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Commonwealth of Independent States

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

By Luke Allnutt, Jeremy Druker and Jen Tracy (with Dima Bit-Suleiman, Alisher Khamidov, Sophia Kornienko and Alex Znatkevich)

Introduction

'Do not mistake bribery for corruption,' Russian Minister for the Interior Vladimir Rushailo told journalists in March 2001.[1] Perhaps what Rushailo – who was replaced in a cabinet reshuffle later that month – meant to say was: 'Do not put the policemen who accept bribes for traffic violations on the same level as the oligarchs who line the pockets of key government officials.' Whatever his point, Rushailo's words gave some idea of the many guises that corruption takes in the countries of the former Soviet Union – and hinted at the way it may be tolerated.

Corruption fuelled the political and economic system throughout 70 years of communism. A decade of post-communist transition brought corrupt privatisations and governments unable to provide checks and balances, or to enforce property rights and other legal contracts. As a result, societies across the Commonwealth of Independent States (CIS) now have little more than the shadow of a safety net, and corruption is part and parcel of political, economic and social life.[2] From passing university examinations to acquiring a passport, bribes are the means to get things done.

Though similar in nature, corruption in the countries of the former Soviet Union varies, based in part on the degree to which they have made the transition to a market economy. In Russia and Ukraine, where transition has jolted the system, both elite and petty corruption thrive.[3] Belarus, Turkmenistan and Uzbekistan generally win a better rating in terms of elite corruption, because their transition from communism is less complete.[4] In these countries, the unwillingness to undertake major privatisation and other market reforms means that corruption tends to remain petty and administrative in form. However, electoral fraud and the suppression of information have taken on increasingly dramatic dimensions. In the rest of Central Asia and the Caucasus, religious and ethnic wars, battles over control of oil reserves, and drug smuggling complicate matters further. Clans

connected to the government keep society in a stranglehold, siphoning off oil revenues to enrich the elite.[5]

Corruption has imposed one constant across the region: most people are cut off from the economic benefits of their country's resources. Corruption has contributed to stagnating or plummeting standards of living for the majority, while a small class of insiders has amassed enormous wealth.

News review

Pavel Borodin, Secretary General of the Russian-Belarusian Union, was arrested in January 2001 in New York, on charges of having embezzled US $25 million while he was the Kremlin's property manager under President Boris Yeltsin.[6] Swiss investigators accused him of money laundering. In April, Borodin was charged by a Swiss court and then released on US $3 million bail, paid by the Russian federal government. Analysts say his return to Russia, and the fact that the government posted his bail, confirms that the Kremlin was worried about what Borodin could tell investigators.[7]

On attaining office in 2000, President Vladimir Putin made clear his intention to restore law and order and root out corruption. How Putin deals with partially state-owned Gazprom, the world's largest gas company, could be the litmus test. Gazprom has been under increasing fire for asset stripping. In April 2001, board member Boris Fyodorov called on the government to use its share in the company to overthrow Gazprom's corrupt management.[8] Putin heeded Fyodorov's advice and replaced Gazprom head Rem Vyakhirev, a powerful Yeltsin-era insider, at the end of May. Initially, many believed that the government 'didn't have the stomach for a real fight with Russia's richest and most powerful business', but the President, in this case, proved them wrong.[9]

In late 2000 and early 2001, Ukraine was engulfed in a political battle between liberal reformers, responsible for the first signs of economic revival and transparency; communists, who wished to block market reforms; and the oligarchs, who stood to lose from both.[10] Deputy Prime Minister Yulia Tymoshenko was fired in January and later arrested on charges of fraud and natural gas smuggling. Though there are reports that she herself was embroiled in controversy in the mid-1990s, some claim that her proposals to make the energy sector more transparent landed her in hot water with the same oligarchs who later were party to parliament's dismissal of the Yushchenko government in April. In another prominent case, President Leonid Kuchma was allegedly linked in a series of leaked tapes to the disappearance of Georgy Gongadze, an opposition journalist outspoken on the topic of corruption.[11]

