GOVERNANCE AND SERVICE DELIVERY IN THE KYRGYZ REPUBLIC – RESULTS OF DIAGNOSTIC SURVEYS

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ACRONYMS AND ABBREVIATIONS

ACSI  American Customer Satisfaction Index
ADB  Asian Development Bank
BEEPS Business Environment and Enterprise Performance Survey
CDF  Comprehensive Development Framework
CSAC  Consolidated Structural Adjustment Credit
EBRD  European Bank for Reconstruction and Development
FSU  Former Soviet Union
GDP  Gross Domestic Product
GSAC  Governance Structural Adjustment Credit
HSRP-II Second Health Sector Reform Project
INSPR  Interim National Strategy for Poverty Reduction
MHIF  Mandatory Health Insurance Fund
MTFF  Medium-Term Fiscal Framework
NGO  Non-Governmental Organization
NSC  National Statistical Committee
PER  Public Expenditure Review
RFE-RL Radio Free Europe/Radio Liberty
SDP  Sheep Development Project
SMEs  Small and Medium Enterprises
UK-DFID United Kingdom Department for International Development
USA  United States of America
USAID United States Agency for International Development
WBI  World Bank Institute

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Executive Summary

1. In the Kyrgyz Republic, as in most of the transition countries that emerged from the former Soviet bloc, the first decade of independence has brought both achievements and disappointments. Political and economic freedoms unknown under the old system are now expected by the population and the private sector continues to expand. At the same time, half the population now lives in poverty, debt levels have reached worrying levels, and exports and foreign investment have both declined. As in many countries, corruption is a pervasive problem which constrains broad-based growth.

2. Recognizing that the economy will not enjoy sustained growth and that poverty will not be reduced without governance-oriented reforms, the Government requested the preparation of this report. Based on surveys of 1,000 citizens, 400 enterprise managers, and 350 public officials carried out by the Kyrgyz survey research firm M-Vector in 2001, this report provides the user’s perspective on the quality, accessibility, and level of corruption in a large number of state services, as well as an indication of institutional deficiencies that are weakening service delivery.

3. The collective opinions and experiences of firms, citizens, and officials juxtapose clear progress in certain institutional reforms with sobering reminders of the deep and complex transformations that remain. Although the challenge of prioritizing reforms is daunting, the surveys make painfully clear that current efforts must be continued and deepened. Weaknesses in governance in the Kyrgyz Republic are exacerbating poverty through many channels. Corruption and bureaucracy are restraining the private sector, limiting its capacity to generate employment and income. Corruption, both large and small, keeps state revenues below their lawful potential and causes wasteful use of resources that might otherwise be used to fight poverty. Corruption hinders access for the poor to basic services.

4. The Kyrgyz Republic’s key development approaches, the National Strategy for Poverty Reduction (INSPR) and the Comprehensive Development Framework (CDF), both make clear that the size of the challenge facing reformers is well-understood, and that governance reforms must play a key role poverty reduction. With capacity limited and resources over-stretched, the complex societal and institutional transformations that are needed can not be achieved quickly. Yet, with appropriate prioritization, the state can launch and deepen key initiatives that both demonstrate commitment to reducing corruption and lay the groundwork for efficient, honest and high quality public services.

Achievements and Remaining Challenges in Public Administration

5. Reducing poverty in the Kyrgyz Republic will require a state administration that can appropriately regulate for the common good without unduly tethering entrepreneurship, one that will deliver high quality services and public goods to the population, transparently and
efficiently, but which will also not compete in the delivery of such service and goods with
the private sector. Such a state administration will only emerge when its internal procedures
and system of rewards and punishments provide the proper incentive for staff to work hard
and honestly to provide the services that are demanded by the population. The public
officials survey provides a valuable glimpse into the inner workings of state bodies and
reveals both examples of reforms that are taking root and the challenges that remain.

Human Resources Systems

6. In 1999, the Kyrgyz Republic introduced a Law on Public Service which lays out in
broad terms the rights and responsibilities of state employees of various classes, and
establishes systems of competitive recruitment and attestation. Those officials who had been
through competitive recruitment and the hiring managers generally agreed that the process
was transparent and fair and helped ensure that the most qualified candidate got hired.
Officials also provided similarly favorable evaluations of attestation and indicated that
attestation frequently results in corrective action. These are non-trivial improvements in the
system of personnel management.

7. But challenges remain. First, only a limited number of officials are currently hired
under competitive recruitment – in 2002, competitive hiring was only conducted for some 25
percent of positions. Expanding competitive hiring and extending to the local and oblast
levels can bring the benefits of competition to a larger share of the public sector. Second,
making the pay levels of civil servants consistent with a professional and honest cadre of
officials – following a proper review – can help improve incentives for the most qualified
people to remain in the public service, and for the honest to maintain their integrity. Third,
strictly enforcing disclosure and conflict of interest regulations can enhance the transparency
of motives and interests of high ranking officials.

8. Finally, although people generally understand the provisions of the Public Service
Law and say they know their rights, many seem unwilling to exercise those rights. Moreover,
while most officials said that personnel decisions were based on merit, non-trivial
proportions also indicated that patronage and connections play a role, and a small number (6
percent) said that unofficial payments are exchanged for jobs or promotions. The household
survey provides a relatively starker view: 34 percent that had been to the state applying for a
job said that they provided an unofficial payment of some sort.

9. The experience of the survey itself shows that many public officials in the Kyrgyz
Republic have less than full confidence in their rights. The public officials survey had the
largest incidence of refusals (20 percent) of the three surveys. Although this is not a large
proportion for surveys of this type, the reasons cited for refusing included fear of reprisals
from superiors.

Public Financial Management Systems
10. Transparent and accountable financial management systems can play integral roles in empowering state officials to provide high quality services with low levels of corruption. An open and transparent system helps policymakers and implementing authorities alike focus on their priorities and ways to achieve them given limited resources. The 1997 Law on the Principles of Budget laid out the parameters of budget preparation, execution, and control. Here, too, we find evidence that reforms are having some effect as well as areas where reforms need to be deepened. Public officials familiar with budget practices almost universally reported that the budget formulation process is a consultative process, although cross-ministerial discussion in the cabinet only takes place about half the time. Bringing off-budget resources, such as user fees and extra-budgetary funds, under the purview of the budgeting process and the treasury single account are essential for effective financial management, as is improved implementation of the new intergovernmental financial arrangements, improved expenditure controls and continued improvements in auditing capacities and processes.

