fight to be his priority.<sup>22</sup>

The region’s extensive military sector is a particular source of concern for anti-corruption activists, from the pervasive bribery associated with the avoidance of conscription to the embezzlement of military budgets. In mid-2001, the Azerbaijani Military Prosecutor’s Office began legal proceedings when the head of the military commissariat’s finance department was charged with embezzlement.<sup>23</sup> The chief of the defence ministry’s finance department was subsequently convicted and given a prison term, and another official from the same department was also placed on a law enforcement ‘wanted’ list.<sup>24</sup> In Russia, a military court sentenced the former head of the military budget and financing department to three years in prison for failing to prevent a serious case of fraud.<sup>25</sup>

## Access to information in CIS

Access to information in CIS countries continues to reflect the authoritarian legacy of the Soviet era. Information providers suffer from self-censorship, state repression and corruption. Further obstacles are placed in their path by restrictive legislation and its selective enforcement, even where governments have made constitutional commitments to transparency, accountability and greater disclosure.

In 2001–02, Russian president Putin directed state agencies and departments to make public all regulatory acts and norms and asked the government to design procedures under which such acts would be rendered invalid unless first published in the media. At the same time, there is evidence that access to information in Russia has deteriorated since Putin came to office. It is far more difficult to report events in the Chechnya conflict or to access statistical information.

The revision of media laws and their selective enforcement are a matter of concern in many CIS countries. In April 2001, the Kazakh parliament passed restrictive amendments to the media law, enabling the government to regulate Internet sites and limit foreign television and radio programmes to 20 per cent of airtime by 2003. Journalists say that the government has launched a campaign of political persecution against the media.<sup>1</sup>

The 2001 survey by the U.S.-based NGO Committee to Protect Journalists (CPJ) cited Belarus, Russia, Ukraine and Uzbekistan as the worst offenders against press freedom, but repressive media

management is also common to the Central Asian republics.<sup>2</sup> In spite of constitutional guarantees of free expression, editors in Uzbekistan are issued a list of ‘prohibited’ subjects, including information on criminal activity.<sup>3</sup> Criticism rarely makes it into print, especially when it focuses on senior officials or leading businessmen. In January 2002, Radio Free Europe was refused a licence to broadcast in Uzbekistan. In June 2002, the CPJ called on the government to establish an independent commission of legal experts and local journalists to review media laws, including those on access to information.<sup>4</sup>

In Georgia, thousands took to the streets in October 2001 in protest against the police raids on the studios of independent TV station Rustavi-2, a persistent critic of government corruption, and to demand the resignation of both the government and the president. President Shevardnadze dismissed his entire government in response to the protests and called for increased access to information, claiming that the 1999 law on freedom of information was not used enough because it did not adequately define confidential information.<sup>5</sup>

At a demonstration in Moldova in February 2002, 80,000 people called for the resignation of the government, claiming that it was guilty of ‘suppression of the democratic opposition, protection of corruption ... the reintroduction of censorship of national television and radio ... encouraging the use of public money for personal purposes’.<sup>6</sup> President Voronin promised to end the state-owned media

### The politics of anti-corruption crusades

In many CIS countries, the political will to deal with corruption is frequently determined by political need, as is often revealed by the timing of corruption charges. In summer 2001, Turkmenistan’s president Saparmurat Niyazov announced a number of high-profile arrests and dismissals on corruption charges.<sup>26</sup> It was characteristic of Turkmen politics, however, that charges were levelled only when the

company's ban on airtime for opposition deputies.

Moldova's administrative and criminal codes were amended in 2001 to allow for fines and penalties for violation of the little-used access to information act.<sup>7</sup> In a 2001 report, entitled 'Mirage of Transparency', Moldova's Centre for the Promotion of Freedom of Expression and Access to Information surveyed 200 national and local authorities and found that many were either unaware of the law or chose to ignore it. In November 2001, the centre released a survey of journalists who described the act as a 'dead letter'.<sup>8</sup> 'Few individuals know of this right,' noted the U.S. State Department in its 2001 Human Rights Report, 'and government organisations largely did not comply with the law. Government organisations claimed they did not have the resources to fulfil such requests.'<sup>9</sup>

Restrictions on media extend across the region. In Azerbaijan, the government closed down television and radio stations (BMTI TV, Sara TV, ABA TV, Radio Sara) and many newspapers (*Uch Nogta*, *Avropa*, *Femida*, *Milletin Sesi*, *Etimad*, *Bakinski Bulvar*) in 2001–02. The country has no freedom of information law.