In Moldova, where the economy has declined dramatically over the past ten years, the collapse of communism did not lead to any major break with the old bureaucracy, or their traditional system of privileges.[12] The lack of state power continues to allow political clans to act as substitutes for legal norms. The results have been increases in tax evasion, drug trafficking, illegal import/export operations and contract murders. In late 1999, then prime minister Ion Sturza gave some cause for optimism when his government adopted the State Programme for Fighting Crime, Corruption and Protectionism for 1999–2002.[13] But his government resigned shortly thereafter and voters opted for a return to former communist leaders in the parliamentary elections in February 2001. With the communists back in control, parliament is expected to put the brake on reforms, including those related to fighting corruption.[14]

Azerbaijan is ranked by several international organisations as the most corrupt country in the region.[15] An opinion poll in March conducted by the Turan News Agency showed that 72 per cent of citizens surveyed believe that only a change of power would result in progress in the fight against corruption.[16] Electoral corruption keeps many beneficial changes on the back burner. Amid protests of gross fraud, President Heydar Aliev's ruling New Azerbaijan Party swept the November 2000 parliamentary elections. The authorities cancelled the results in 11 constituencies in response to criticism from election observers. Repeat elections in January 2001 were 'marked with some improvement', according to the OSCE, but monitors still reported serious election violations. Azerbaijan was nonetheless admitted into the Council of Europe shortly afterwards.[17]

In Kazakhstan, oil resources provide an opportunity to finance economic development, but they are also a vast source of potential corruption. The discovery in July 2000 of new oil deposits in the Kazakh part of the Caspian Sea boosted possible petro-investment further.[18] Despite this boon to the economy, a diplomat confirmed in early July 2000 that Swiss authorities had frozen bank accounts in Geneva at the request of the US Justice Department, as part of a corruption investigation into a US businessman suspected of funnelling millions of dollars from US oil companies to top Kazakh officials, including the President. The Foreign and Justice Ministries denied any knowledge of the frozen funds. The investigation culminated in no official charges, but the implications for the major oil investors in the country, Mobil, Phillips Petroleum and Amoco among them, are significant, particularly given US laws on the prevention of bribery of foreign officials by US corporations.[19]

In Georgia, President Eduard Shevardnadze and his ruling elite have been busy promoting wide-ranging anti-corruption efforts. Calling corruption a 'mortal danger' to national security, Shevardnadze signed an anti-corruption decree in

March 2001 authorising the creation of a 12-member coordinating council to fight corruption. While some wrote off the move as an empty gesture designed to restore the country's tarnished image, Shevardnadze fired Minister for State Property Mikhail Ukleba several days later, accusing him of failing to curb corruption and other illegal activities in his ministry.[20]