Building Institutions for Public-Private Dialogue

11. Delivering high quality services that meet the needs of the population is made easier when a system of public-private dialogue generates accountability and feedback. The public officials in the Kyrgyz Republic reported a number of ways in which they keep the community informed about their activities, including information dissemination through local periodicals and mass media, and the preparation of activity reports. Most officials also report that their institutions have formal mechanisms for receiving complaints from citizens and businessmen.

12. Yet the public-private dialogue is not meeting its potential. Although most officials said they have formal complaint and comment mechanisms, the onus is on the citizens to find out how to complain or provide comments, increasing the chances that intimidation will dissuade people from complaining and even increases the costs to citizens who might have helpful suggestions for improving performance. In fact, despite the fact that many households and enterprise managers said they were dissatisfied with many of the services they received, few had pursued the matter, many reporting that they did not know where to complain.

Assessments of Governance from the User’s Perspective

13. Despite the generally positive pronouncements of public officials that their services are of high quality, are cost effective and meet the needs of the citizens, the surveys of households and enterprises provide a less positive evaluation. Their assessments, however, also reflect a wide variance across the spectrum of state services with some bodies receiving high evaluations while other were very low. The incidence of corruption also varies across bodies and in nature of corrupt acts, from bribery for services, to embezzlement, to the subversion of law making processes. The consequences of these problems are many, the most disagreeable of which is surely the influence that they have in exacerbating poverty.
Satisfaction with Public Services

14. The ratings of public services covered state bodies that are service providers, such as educational institutions and health care facilities, as well as controlling authorities, such as the police and customs, with broad powers over firms and citizens. Figure 1 presents satisfaction ratings for the bodies with the best and worst performance, from the perspective of the firms and households that actually interacted with these bodies. (A few private and quasi-private bodies were also evaluated for the purposes of comparison.) From the enterprise viewpoint, the best performers consist of private and quasi-private business services, while the lowest satisfaction was reported for controlling authorities such as the police and the courts. The views of citizens in some ways mirrored those of firms: the highest satisfaction rating was awarded to veterinary services, while the lowest ratings went to the police for their handling of criminal investigations.

Experiences with Bribery

15. The surveys also asked direct questions about experiences with bribery and unofficial payments, and the best and worst performers are highlighted in Figure 2. From the firm perspective, controlling authorities, such as customs, the police, and tax inspectors, topped the list of those with the most frequent bribery. This is particularly worrisome since it is exactly these institutions that act as barriers to stronger private sector expansion. According to households, the traffic police and educational institutions were the most frequent recipients of unofficial payments. (Although some of the payments to educational institutions may have been innocuous tokens of appreciation, the majority do have the characteristics of bribes.)

16. The most striking feature of Figure 2, however, is not the comparative performance of different bodies but the high proportion of enterprises and households that reported encountering bribery. Overall, 42 percent of households reported that they made an unofficial payment in the 12 months before the survey, and bribes were equally prevalent among firms: 48 percent of enterprises said they had paid bribes in the previous 12 months.
Figure 2. Bribery and Unofficial Payments -- The Best and the Worst Performers

According to Enterprises

- Police: 34%
- Tax inspectors: 45%
- Custom authorities: 47%
- Telecommunications: 7%
- Notary offices: 6%
- Other oblast administration: 7%
- Bank services: 6%

According to Households

- Traffic police: 42%
- Universities: 38%
- Job from the state: 32%
- Vocational schools: 8%
- Traffic police: 42%
- Job through labor exch.: 9%
- Telephone connection/repair: 0%
- Unemployment ben.: 0%

Erosion of Trust

17. The corruption that people experience ultimately erodes trust in the institutions of state, even those with whom they do not interact. When asked about the Presidential Administration, the Prime Minister’s Administration, Parliament, and local administration and local Keneshes, few people reported that they believe corruption to be only a small problem, and over a fifth of the population said that corruption is “very widespread.” There is even less faith in the integrity of the courts – nearly a half of the households surveyed believe corruption is very widespread in the courts and less than one in fifteen was willing to assert that corruption was not widespread. The practice of bribery at courts can have wide-ranging consequences for law obedience, for non-violent dispute resolution, and for credibility of the state. For the poor, the costs may be even more dear, as many may come to view justice as a service only available to the rich. (See Figure 3.)

Figure 3. Buying Access to Justice?

percent of households making an unofficial payment at court (of those that went to court)

- Poorest third: 20%
- Middle third: 26%
- Richest third: 41%

reasons that people do not use the courts (even when they have a reason)

- Other: 9%
- The court decision, usually, is not respected: 22%
- Legal assistance not available or too expensive: 23%
- The trial lasts too long: 25%
- The court decisions are not fair: 26%
- The official trial fees are very high: 14%
- It is necessary to give bribes: 4%

18. Trust in the law making process itself may be under threat. A large number of the firms in the Kyrgyz Republic reported being affected by “state capture,” corruption in which concentrated and well-connected economic interests subvert the law-making process to their
own interest. One in four firms said that they are significantly affected by the sale of parliamentary votes on laws to interests that benefit from those laws, and an even larger percentage said the same of presidential decrees. Whether this perception is accurate or not, the statistics confirm that a large number of enterprise managers view the law making process with suspicion. These suspicions are not entirely unfounded: 17 percent of the elected officials that participated in the public officials survey said they had been offered money or an expensive present in the 12 months prior to the surveys.

**The Many Ways That Weak Governance Worsens Poverty**

19. The governance weaknesses outlined above are contributing to the Kyrgyz Republic’s worsening problems with poverty in many ways. Since unofficial payments often work like flat taxes, the impact tends to fall more heavily on poor households: the poor tend to pay more in unofficial payments as a share of total household income. But poor governance exacerbates poverty in many other ways, both direct and indirect. The private sector becomes stymied by a business environment viewed as intrusive rather than supportive. Fiscal resources that could be used to fight poverty are unnecessarily wasted though misdirected and inefficient spending. Indeed, fiscal resources fall short of their lawful potential due to corruption in revenue collecting authorities. Services that matter most for the poor are weakened, hindering the ability of the poor to help themselves.