In Russia, President Putin's campaign against the exiled media magnates Vladimir Gusinsky, former owner of NTV, and Boris Berezovsky, owner of TV-6, was a continuing theme in the debates on independent media.

In Kazakhstan, the government cancelled broadcasting licences for six television companies (Irbis, STS, Alfa, Channel 43, Channel 29 and TKT) in February 2002.

In October 2001, Ukraine enacted a decree, 'On Securing Implementation of Citizens' Rights, Principles of Democratic Society, Openness and Transparency of the 2002 Elections Process'. But a law passed at the same time restricted the news coverage by national and foreign press of the March 2002 elections. Voters did not have access to impartial and balanced information owing to the bias of major TV stations against the opposition.<sup>10</sup>

The 2001 IREX Media Sustainability report, which measures the status and sustainability of independent media and NGOs in CIS countries, points out that, in Belarus, 'media laws guaranteeing freedom and independence exist ... but these rights and freedoms are quite often infringed with impunity' (see box, p. 46). The statement could be applied to every CIS country in varying degrees.<sup>11</sup>

- 1 [www.eurasianet.org](http://www.eurasianet.org), 9 March 2001.
- 2 *Ibid.*, 26 March 2002.
- 3 Committee to Protect Journalists, *The Sound of Silence*, July 2002, [www.cpj.org/dangerous/2001/uzbek/uzbek.html](http://www.cpj.org/dangerous/2001/uzbek/uzbek.html).
- 4 David Banisar, *Freedom of Information and Access to Government Records around the World*, July 2002, [www.freedominfo.org](http://www.freedominfo.org).
- 5 *Ibid.*
- 6 *Financial Times* (Britain), 24 February 2002.
- 7 Committee for the Protection of Journalists, *Attacks on the Press 2001: Moldova*, [www.cpj.org/attacks01/europe01/moldova.html](http://www.cpj.org/attacks01/europe01/moldova.html).
- 8 'Moldova: Journalists Say Media Censorship Continues Despite Law', Foreign Broadcast Information Service Daily Report (US), 15 November 2001.
- 9 U.S. State Department, *Country Reports on Human Rights Practises 2001: Moldova*, 4 March 2002.
- 10 See [www.eim.org](http://www.eim.org).
- 11 See [www.irex.org/publication-resources/msi\\_2001/index.htm](http://www.irex.org/publication-resources/msi_2001/index.htm).

allegedly corrupt official had defected to the opposition. Former Central Bank chairman and Deputy Prime Minister Khudaiberdy Orazov was charged with embezzling part of a 1997 Credit Suisse and Deutsche Bank loan of US \$120 million to agriculture in March 2002 – one month after he formally joined the opposition.<sup>27</sup>

A similar case occurred in Kazakhstan, where police arrested on corruption charges a former senior government official, now opposition leader, and a former

minister, currently allied with the opposition Democratic Choice party. Both the charges, and their timing, appeared to be related to a revival of public interest in corruption allegations against President Nursultan Nazarbaev.

### Private sector

The cost of corruption to the private sector is huge. According to a study by the think tank INDEM (Information for Democracy), Russian businesspeople pay more than US \$30 billion a year in bribes, a sum roughly equivalent to the revenues of the 2002 federal budget and about 12 per cent of the gross domestic product. About 90 per cent of the bribes are paid for 'corruption services' associated with export licensing and quotas, state budget transactions, tax transfers, customs duties, privatisation deals and servicing debts to the federal budget.<sup>28</sup> Although there is no evidence that such data are representative of the entire CIS region, comparative studies suggest that there is a certain consistency in the corruption ratings of most member states.