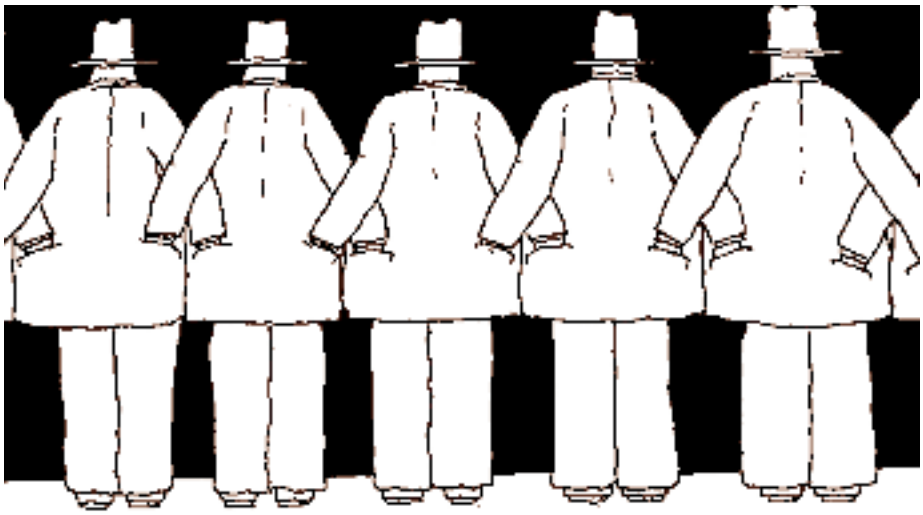
Crony capitalism, CIS-style

With the fall of the Soviet Union and the launch of market reforms, Soviet-era cronyism was given a new lease of life, flourishing under its free market guise of crony capitalism. The presence of crony capitalism across the CIS has meant that weak governments can do little to keep powerful politicians and businessmen from defrauding countries through embezzlement, money laundering and asset stripping. What makes crony capitalism more severe is that the money made by defrauding the state moves out of the country, denying people the chance to increase living standards, according to Vladimir Brovkin, Director of the UN Research Centre on Organised Crime in Eurasia Project.[21]

The presence of crony capitalism across the CIS means that weak governments can do little to keep powerful politicians and businessmen from defrauding countries.

Examples of crony capitalism abound. In Ukraine, oligarch Igor Bakai resigned from his position as the head of gas giant Neftegaz in March 2000, citing political reasons. An extensive investigation by Radio Free Europe/Radio Liberty in July 2000 claimed to have uncovered evidence that Bakai was forced to resign after the discovery that he had transferred millions of Neftegaz dollars to private offshore accounts.[22] According to Carnegie Endowment senior analyst Anders Aslund, Bakai headed one of the country's most influential clans with close connections to Ukrainian President Kuchma.[23] In Central Asia and the Caucasus, especially in the oil-rich countries of Kazakhstan and Azerbaijan,[24] post-Soviet crony capitalism has meant the siphoning of oil revenues that had the potential to improve the standard of living of millions.

Crony capitalism is changing in nature as time passes. According to Brovkin, the practice of stealing from the state has 'sprouted new criminal wings that are supported by legally sanctioned offshore companies and naive, corrupt or complicit Western institutions'.[25]



Rashid Sherif, Azerbaijan

State capture

For many states in the CIS, crony capitalism is characterised by 'state capture'. According to the EBRD and the World Bank, state capture occurs when individuals, groups or firms are so powerful that they can influence the formation of laws, rules and decrees; purchase legislation; or gain control of the media or other key institutions.[26] State capture results in state agencies regulating businesses in accordance with private, as opposed to public, interests. Business activity is distorted, investment deterred and the state unable to carry out reforms to which the public is entitled. A key feature of state capture is the weakness of the government in the face of its captors.

According to the World Bank report *Anti-Corruption in Transition*, the most advanced reformist states in the region, such as Armenia, suffer the least from state capture. Similarly low levels are found in countries regarded as post-Soviet dictatorships, like Belarus and Uzbekistan, because society is so rigid there that the entrepreneurial class is still underdeveloped. The worst offenders in the region are those countries that have undertaken only partial reforms, such as Azerbaijan, Georgia, Kyrgyzstan, Moldova, Russia and Ukraine.[27]

Yevgeny Volk, an analyst with the Heritage Foundation in Moscow, agreed that the level of state capture in Russia is dangerously high. 'In Russia today, we can speak of a whole state capture network since no radical barriers were introduced to curb it. Most of the state apparatus members … receive less than US $600 per month in official salary.' There is little incentive on the part of parliamentarians or court judges to reject bribes from businessmen. But levels of state capture

Corruption in Russian daily life

Corruption is splashed across Russia's media on a daily basis. The stories focus on corruption at the grand level – corrupt oligarchs, federal ministers and regional tsars. This leaves most Russians cold because it so common – and doesn't touch on their own daily experience.