**Worsening the Business Environment**

20. Sustained poverty reduction requires economic and employment growth, which is in turn dependent on an inviting business environment. In the Kyrgyz Republic, the survey of enterprises shows that while advances have been made in some areas, challenges in creating a healthy business environment remain.

21. The process of enterprise registration has been simplified, and the percentage of firms paying bribes during the legal registration at the Ministry of Justice has improved in recent years. However, other aspects of the registration process are still reported to be complicated and often involve unofficial payments. Registrations with the Tax Administration, and the State Committee on Licenses and Standards, as well as sector-specific registrations were cited by many firms for the need to pay bribes.

22. Although the number of activities subject to licensing has halved in the past few years, the actual procedures for licensing are often opaque and many licensing and inspection bodies continue to receive or demand bribes. For example, 26 percent of firms that had received construction permits said they encountered bribery and 29 percent of firms that had been subject to a sanitary and epidemiological inspection said likewise. The dangers of such bribes lie not just in the effect that they have on the business environment, but in the possibility that sub-standard construction or unsafe sanitary conditions endanger people’s health.

23. International trade conveys benefits for economic growth that are especially strong for small countries such as the Kyrgyz Republic, making it all the more disappointing that
exports and foreign investment have both declined in recent years. Although there are many reasons for these declines, the survey of enterprises suggests that governance issues are not helping matters. Customs was among the bodies most frequently cited for unofficial payments, and many firms also reported using bribes and connections to obtain export or import permits.

Reduction State Revenues and Misdirecting Expenditures

24. The fiscal state of affairs in the Kyrgyz Republic is weakened by poor governance on both the revenue and expenditure sides. Resources that might otherwise be used to improve state services, stimulate growth, and fight poverty are instead dissipated in the form of unofficial payments and misdirected public procurement.

25. Bribery in revenue collection deprives the state of lawful resources. Tax inspectors were among those identified by firms as the most frequent recipients of bribery, with 45 percent of firms reporting bribery. As tax inspectors are a fact of life for nearly all Kyrgyz firms, weaknesses in this area can have enormous aggregate effects. Customs is similarly beset by governance problems, and even fines from the traffic police and various inspectorates frequently flow into private pockets in the form of unofficial payments rather than into state coffers as they should.

26. The expenditure side of the budget is also subject to non-transparencies. Procurement processes received lukewarm evaluations by the firms that participated in them, with many firms stating that they were dissatisfied with the level of transparency. Among public officials familiar with procurement practices, one in five said that unofficial payments are frequently made to gain contracts in public tenders. Although reforms have been made in procurement practices, there remains work to be done in this area.

Weakening of Services that Matter Most for the Poor

27. The poor are the most vulnerable when governance weaknesses disrupt state services since they have the least ability to seek private alternatives. First, as noted above, informal payments can exclude the poor from access to basic services. Second, since the poor often pay more in unofficial payments as a share of total income, the impact of corruption falls most heavily on poor households. Third, since the poor have limited channels for providing feedback when services are not properly provided, service quality may be reduced without accountability for providers.

28. The surveys provide a glimpse into the ways that the poor are affected by weaknesses in crucial services such as health and education, and by difficulties in delivering targeted social protection services. Other services that help the poor to help themselves, such as veterinary services, were also examined and provide one positive example to which other sectors might aspire.
29. The health care system in the Kyrgyz Republic has been marked by rapid changes in financing, including the introduction of mandatory health insurance and co-payments. Despite these reforms, unofficial payments remain common, with nearly 40 percent of those visiting the hospital, for example, reporting that they made an unofficial payment. Also telling is the divergence in understanding between richer and poorer households of whether or not small gifts are “corruption”: while only 11 percent of the wealthier third of the population declared a box of chocolates given to a doctor after a visit to be “definitely corruption,” 23 percent of the poorer households thought so. Even a small token can be a burden on the poorest.

30. Unofficial payments in education were also common. Although many were not “bribes” in the same sense as the payments made for other services, the majority of the payments did have the characteristics of bribes. Among families with children in elementary schools, for example, 38 percent made a payment that was “necessary to receive proper treatment,” and 22 percent made payments that were declared to be “in some ways a bribe.”

31. Rural extension services hold out hope for the rural poor to help themselves out of poverty. Although unofficial payments for both agricultural and veterinary services were fairly common (30 and 24 percent of households paying, respectively), the sizes of the payments were relatively small. In the case of veterinary services, the satisfaction rating was much higher than for other state services, more than twice as high as for agricultural services.

Priorities for Improving Governance

32. The myriad governance problems outlined in this report present Kyrgyz leaders with a daunting task. They are faced with deep-rooted governance problems that are worsening poverty and eroding trust in the institutions of state. Yet the reforms that are needed to address these problems are many and complex. Even the best efforts will not show effects quickly. The development initiatives in which the Kyrgyz Government has been a part reflect an awareness of both the complexity and necessity of reforms. To address these reforms with an already over-stretched bureaucracy requires some sense of prioritization.

33. An essential element of strategies for reducing corruption and stimulating quality in the public sector is the fundamental shift toward openness in society. Transparency requires that government provide the public sufficient information about their activities in order for the public to serve as an effective check on abuses by government and public officials. Although many public officials indicated that they do, in fact, inform the public of their activities in a number of ways and even have official complaint departments, the public at large does not seem to have responded to this provision of information, and most bodies and services are viewed as inaccessible if one has a comment, complaint, or question. Formalizing mechanisms for information access, for example through a freedom of information regime, and formal complaint mechanisms in ways that demand attention by the public bodies in an unambiguous way can help provide civil society with the information it needs to push the public sector in the right direction. Ensuring the effective implementation of an ethics code that promotes disclosure and discourages conflicts of interest is likewise essential for reducing corruption, especially at higher levels. A proactive approach that
invites open oversight by civil society and the media will be the most effective at introducing true transparency and openness into government and reducing corruption. Indeed, countries with the most free and open medias tend to have lower levels of corruption.