Problems with the investment climate and corporate governance are also rampant in most countries in the region. In February 2002, Kazakh president Nazarbaev surprised many by dismissing his son-in-law, Timur Kulibaev, and former prime minister Nurlan Balgymbayev from their posts as president of Oil and Gas Transportation and chairman of Kazakhoil, respectively. The move was widely interpreted as an attempt to distance himself from the international corruption scandal that emerged after a Swiss court delivered an explosive report on corruption in the Kazakh petroleum industry to the U.S. Justice Department.<sup>29</sup>

The Moscow brokerage firm Troika Dialog estimates that Russia's reputation as a place where CEOs routinely violate the rights of minority shareholders wipes about US \$45 billion annually off the value of the stock market. Any improvement in corporate governance practices could attract an additional US \$10 billion a year in FDI, according to PricewaterhouseCoopers.<sup>30</sup>

The Corporate Behavioural Code presented by Igor Kostikov, head of the Federal Securities Commission, is one example of Russia's determination to improve its investment climate. More than 150 Russian companies were consulted in the course of developing the code, which is part of a wider plan to improve corporate governance. It includes amendments to the joint stock company law, securities market law, the criminal code and provisions of criminal liability in cases of non-disclosure, as well as measures for enforcement. While some critics maintain that Kostikov has used the code to benefit former business interests, it is widely expected to seal major loopholes in existing corporate governance structures.<sup>31</sup>

For minority investors in Russia, the appeal of anti-corruption efforts is the prospect of higher share prices. The Association of Minority Shareholders' Rights assisted the Kremlin's efforts to expose shady financial deals at Gazprom, 38 per cent of which is owned by the state. Minority shareholders claimed that the theft of vast amounts of cash had kept share prices low and reduced profits.<sup>32</sup> In December

2001, Gazprom's new management decided to reclaim the Purgaz gas field, a valuable asset that was previously 'pawned'. Since the new management arrived, Gazprom shares have risen 44 per cent.

### Civil society

There are many obstacles to the emergence of strong civil society organisations in CIS countries, above all the lack of a historical tradition and a widespread ignorance of what civil society is or should be.

Another difficulty for those struggling to fight corruption is the risk they take. Majid Abduraimov, a journalist from southern Uzbekistan, faces several years in prison on charges of bribery and extortion after writing a series of reports on corruption and abuse of power among senior officials in Boisun municipality, Surkhandarya region. Human rights activists claim that five reporters are currently behind bars on fabricated charges.<sup>33</sup> Kyrgyz journalist and human rights activist Samagan Orozaliev was sentenced to nine years in prison in November 2001 after he was found guilty of blackmail, falsification of documents, illegal possession of arms and resisting the police. Orozaliev was arrested while making a documentary on official corruption.<sup>34</sup>

President Lukashenka's regime in Belarus embarked on a series of legal amendments that further restrict the limited range of activities in which NGOs can legitimately engage. In July 2001 the government succeeded in shutting down the Belarus office of the Soros Foundation by imposing fines of US \$3 million and freezing its accounts; the office had vociferously advocated human rights and anti-corruption issues. Belarus still has a number of active NGOs campaigning on issues related to transparency and democracy, including the Civil Society Centre 'Supolnosc', an umbrella organisation for pro-democracy NGOs, and the independent news service Belapan.

NGOs in the region do, however, benefit from international support. The EU supports the Damocles Network, set up by Reporters sans frontières to end the impunity of those who torture and murder journalists. Damocles sent a team to Ukraine to investigate the murder of journalist Georgy Gongadze, who was killed in September 2000 (see box, p. 168).<sup>35</sup>

- 1 Alena Ledeneva, *Russia's Economy of Networks* (Cambridge: Cambridge University Press, 1998). See INDEM data in *Vedomosti* (Russia), 22 May 2002.
- 2 [www.worldbank.org/html/extdr/newprojects/](http://www.worldbank.org/html/extdr/newprojects/).
- 3 *RosBusiness Consulting* (Russia), 11 February 2002. FDI to Russia amounted to US \$8.4 billion in the first half of 2002, a 25 per cent increase on the same period in 2001, but investment in fixed assets – which reflects the degree of confidence in Russia's economy – contracted 25 per cent from the previous year.
- 4 [www.usaid.gov/am/funding1.htm](http://www.usaid.gov/am/funding1.htm).
- 5 RFE/RL *Newsline*, 27 November 2001.
- 6 *Washington Post* (US), 21 April 2002.
- 7 This is a US \$100 million increase from earlier figures and based on the belief that economic prosperity will boost democratic transformations in Central Asia, defuse political discontent and help uproot the causes of terrorism.