There are two misconceptions about corruption in Russia. The first was echoed in the statement by former interior minister Vladimir Rushailo that bribe taking is not corruption. His remarks showed the tacit acceptance of corruption that permeates Russian society. Another is that 'corruption has saved Russia'. According to this dangerous logic, it is better for citizens to pay for free healthcare, education and housing services, rather than be left with no public services at all. In short, it is better not to bother arguing for your rights. Just pay for them.

Corruption is not just a collection of criminal activities in Russia, it is a perverse system of governance. And petty corruption plagues the country, breeds poverty and undermines the already challenged public trust in democratic values.

TI-Russia

differ across the region, Volk said. Ukraine is now where Russia was several years ago, and Ukrainian property division is not yet finished. Furthermore, Volk argued, the situation in Ukraine largely depends on Russia and its oligarchs.[28]

Yury Korgunyuk, with Moscow's Indem Research Centre, said the level of state capture is exaggerated in Russia, at least 'compared to Ukraine and Azerbaijan, where after the fall of the Soviet Union everything was seized by local clans'. According to Korgunyuk, Russia should fare better on current and future corruption indices.[29]

'The stronger the state, the weaker the state capture,' argued Indem's Gregory Satarov. 'Russia today is making an attempt to become a strong state and create a legal foundation for business.' For other CIS countries that are years behind Russia in reform, state capture is only now reaching its peak.[30] There is evidence that state capture is actually on the increase in Central Asia, the Caucasus and Ukraine.

Princes and paupers

The fall of the Soviet Union was followed, to varying degrees across the region, by market reforms that fell prey to a criminal brand of privatisation of state assets, the result of which was the creation of a 'princely' class of former officials with connections to the ruling elite, and a pauper class out of the rest of the population.[31]

Many of Ukraine's communists reinvented themselves before the collapse of the Soviet Union, with the goal of turning their Soviet-era power into tangible wealth. The result was the emergence of a new and powerful oligarchy.[32] In Russia, throughout Yeltsin's tenure as president, powerful businessmen and politi-

In Russian health care, you get what you pay for, even when it's free

When Sasha, a 37-year-old from St Petersburg, tried to help his elderly neighbour receive proper medical care, he witnessed first hand how bribery is truly a matter of life and death.

According to the doctor at the state hospital – where service is 'free' – the elderly woman needed an urgent operation. But the doctor requested a bribe that the woman could never afford. When she didn't pay, the doctor handed her an official medical report that stated her condition as 'inoperable'.

'Everyone believes that free medical care is bad medical care,' says Sasha. 'It's very difficult to get any help for elderly people. No one wants to bother with them.' Many patients view bribery as an acceptable alternative to no health care at all. According to Sasha, 'Everyone has to pay.'

State doctors, earning between US $15 and US $50 per month, feel they have no other choice but to accept bribes for services that should otherwise be free. And the hospitals, with negligible budgets, see bribery as the only way of financing medical supplies.

Svetlana, a 45-year-old neuropathologist at Moscow's Hospital 68, feels uneasy talking about bribery. 'There are medical ethics involved,' she says. 'Of course, patients thank doctors with money. No one can deny that this practice exists. But our attitude never depends on the money patients pay.' Later, she concedes: 'Naturally, if a person does give money, the attitude is a bit more attentive.'

Caught between Soviet socialised medicine and a market economy, the Russian health care system is riddled with corruption. The World Health Organisation's 2000 report ranked Russia among the lowest in terms of health care financing, and pointed to the dangers of governments turning a blind eye to illicit markets in the health sector.

Meanwhile, a form of health care corruption beyond the control of doctors or patients makes the situation even more hopeless.

St Petersburg has been embroiled since 1997 in an ongoing battle against corruption in public procurement of medicines from pharmaceutical companies. In 1997–98, the Public Health Committee conducted an investigation into the sale of expired medicines, unearthing evidence that corruption led to contracts being given to pharmaceutical companies that proposed the highest bids.