34. Strengthening requirements for public information and complaint mechanisms will not likely have much effect unless management practices in state bodies build incentives for the body and staff to comply and, more to the point, to focus their efforts on meeting the demands of the citizenry. Strengthening strategic policy formulation, strengthening revenue and expenditure control and accountability, and re-directing human resources policies such that good performance is rewarded is necessary in order to make reforms of openness effective.

35. Policies geared toward improved human resources management, strong and transparent financial management, streamlining government functions, and efficient systems of internal administrative procedures all contribute to public sector performance. An analysis of the ways that the institutional environment affects the level of performance in public sector bodies suggests that all of these reforms are mutually supporting. Addressing both civil service issues and more general administrative and financial management reforms in concert will have synergistic effects and have a greater impact on corruption and public sector performance. Yet, it is people that make procedures, rather than the other way around – civil service reforms that build incentives for public officials to work efficiently and honestly must have primacy in the public administration reform agenda.

36. Although the challenge the Kyrgyz Republic is facing is daunting, continued commitment to openness and public administration reforms can help bring the country closer to the “democratic, pluralistic and open system of government” envisioned by the CDF. The World Bank stands ready to support the efforts of the Government to undertake the reforms needed to improve governance and reduce poverty in the Kyrgyz Republic.
1. **The Role of Surveys in Governance and Service Delivery**

37. The first decade of independence has witnessed many changes in the Kyrgyz Republic. The former Soviet republic was re-invented in 1993 with the adoption of a new Constitution establishing a parliamentary republic with a bicameral legislature and a strong executive. A greater penchant for openness and change than in other countries in the region brought early reforms and substantial amounts of international aid. Yet despite recognition as a progressive reformer and notable achievements in liberalizing the economy, the Kyrgyz people have seen a deterioration in the standard of living of most of the population. An impoverished country from the outset, the Kyrgyz Republic has seen the ranks of poverty swell even further, with about half of the population now existing below the official poverty line. Despite modest growth of GDP of 4-5 percent over the last two years, exports and foreign direct investment have both declined, and external debt has risen to 135 percent of GDP.

38. This disappointing performance has been recognized by the Kyrgyz authorities and considerable effort has been devoted to understanding the root causes of the country’s problems. The Kyrgyz Republic is one of a small number of countries that was a Comprehensive Development Framework (CDF) pilot, organizing broad-based workshops on topics including (i) poverty reduction and social protection, (ii) sustainable economic growth, and (iii) good governance, legal and judicial reforms – all worthy facets of the challenges the Kyrgyz Republic faces. Poverty alleviation has also been placed at the fore with the preparation of an Interim National Strategy for Poverty Reduction (INSPR) that not only examines the profile of poverty in the Kyrgyz Republic, but discusses the myriad institutional weaknesses that need to be addressed in order to make poverty reduction a reality. Monitoring and evaluation are explicit components of both the CDF and the INSPR, with long lists of actions to be taken and expected results. The international community has been deeply involved in all of these efforts.

39. Volumes of reform proposals and matrices of actions have been prepared, and the sheer number of reforms is daunting. The INSPR, for example, cites public administration reform, decentralization, public financial management, transparency in the tax regime, corporate governance, and legal and judicial reform. Added to these public sector reforms are the need for vigilance in macroeconomic policy, the desire to increase the funding for, and alter the incentives within, the delivery of pro-poor services. Privatization, infrastructure, the energy and agrarian sectors, and the desire to promote the development of small and medium enterprises (SMEs) all compete for attention and for the finite resources available for development. Corruption is increasingly being recognized as a problem threatening both development and security.

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1 The Constitution was amended in 1996 in a way that increased the powers of the President.
3 The Government is now working on a full NSPR which should provide a more explicit prioritization and costing of reforms. The full NSPR is expected to be ready by October, 2002.
40. The Government of the Kyrgyz Republic requested that the World Bank prepare this diagnostic assessment of governance in the Kyrgyz Republic as one input into its strategy formulation. This report is based on national surveys administered to households, enterprises and public officials in the spring of 2001. The surveys, administered by the Bishkek survey research firm M-Vector, covered every oblast and collected detailed information on interaction with the state from 1,000 households and 400 enterprise managers, as well as the insider’s perspective of 350 public officials. This report summarizes and amplifies the voices of the people. With the public dissemination of the results of the Governance and Service Delivery Surveys, the Kyrgyz Republic joins a growing list of transition countries – including Latvia, Romania, and the Slovak Republic – that have endeavored to inform their approach to weak governance and corruption by considering the actual experiences and opinions of the population. (See Text Box 1.)

**Text Box 1. The Governance and Service Delivery Surveys in the Kyrgyz Republic**

The Governance and Service Delivery Surveys implemented in the Kyrgyz Republic follow a tradition of similar surveys implemented elsewhere in the world. Although the questionnaires and sample design are similar to those in other countries, they were adapted for the Kyrgyz Republic by the local survey research firm M-Vector, in collaboration with World Bank staff. The overarching objective of the survey is to provide fodder for dialogue among and between the general public, civil society organizations, and the government on priorities for improving the quality and integrity of service delivery in the Kyrgyz Republic. A related objective is to provide a baseline against which future progress may be measured. Similar surveys carried out every year or two provide incentives by highlighting sectors demonstrating improvement while throwing laggards into the spotlight, as well.

Despite the fact that the questionnaires are similar to those used in other countries, this report will generally refrain from making international comparisons. Such comparisons are best left for cross-country studies designed for that purpose. Indeed, whether the Kyrgyz Republic is more or less corrupt than other countries, and whether the quality of service delivery is better or worse, is beside the point. Designing strategies to improve the integrity and quality of service delivery should be the priority, and international comparisons tend to divert attention from the tasks at hand.

41. Such an open discussion of the performance of the state in the delivery of services and its interaction with the public serves a number of useful purposes. First, the surveys provide an evaluation of services from the user’s perspective. These “scorecards” provide leaders with feedback that is otherwise absent for state service delivery, and provide the public with information with which to lobby for change. As the name suggest, scorecards may also serve the purpose of generating a competitive spirit among governmental bodies to reach for a better rank – shaming poorly performing bodies into reform. Scorecards provide the benchmarks against which improvements (or lack thereof) can be tracked.