- 8 RFE/RL, 29 March 2002.
- 9 EurasiaNet, 8 November 2001.
- 10 [www.csce.gov/official.cfm](http://www.csce.gov/official.cfm).
- 11 RFE/RL *Armenia Report*, 16 March 2002.
- 12 For details, see Institute of War and Peace Reporting, *Caucasus Reporting Service*, no. 108, 5 December 2001; [www.iwpr.net](http://www.iwpr.net).
- 13 Georgian Television, 9 January 2002.
- 14 IMF, *Public Information Notice* no. 02/01, 'Article IV Consultation with Georgia', 19 February 2002.
- 15 Interior Minister Koba Narchemashvili also called for tougher laws, saying that existing legislation allowed offenders to escape criminal liability. *BBC Monitoring Service*, 13 March 2002, from Prime-News News Agency (Georgia).
- 16 BBC Monitoring Service, 23 April 2002, from Kyrgyz-Press International News Agency.
- 17 RFE/RL, 18 March 2002.
- 18 Associated Press, 11 February 2002.
- 19 *ITAR-TASS* (Russia), 27 November 2001.
- 20 Bakiev quoted the estimated financial losses from smuggling at 1.5 million soms (US \$31 million) per year.
- 21 [www.eurasia.net/org/resource/kyrgyzstan/hupermail/200108](http://www.eurasia.net/org/resource/kyrgyzstan/hupermail/200108).
- 22 BBC Monitoring Service, 27 January 2002.
- 23 *Ekspress* (Azerbaijan), 25 January 2002.
- 24 RFE/RL *Newsline*, 31 January 2002.
- 25 General Georgy Oleynik was found guilty of abuse of office by authorising the transfer of US \$450 million to Ukraine as payment for materials that were never delivered. The state prosecutor said that the general had cost the state US \$327 million. *BBC News*, 29 April 2002.
- 26 President Niyazov of Turkmenistan has purged top officials in recent months in a sweeping anti-corruption campaign. Turkmenistan's former security chief, Mukhammed Nazarov, ex-defence minister Gurbandurdi Begendzhev and 20 other senior security officials were charged with various crimes, including large-scale corruption, in May 2002. Niyazov also fired Central Bank chief and Deputy Prime Minister Sendbai Kandimov for alleged corruption. Associated Press, 7 May 2002.
- 27 RFE/RL *Central Asia Report*, 14 March 2002.
- 28 The survey is based on interviews with 700 businesspeople and 2,000 other individuals. See [www.indem.ru](http://www.indem.ru) and RFE/RL *Business Watch*, 21 May 2002.
- 29 Kazakhstan 21st Century Foundation, Washington, D.C. ([eurasia.org.ru/cgi-bin/database.cgi](http://eurasia.org.ru/cgi-bin/database.cgi)), 19 February 2002. See also *Le Temps* (Switzerland), 24 September 2001.
- 30 RosBusiness Consulting (Russia), 11 February 2002.
- 31 *Novaya Gazeta* (Russia), 3 December 2001.
- 32 See speech by William Browder, Hermitage Capital Management, to the Carnegie Endowment for International Peace, 18 March 2002, at [www.ceip.org/files/events/events.asp?pr=2&EventID=468](http://www.ceip.org/files/events/events.asp?pr=2&EventID=468).
- 33 *IWPR'S Reporting Central Asia*, no. 56, 15 June 2001.
- 34 RFE/RL *Newsline*, 15 November 2001.
- 35 Gongadze was investigating top-level corruption in Ukraine when he disappeared in September 2000. Some weeks later, his beheaded body was discovered in a forest outside Kiev. The uproar surrounding the murder, fuelled by tape recordings that indicated the possible involvement of President Leonid Kuchma, led to mass demonstrations in September 2001. See [www.rferl.org/mm/2001/09/30-190901.html](http://www.rferl.org/mm/2001/09/30-190901.html).