Pensioners have a difficult time getting the quality medicines to which they are entitled through the free state system. Anna, 86, used to get a prescription drug for her liver condition called Essential Forte. But when she ran out recently, the doctor refused to give her another prescription and advised her instead to try garlic. 'It's very good for your health,' she remembers the doctor saying.

When asked about corruption in the health care system, the Russian analyst Boris Kargarlitsky said the rules of the health care game are clear: pay with money, or pay with your life.

There is a popular joke about health care in Russia, he recounted. The first question a doctor usually asks a patient is how much they earn. If they earn US $20 a month, the doctor prescribes lots of vegetables and plenty of fresh air.

If they earn less, the doctor just prescribes fresh air.

Jen Tracy and Maria Antonenko

cians acquired lucrative state properties and resources at knockdown prices.[33] According to Yevgeny Volk of the Heritage Foundation, the former communist *nomenklatura* was given the opportunity to manage state property, and most emerging tycoons remained in the government. As a result, privatisation was

based less on fair competition and more on political connections that were often corrupt. Moreover, Volk suggested, there was no radical change of authority in Russia – as occurred for instance in the Czech Republic – which could have facilitated a drive toward greater transparency.[34]

Russia and Ukraine have both stated their intentions to rein in the oligarchs. Since President Putin came to power, former Kremlin insider and media magnate Boris Berezovsky lost favour and is now in self-imposed exile in Europe, having escaped a warrant for his arrest. Berezovsky failed to appear for questioning over his alleged role in the illicit transfer of tens of millions of dollars from airline giant Aeroflot to front companies in Switzerland. But his continued freedom abroad leads many to question whether the Kremlin is merely making empty legal threats for the sake of its public image.[35] In Ukraine, reforms in the energy sector hit the oligarchs hard, and they retaliated by using their influence to bring down the government of liberal prime minister Viktor Yushchenko in April 2001. The move was interpreted as a major setback for reform, including anti-corruption and transparency efforts, as well as for the economy in general.

Electoral corruption

The subtle and not-so-subtle art of electoral corruption in the CIS region obstructs the completion of democratic and market reforms. Dirty tricks, such as the removal of opponents from elections, ballot box stuffing, tampering with ballots, and bribing or threatening voters, are some of the more obvious forms of electoral corruption. Manipulating the media and misinforming the voting public is another form, perhaps more subtle and more dangerous in the long run.

In Central Asia, electoral corruption means that the incumbent, who often thrives on a strong cult of personality, will remain in office as long as he desires. In Turkmenistan and Kazakhstan, this can mean becoming president for life. In Russia and Ukraine, it guarantees that the state remains captured by the ruling elite and its kleptocratic oligarchy.

In Kyrgyzstan, the February to March 2000 parliamentary elections and October 2000 presidential elections were marred by allegations of ballot box stuffing, the exclusion of serious opponents, intimidation of the media and other irregularities. Only those loyal to the regime secured seats in the lower house of parliament. Incumbent President Askar Akayev won nearly 75 per cent of the vote.[36] Most local and international observers declared the vote neither free nor fair, and a setback for the development of democracy in the country.[37] 'The authorities stole the victory from the opposition,' said Melis Eshimkanov, editor-in-chief of the opposition *Asaba* newspaper. 'About 60 per cent of the votes were forged.'[38] John

Schoeberlein, Director of the Forum for Central Asian Studies at Harvard University and head of the Central Asia programme for the International Crisis Group, agreed: 'This is a high-profile event that shows that Akayev is not committed to pursuing as democratic a path as possible. It is quite possible – as in the case of any Central Asian elections – that he would have won on the basis of popularity, without fraud. But it seems that the ideal of a clean and fair election is just not flourishing in the minds of the leaders.'[39]