42. Second, the surveys help to demonstrate the link between key social and economic problems and weaknesses in governance. The manner and degree to which corruption affects poverty, for example, may not be well understood, leading to anti-poverty programs that underemphasize governance. By providing policy makers and the general public with a more

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complete concept of these links, support for governance-oriented reforms can approach the critical mass needed for meaningful change.

43. Third, the surveys highlight weaknesses in public administration that may be hindering its ability to deliver quality services. The very low level of salaries in the Kyrgyz Republic tend to dominate discussion of the public sector’s weak performance, especially the frequent use of unofficial payments. However myriad other factors influence the incentive and ability to provide high quality services without corruption. An understanding of these relationships provides reformers with a powerful set of tools to help prioritize reforms. A public sector that performs well can more effectively work to reduce poverty and stimulate growth.

44. While the information provided by the survey respondents is very useful for the purposes outlined above, it does have limitations. The surveys only provide information on the issues and experiences that people have knowledge about and are willing to report. The surveys are very strong, for example, in their ability to explain the pattern of corruption in the business environment and assessments of the quality of healthcare, precisely because these are issues that affect large numbers of people directly. By contrast, instances of very high level corruption are less likely to be revealed in a survey. The practical implication of this limitation is that this report focuses primarily on the most frequent interactions between state bodies and private enterprises, and between state bodies and households. The fact that this report pays greater attention to the lower level forms of corruption does not reflect a belief that these are the more serious problems. Indeed, in many transition countries the expansion of high level corruption and backsliding on political contestability are viewed as expanding and as two sides of the same coin. To the degree that high- and low-level corruption and weaknesses in governance are mutually supportive, evidence of widespread problems at lower levels, such as the evidence that can be obtained through surveys, provides an indication of problems at higher levels, as well.

45. This report contributes to the growing body of survey-oriented research addressing corruption in the Kyrgyz Republic. Several studies of the business environment by the World Bank and USAID have touched on the prevalence of unofficial payments by firms and a recent study by UK-DFID examines unofficial payments for health care. Detailed interviews, undertaken as background for the World Bank’s Voice of the Poor series, provide numerous examples of how corruption touches the lives of the poor, and a study by the Center for Public Opinion Studies and Forecasts in 2000 found that 74 percent of respondents believe that corruption is worse now than during the Soviet period.


6 Center for Opinion Studies and Forecasts, Corruption in Kyrgyzstan, 2000, Figure 12.
46. The analytical framework of this report is straightforward. The surveys of enterprise managers and citizens provide evaluations of the quality, accessibility and levels of corruption in the delivery of state services, while the survey of public officials identify the weaknesses in public administration that are hindering the public sector in its efforts to improve the quality of public services and to reduce corruption. Examining both the supply and demand side of service delivery in this way brings forth both key priorities and clear evidence of the costs of inaction. The inescapable conclusion of this analysis is that poor performance of the public sector is an important contributor to the Kyrgyz Republic’s growing problem of poverty. From this story emerge the contours of a more prioritized reform agenda for addressing the governance weaknesses that are contributing to poor performance. Future surveys, of the type used for this report, will track the government’s success at alleviating these governance weaknesses.

47. Section 2 provides an introduction to the profile of governance and service delivery in the Kyrgyz Republic, while Section 3 presents the links between governance weaknesses and poverty. Section 4 describes survey findings about the inner workings of public sector bodies, and Section 5 describes the links between specific weaknesses in public administration and poor performance, providing direction for governance-oriented reforms. Many of the more detailed analyses are presented separately in Annexes. Annex 1 contains the full scorecards on public sector bodies as reported by survey respondents. Annex 2 contains the details underlying the analysis of the links between institutions of public administration and performance.
2. Quality, Corruption, and Trust in the Kyrgyz Republic

48. A highly efficient public sector, delivering high quality services to the population, is the ultimate goal of public sector reform efforts. Even the most developed countries must constantly strive to perform its functions with fairness and efficiency and without excess bureaucracy. The Kyrgyz Republic is no exception. This section provides a snapshot of the performance of the public sector and highlights the challenges that reformers must confront.

Quality and Accessibility of Services

49. The surveys of enterprises and households do not paint a positive picture of the performance of the state in the Kyrgyz Republic. For most of the state bodies rated by the firms that actually dealt with them, less than half the firms gave a satisfactory rating. The bodies that did rate satisfactorily tended to be quasi-private bodies or the fully private bodies that were included on the lists for comparison purposes, such as banking services, private accounting and auditing services, and notaries. Rounding out the bottom of the list were the police, courts, customs, and the revision and inspection commissions of various levels of government. (The full scorecards are provided in Annex 1.)

50. Households were similarly reluctant to give passing marks for most services, with only a few bodies garnering satisfaction ratings in excess of 50 percent. (Veterinary services, rated positively by 78 percent of the people who received such services from the state, provide a notable exception.) The police and the labor exchanges were rated most poorly by the households that actually dealt with them.

<table>
<thead>
<tr>
<th>Text Box 2. The Dimensions of Public Sector Performance</th>
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<tbody>
<tr>
<td>The paradigm of public sector performance used in this report consists of three goals of public sector service delivery: unhindered access to services, high quality of services, and a low level of corruption. Parsing performance in this way helps sharpen our understanding of the dimensions of performance in Kyrgyz Republic, although clearly these three dimensions are very closely linked, each depending on the other. One measure of the quality of a service is access itself. For example, the provision of social benefits and income support can only be deemed successful if it is made available to those who need it the most. Similarly, corruption in the provision of a service may limit access for those who can not afford the unofficial payments. Quality and corruption are similarly linked: If a doctor only provides quality services to those who provide unofficial payments, the average level of quality will be lower in the most corrupt bodies.</td>
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</table>

Corruption

51. Over half of the respondents to the household survey reported that “bribery is altogether a definite part of contemporary life—whoever wants to make a living must give,” and in fact 42 percent of households reported that they made an unofficial payment in the 12 months before the survey. (See Figure 4.) They paid unofficially for everything from hospital visits to travel permits to kindergarten. Most of these payments were necessary to receive proper treatment and most were reported by the respondents to be in some ways “bribes.”
Bribes were equally prevalent among firms: 48 percent of enterprises said they had paid bribes in the previous 12 months. The surveys enquired about 25 different types of state and quasi-state services and bodies, and at least some firms encountered bribery at every single one.