In Russia, the OSCE reported incidents of foul play in the March presidential elections, but overall the vote marked an improvement in the democratic process. Regional elections, especially those for governors, however, have received much lower marks.[40] Regional governors took advantage of a situation that boosted their authority, managing to bring forward elections from their originally scheduled 2000 dates to 1999. Rushing through early elections led to landslide victories for many incumbent governors, who nevertheless resorted to corruption during the voting process, including the questionable banning of opponents from the race, buying votes from beleaguered pensioners, and threatening voters with unemployment or the loss of various social benefits.[41]

The Ukraine parliamentary by-elections held in June 2000 were characterised by numerous dirty tricks. The elections ended in a sweeping victory for the regional ruling elite, and all ten newly elected deputies sided with the pro-presidential, centre-right majority in parliament.[42]

In the region, Belarus takes the prize for electoral malpractice and removing opponents from parliamentary and presidential elections. In 1996, President Lukashenka forced through a referendum that effectively established one-man rule, extending his term in office by two years until 2001. The EU, the US and the country's internal opposition refused to recognise the referendum. With presidential elections due in September 2001, Lukashenka may destroy what few independent voices remain, beginning with the opposition. The executive branch maintains a tight grip on all aspects of the election campaign, from the appointment of election commissions to the court review of appeals by candidates and election observers.[43]

Media coverage of electoral politics

Manipulating the media is one of the most damaging forms of electoral corruption in the region. And it is during campaign time that the real battle is won – influencing the electorate in most cases by eliminating choice. The European Institute for the Media (EIM), which monitors media behaviour in the run-up to elections in the former Soviet Union, had this to say about the Georgian President's re-election in April 2000:

Freedom of the press in Kazakhstan: deceptive appearances

Pick up a newspaper in Almaty and you read story after story criticising the government. A foreign visitor might be forgiven for assuming that Kazakhstan has a robust press operating in a climate free of censorship. But scratch the surface and there are serious limitations to press freedom.

While even the state-owned media publish articles critical of the government, the President is beyond reproach in a country often dubbed a 'supra-presidential' republic. An article in the Criminal Code ensures that any 'insult of the honour and dignity' of the President is subject to criminal prosecution. The result: self-censorship. Critics compare the code with the notorious paragraph ten of Stalin's article 58.

The harsh reality is that reporting on high-level corruption is extremely constrained. Articles typically name only second or third-hand perpetrators. And since investigative journalism has not made much headway, the occasional reports of high-level corruption found in the pages of openly opposition newspapers are usually translations or reprints from Western, or sometimes Moscow-based, media. Even these are sometimes censored.

Reporting on corruption carries risks. Cases of physical assaults on journalists and arson attacks on media offices are well documented. The recent assault on *Respublika 2000*'s editor after the publication of an article about one of the country's 'oil kings' serves as one example. Threats were also made against journalists at *Vremya* who dared to write about corruption and to the television crews of *KTK-TV*, who produced a controversial report at one of the country's military installations. The Prosecutor's Office has failed to investigate these cases.

On top of the threat of physical intimidation, Kazakh journalists are subject to a tangle of legal and administrative constraints. While the constitution guarantees freedom of speech and prohibits censorship, the current Law on the Media, adopted in 1999, is a pale shadow of the 1991 law created on the wave of Mikhail Gorbachev's *perestroika*.

There is common agreement that the rights and freedoms of the media exist only on paper. The cards are stacked: attempts by journalists to appeal to the law, the constitution or the Universal Declaration of Human Rights are, as a rule, unsuccessful, while the provisions of the Law on Media and other legislation used against journalists, editors, publishers and media owners are implemented with fervour. The arbitrary nature of judicial decisions is an obstacle, thwarting attempts by journalists to write about corruption.

Reporting on high-level corruption is further limited by the concentration of media ownership. Although media ownership is regulated by the Civil Code, anti-monopoly legislation and the Law on Media, the mass media is concentrated in the hands of only a few. While there are many newspapers and television stations in Kazakhstan, most media are bought by pro-presidential forces as soon as their public profile and popularity increase.