52. The ubiquity of unofficial payments was also clear from the responses of the public officials who participated in the survey. One in three said they had been offered a small gift and 16 percent said they had been offered money or an expensive present in the 12 months before the survey. One out of six public officials said that bribes are often taken at their institution, for various purposes. Keeping in mind that such self-reported statistics may understate the problem, these proportions are not trivial. As we will see later in this report, the frequent use of unofficial payments is contributing to several societal problems, principally poverty.

53. In some sense, the focus on everyday bribery and unofficial payments masks the fact that corruption comes in many forms and modalities. Although public officials reported levels of corruption lower than those reported by the enterprise managers and citizens, their responses are nevertheless telling about the variety of forms of corruption in the Kyrgyz Republic. For example, half of the public officials surveyed reported that embezzlement or misuse of government funds was a problem at least occasionally, with seven percent saying it happens often. Even more prevalent is the abuse of position to favor those with political connections: One in nine public officials reported this is a frequent practice at their institution.
The frequency of unofficial payments by firms and households signals the need to build transparency and institutions of oversight, and to rationalize funding systems for service delivery. The everyday unofficial payments, however, are not the only types of corruption. The decade of transition has also spotlighted the importance of another, perhaps even more pernicious, form of corruption known as *state capture* in which concentrated and well-connected economic interests subvert the law-making process to their own interest. (See Text Box 3.) Although open dialogue between law makers and entrepreneurs is essential for the development of a supportive business environment, state capture is neither essential nor supportive. State capture is the non-transparent influence on laws and decrees through bribes, illegal political party financing, or other favors, exchanged for selective benefits for the capturing firm, to the detriment of others.

### Text Box 3. State Capture

Corruption in transition countries has proven to be very persistent in part due to approaches that treat all corruption the same. Unbundling corruption along conceptual lines helps clarify the complex interactions that make corruption so difficult to tame. Recent research unbundles corruption into two conceptually distinct forms of corruption. *Administrative corruption* refers to corruption, for example through unofficial payments, surrounding the implementation of laws, rules, and regulations. *State capture* describes corruption that affects the actual design of the laws and regulations themselves. Both forms of corruption have pernicious effects on growth and equity alike.

The transition countries of Central and Eastern Europe and the Former Soviet Union have faced persistent difficulties with both state capture and administrative corruption. Estimates of the levels of both forms of corruption across countries have relied on a cross-country survey carried out in 1999, known as the Business Environment and Enterprise Performance Survey (BEEPS). This survey of over 3,000 enterprises in 22 former communist countries asked managers to what degree they are affected by other firms’ use of corruption to influence laws, rules, and regulations (state capture), and the impact that unofficial payments have on their firm’s revenues.

The 132 firms in the Kyrgyz Republic that provided interviews for the 1999 BEEPS reported relatively high levels of both state capture and administrative corruption, a finding supported by the 400 enterprises interviewed for the 2000 surveys. A country with high levels of both forms of corruption faces the challenge of restraining concentrated economic interests and disentangling politics from business—or at least making the links transparent—while at the same time building the capacity of the state to provide high quality services for enterprises and the population.


A large number of the firms surveyed in the Kyrgyz Republic reported that state capture does have an impact on their business. One in four firms said that they are significantly affected by the sale of parliamentary votes on laws to interests that benefit from those laws, and an even larger percentage said the same of presidential decrees. Seventeen percent of the elected officials who participated in the public officials survey said they had been offered money or an expensive present in the 12 months prior to the surveys.
Trust and Credibility

56. The surveys asked respondents about their opinions on corruption in a large number of service providing and controlling bodies and in the highest levels of government. For all of the major branches of government, few people believe that corruption is non-existent or only a small problem, and over a fifth of the population believes corruption to be “very widespread” in each of the branches of government. (See Figure 5.) For the courts there is even less faith – nearly a half of the households surveyed believe corruption is very widespread in the courts and less than one in fifteen was willing to assert that corruption was not widespread. Only a single respondent, out of the 1,000 households surveyed, was willing to describe the quality of work undertaken by courts as “very good.” The survey of public officials provides another indication of the erosion of trust: the public officials surveyed experienced the highest rate of refusals (20 percent) of the three surveys often under fear of provocations and reprisals from superiors. (Refusals are discussed further in Annex 3.) While the perception of widespread corruption is less prevalent for local administrations (Aïyl Okmotu), even at this level of government those believing corruption to be non-existent were in the minority.

Figure 5. Perceptions of Corruption by Branch and Level of Government – The Citizen’s View

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7 Even among the small number (15) that work in the justice sector, 40 percent said the quality of the courts was poor and the remainder gave it a rating of “average.”

8 In most cases it is not possible to identify the reason for the refusal with any accuracy, since a respondent may simply state that they don’t have the time, even if they have another reason for not participating. Thus, a more sophisticated analysis of refusals can not be undertaken.
57. Although it is tempting to dismiss such perceptions as merely opinions that have been exaggerated by media reports, such opinions foretell a worrisome lack of credibility in the highest levels of the state. In one sense, whether or not the perception is correct is beside the point. People make decisions based on what they believe, and if the belief is a negative one, the decisions people make will reflect that. An example from health care illustrates: those who think corruption is widespread in health were more than twice as likely to not get treatment even though it was needed due to the high perceived unofficial payment. By the same token, the perception of widespread corruption in the courts may deter people from choosing the courts when they need to settle a dispute. The perception of widespread corruption in political structures deteriorates the credibility of the state and serves to forefend the participation that defines democracy.

58. For the case of the courts, the surveys provide an indication of not just perception but of the actuality as well, providing powerfully corroborative evidence that the perception of widespread problems is well-deserved. Twenty-eight percent of firms that had been to court said they had encountered bribery, and the amounts requested or paid were among the largest reported by firms. (See Table 1.)