One of the more influential media companies is owned by the daughter and son-in-law of the president. Even media of secondary importance are bought up by key economic and political players, including the *Kazkommercebank* financial group, the Eurasian Bank Group, local authorities and – unsurprisingly – the President's other son-in-law.

TI-Kazakhstan

> 'Coverage of the campaign in the broadcast media was dominated by Eduard Shevardnadze, who received around two thirds of the time and space devoted to the candidates on television, radio and newspapers monitored … The allegiance of the state media to the incumbent, the weak position of the [independent] print media … combined in this election to frustrate the ability of voters to receive a full, fair and balanced accounting of the choices available to them.'

EIM viewed the Russian presidential elections in a similar light. And, for October 2000 presidential elections in Kyrgyzstan, EIM said that the electorate never had a chance to form its own opinion freely about the candidates. The incumbent Akayev received over 90 per cent of airtime during the campaign.[44]

Government anti-corruption efforts

As far as President Heydar Aliev is concerned, corruption in Azerbaijan is no worse than in any other country.[45] International bodies disagree. Aliev insists that Transparency International, the US State Department and the World Bank are 'biased' in their judgement. In March, he said: 'It is not a novelty that corruption exists in Azerbaijan. We know this fact and are struggling against it. But, regretfully, we could not stop corruption and there has been no result. If I had the opportunity, I could stop corruption within one or two months.' A confusing message, to be sure – but one which makes it unsurprising that few government anti-corruption efforts, apart from firing some officials, have been made to date in Azerbaijan.[46]

Not all anti-corruption initiatives across the former Soviet Union are as hopeless, but most are only moderately effective. This has less to do with any lack of desire to combat corruption and more with the fact that corruption has become institutionalised. Politicians trying to stamp out graft usually find their careers cut short or their efforts rebuffed. Nevertheless, initiatives do continue. In January 2001, Kyrgyzstan adopted a Code of Ethics and Armenia pledged to renew its anti-corruption drive after it was awarded US $300,000 by the World Bank to develop a programme to combat bribery, nepotism and other economic crimes.[47]

In Russia, Putin seems to be acting on pre-election promises to combat corruption, but the jury is still out on whether he is a wolf in reformer's clothing. In one initiative, the government aimed to bring regional legislation and institutions in line with the federal constitution. But what was intended as a grand anti-corruption effort resulted instead in power battles over revenue streams among the new presidential envoys and a wary regional elite.[48] The government also proved ineffective in challenging the regional barons and influencing the corrupt way

gubernatorial elections are conducted. When wayward Far Eastern Primorye Governor Yevgeny Nazdratenko was forced to resign early in 2000 – he had controlled industry in his region for years – analysts thought it might be a sign that Putin was serious about cracking down on regional corruption. But Putin did not fire Nazdratenko; instead, he lured him away from his post as governor with the promise of a cushy job in Moscow.

Putin's cabinet reshuffle in March 2001 did result in some radical changes in his security team. Analysts say that Putin aimed to root out corruption in the security forces and the military by filling the security posts in his cabinet with friends and allies. He also appointed former deputy finance minister Lyubov Kudelina to the post of Deputy Defence Minister. This move may signify his recognition of the need to combat corruption in the armed forces by having a former finance official keep a close watch on the defence budget.[49]

Indem analyst Yury Korgunyuk called the reshuffle positive, suggesting that the creation of new teams in the corruption-ridden Interior and Defence Ministries indicated Putin is serious. 'Without bringing order to agencies that are supposed to bring order to the country, it makes no sense to talk about law and order,' Korgunyuk told *The Moscow Times*. The pro-Kremlin daily *Izvestia* was perhaps prematurely triumphant when it declared: 'This is the end of the world for the oligarchy that has ruled the Russian political elite for the last decade.'[50]