59. The households survey suggests that unofficial payments extend to them as well. Three out of ten respondents who had been to court said they had provided an unofficial payment, mostly in the form of money. Whereas in other countries unofficial payments are mostly aimed at speeding along a slow process, in the Kyrgyz Republic the two most important reasons cited were to be sure that a certain person would take charge of the case and to respond to a direct request from court personnel. In a similar survey in Romania, nearly all of the unofficial payments were paid to clerks or to attorneys acting as intermediaries for judges; in the Kyrgyz Republic, 44 percent of those that made unofficial payments said they gave them directly to the judge.

60. The practice of bribery in the courts can have wide-ranging consequences for law obedience, for non-violent dispute resolution, and for credibility of the state. For the poor, the

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9 Among those who said corruption is widespread, 6.5 percent said they did not seek treatment even though it was necessary, citing the high level of unofficial payments, compared to only 2.8 percent of those that did not say corruption was widespread in health. As a whole, 29 percent of those perceiving widespread corruption did not seek care, compared to 20 percent of those who do not perceive widespread corruption. (The second set of statistics is without prejudice to the reasons, whereas the first focuses on the subset that said unofficial payments were the deterrent.) Both differences are significant at the 1 percent level.

10 This is based on a relatively small number of observations (18), so there is a wide margin of error.
costs may be even more dear, as many may come to view justice as a service that is more available to the rich. (See Figure 6.)

![Figure 6. Buying Access to Justice?](image)

61. The justice system relies not just on courts, but on the police, as well. Police officers have powers and responsibilities like no other public employee. Public order, and confidence in the ability of the state to administer justice rely on an atmosphere of trust. In the Kyrgyz Republic, however, all three sample groups perceive corruption to be rife in the police. Even among respondents who work for the police, 43 percent said that corruption is widespread. Experiences with the police and traffic police by firms and households help corroborate that these perceptions are grounded in experiences. (See Table 1.)

Faith in the Media

62. The media – newspapers, radio, and TV – tops the list of bodies rated by households as providing the highest levels of quality and accessibility. This confidence in the media is important, since a free and open media can be a powerful partner for pushing state bodies to perform better. Many corruption scandals in the West are initially uncovered by tenacious journalists availing themselves of freedom of information laws in the pursuit of their stories. Serious efforts to bring transparency to government must include a firm commitment to a free and open media, even when the scrutiny is unwanted by targets of that scrutiny.

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11 That is, respondents to the household survey who indicated that someone in the household works for the police.
63. In many countries the media is blamed for sensationalizing stories and inflating the perception of the level of corruption. In the Kyrgyz Republic, however, the data suggest that media stories play a more modest role than in other countries. For example, similar questions were asked about sources of information on corruption in both Romania and in the Kyrgyz Republic. In both countries, one in four respondents said that their primary source of information on corruption was their own personal experience. In Romania, however, nearly 60 percent of respondents indicated that their primary source of information about corruption was the media, whereas in the Kyrgyz Republic, less than 30 percent indicated the media as the primary source. Kyrgyz respondents relied much more heavily on friends and relatives for such information. (See Figure 7.\textsuperscript{12})

\textsuperscript{12} Although NGOs were not reported to be the primary sources of information on corruption, they may yet be an important supplementary source. For example, in Romania, another country with a very active NGO community, only 1 percent of respondents indicated that NGOs were their single most important source of information about corruption.
3. **Exacerbation of Poverty**

64. Weak governance impacts poverty in many ways, some direct and others less direct. The most direct impact comes from the burden that unofficial payments impose on the household budgets of the poor. In country after country where household surveys have been carried out, certain stylized facts consistently hold true: poor households are less likely to make unofficial payments – the poor are less likely to own automobiles, attend university, travel abroad, or engage in other activities that often involve bribery – but the amount that they do pay represents a much larger fraction of their income.\(^\text{13}\) This pattern holds for the Kyrgyz Republic, as well. While the poor were less likely to pay bribes, those that did paid more as a share of income: a doubling of household income, for example, would lead to only a 16 percent increase in the amounts paid, reflecting the fact that many unofficial payments are similar to flat fees that bear no relation to income.\(^\text{14}\)

<table>
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<tr>
<th>Text Box 4. Poverty and Governance in Europe and Central Asia</th>
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| World Bank poverty assessments in Europe and Central Asia contain numerous references to state corruption, government failure, and the poor’s sense of abandonment by their leaders. Poor individuals have little reason to believe that the state represents their interests, and they feel hopeless, voiceless, and powerless, feeding their alienation and disengagement from civil society and political life. “The state steals from us all the time,” complained a person in the Ukraine, “so deceiving the state is not a sin” (Narayan 2000, 92). “They have been plundering everything and eating so much that they cannot carry their own stomachs,” a Latvian reported (Narayan 2000, 82).

The poor often blame the government for their impoverishment and report widespread corruption and helplessness. In Georgia, poor farmers equate privatization with theft and complain that the best land is distributed to those who work for the police, courts, school directors, and business people. In Moldova the poor equate independence, democracy, and the transition to market with lack of social justice. Workers on collective farms report being cheated out of their share of grains and denied access to equipment by those in control.


65. The impact that weak governance is having on poverty in the Kyrgyz Republic does not end with the unofficial payments that the poor must make. This section of the report examines a sample of ways that weak governance is exacerbating poverty indirectly, through a deterioration of the business environment with consequent effects on growth and investment, through a weakening of the resource base on which the state relies to finance

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\(^{13}\) For example, these patterns were also found in Latvia, the Slovak Republic, Romania, Georgia, and Kazakhstan.

\(^{14}\) Among the households that had paid bribes, the elasticity of bribe payments with respect to income equals only 0.16. An elasticity of unity would mean that bribe payments rise in lock step with income. The elasticity was found and tested by regressing the log of bribe payments on the log of income. The sample was thus restricted to the households with positive income and bribe payments. A one-tailed test for whether or not the elasticity was less than unity yielded a t-statistic of 9.4, significant at the all conventional levels.
development activities, and through the weakening of the services on which all people, but especially the poor, rely.