Georgia grabbed most of the limelight insofar as national anti-corruption efforts in the region were concerned. With the approval of international donors, President Eduard Shevardnadze signed a groundbreaking anti-corruption decree in March 2001 that promised to introduce maximum transparency in state institutions, define clear distinctions between the functions and duties of public agencies, and identify adequate remuneration for public service employees. The anti-corruption decree was a positive step and was well received by the public, though some Georgian anti-corruption officials were pessimistic.[51]

Georgia's challenge is the challenge to the region. Even if the anti-corruption initiative is sincere, as many experts seem to think, Shevardnadze's hands are tied. A far-reaching campaign would attack members of the ruling elite on whom he relies.[52] Ghia Nodia, head of the Caucasus Institute for Peace, said: 'He is afraid to weaken his power and is not ready to take radical measures.'[53] Shevardnadze cannot sack half of his cabinet. But corruption in Georgia is so pervasive that anti-corruption fighters are often not sure whom to target first.

Many anti-corruption initiatives in the region are rooted in Soviet tradition and have political motivations. In January, Kazakh President Nursultan Nazarbayev berated officials for their excesses abroad and misappropriation of funds. The President said that 865 local officials were sacked last year for mis-

conduct linked to corruption.[54] Fine words and actions, but coming from a president who tolerates little opposition and regularly clamps down on independent media, they are not seen as a sincere commitment to transparency.

The states most resistant to enacting anti-corruption reform remain Azerbaijan, which has still to acknowledge that corruption is a problem, and Turkmenistan, whose leader demonstrates all too clearly how nonchalantly the issue is handled. On 16 April, President Saparmurat Niyazov denounced officials for graft, demanding the country get rid of corruption – in exactly five days.[55]

Conclusion

Corruption across the region continued to keep economic and political reforms from becoming effective in 2000–01. In the short term, the dismissal of the Ukrainian Prime Minister and his cabinet could have signalled an end to reforms aimed at greater transparency in the country. Yushchenko's government was the first to tackle such reforms and to record positive economic growth. In Russia, Putin's first year in office led some to hope that law and order efforts aimed at de-institutionalising corruption are possible. How Putin deals with Russia's enterprise giants will indicate whether the country will be able to tear itself away from the post-Soviet crony capitalism that has strangled the economy and deterred investment for a decade.

In Central Asia and the Caucasus, religious warfare, increased drug smuggling and battles over lucrative oil revenues have resulted in ever-shrinking transparency, a trend made all the more worrying as governments increasingly underplay the seriousness of bribery, nepotism and other abuses of power. Key players are still able to take advantage of partial market reforms and the availability of new offshore outlets for moving money.

In some countries political transparency seemed to be improving, but electoral corruption thwarted major change across the CIS. Anti-corruption efforts, while increasing, often lacked follow-through and proved difficult to implement due to the control state captors have over government institutions.

A primary problem related to corruption has been the weakness of the state. To begin tackling corruption, governments must renew their authority in the face of powerful oligarchs who have ties to leading officials. Stricter legislation against money laundering, asset stripping and bribery must be introduced and implemented. In most cases, such implementation will necessitate major cabinet reshuffles and the ousting of corrupt state managers. Until CIS governments begin to recognise the dangers associated with the conflict of interest between business and state, serious reforms will be difficult to undertake.

The role the West can play in helping post-Soviet countries in their efforts to curb corruption must not be underestimated. One of the most important challenges facing the international community is to monitor more closely offshore banking activities and, in particular, to ensure that banks strictly follow 'know your customer' rules when dealing with money transfers from the region.[56] If it fails in that task, it could be charged with doing little to help the CIS overcome its first anti-corruption hurdles, or even worse, as an accomplice to crony capitalism. The lion's share of anti-corruption work still falls to CIS leaders, who need to strengthen their own governments, but by democratic and transparent means.

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17 Transitions Online, 7 November 2000; Turan News Agency (Azerbaijan), 6 April 2001.
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