**Deterioration of the Business Environment**

66. Historical experience demonstrates the powerful impact that economic growth can have on poverty. One study, for example, argued that incomes of the poor grew at roughly the same rate as overall GDP per capita, suggesting that overall economic growth is good for the poor.\(^\text{15}\) In the Kyrgyz Republic, meaningful poverty reduction cannot be accomplished without sustained economic growth. As a consequence, if corruption undermines economic growth, it will hamstring any concerted efforts by government to reduce poverty.

<table>
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<tr>
<th>Text Box 5. The Business Environment in the Kyrgyz Republic</th>
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<tbody>
<tr>
<td>A USAID survey of 1,000 small and mediumsized enterprises in the year 2000 provides a detailed depiction of the business environment in which Kyrgyz firms operate. The surveys provide some indications of improvements stemming from certain reforms, but also make clear that the Kyrgyz Republic has much yet to accomplish in the creation of a transparent and supportive business environment. Among the study’s conclusions:</td>
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<tr>
<td>- Formal enterprise registration with the Ministry of Justice has greatly improved, with firms reporting that it is now faster and less costly to register an enterprise.</td>
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<tr>
<td>- Firm complaints about licensing focused primarily on the complexity and non-transparency of the licensing process, as well as the validity of licenses.</td>
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<td>- The certification process is viewed by firms as excessively costly and time consuming.</td>
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<tr>
<td>- In some cases, firms needed up to 30 permits for various activities. Many permits are not clearly defined in legislation, nor are they understood by firms.</td>
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<tr>
<td>- A number of reforms have been instituted in the area of inspections, including regulations limiting the number and frequency of inspections and the institution of log books. However, many firms, especially individual entrepreneurs, had little knowledge of their rights regarding inspections. Even more worrisome, many reported that they fear reprisals if they were to complain.</td>
</tr>
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</table>

67. When the enabling environment is strong, the power of entrepreneurship leads to employment growth, income generation, and enhanced availability of goods and services. But a weak business environment chokes off entrepreneurial energies of the business community through excessive inspections, weak appeals processes, and cumbersome licensing and registration procedures, the ability of society to reap the benefits of entrepreneurship is curtailed. Studies in other countries have found that corruption translates into worse macroeconomic performance in terms of growth and investment.\(^\text{16}\) Among the

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transition countries, the relationship between corruption and growth has been clear: countries with the highest levels of state capture and administrative corruption had an average output decline of 50 percent between 1989 and 1998, while those with moderate levels of both forms of corruption had an average output decline of less than 3 percent.

Registration

68. An onerous registration process can short-circuit a company’s development before it even begins. In the Kyrgyz Republic, efforts to simplify the legal corporatization aspect of enterprise registration process have achieved some results. (See Text Box 5.) However, filing the legal papers with the Ministry of Justice is but one of several steps needed to become a fully registered legal entity. A firm must also register with the statistics committee, the tax administration and other bodies. The process as a whole can still be arduous. Of the new firms, those that registered in 2000 or 2001, 37 percent described the overall process as complicated and 28 percent said they had to pay a bribe at least once. When asked to whom the bribes were paid, the bodies cited by the largest percentage of firms were the State Committee on Licenses and Standards, and the Tax Administration. (See Figure 8.) In both of these cases, the incidence of bribes is higher among more recently registered firms, indicating a worsening of the problem. Specific permissions such as fire, sanitary and epidemiological, and other permissions were also the locus of many bribes during enterprise registration.


17 Registration with the State Committee on Licenses and Standards was significantly more likely to involve bribery after 1999 (10 percent level), while registration with the Ministry of Justice was significantly less likely to involve bribery after 1999 (10 percent level). For other bodies the difference was not significant at conventional levels.
**3. EXACERBATION OF POVERTY**

**Figure 8. Bribes During Enterprise Registration**

<table>
<thead>
<tr>
<th>Percentage of Firms Encountering Bribery During Registration with Body</th>
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<tbody>
<tr>
<td><strong>Ministry of Justice</strong></td>
</tr>
<tr>
<td>2% (6%)</td>
</tr>
<tr>
<td><strong>Social Fund</strong></td>
</tr>
<tr>
<td>4% (3%)</td>
</tr>
<tr>
<td><strong>Tax Administration</strong></td>
</tr>
<tr>
<td>15% (15%)</td>
</tr>
<tr>
<td><strong>National Committee on Statistics</strong></td>
</tr>
<tr>
<td>3% (3%)</td>
</tr>
<tr>
<td><strong>State Committee on Licenses and Standards</strong></td>
</tr>
<tr>
<td>20% (19%)</td>
</tr>
<tr>
<td><strong>Permissions from fire, sanitation and other such bodies</strong></td>
</tr>
<tr>
<td>14% (14%)</td>
</tr>
</tbody>
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**Licenses, Inspections, and Other Regulations**

69. Certain societal imperatives, such as public health and safety, justify state supervision of the activities of private sector firms. However, the supervision must balance competing objectives – protecting particular public goods (such as public health and safety) versus affording firms the flexibility to run their businesses unhindered. Heavy-handed control over firms, for instance, exacts a considerable cost to society, adding uncertainty to the business environment and distracting management’s attention from the fundamental work of creating wealth. A well-designed system of regulation will strike a balance between these competing objectives by addressing two key challenges: regulate only when appropriate, and when regulation is appropriate, do so in a transparent, efficient and predictable manner.

70. The number of activities subject to licensing halved with the introduction of last year’s amendments to the Law on Licensing according to the ARD-Checci study on the business environment. However, the same study points out that the actual burden on firms may be understated since subsidiary regulations may cover broader mandates, and since the actual procedures and requirements for licensing may be opaque, inviting corruption.¹⁸ For construction permits, for example, one in four firms said they encountered bribery, and only

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36 percent were satisfied with their experiences. (See Table 2.) Since faulty construction can have deadly consequences, the need for state control is beyond dispute. But a lack of transparency in the application of the rules can stymie the very investment that the Kyrgyz Republic needs so desperately in order to grow out of poverty. Indeed, introducing greater transparency strengthens state control, rather than weakens it, since it becomes more difficult for corrupt firms to skirt building standards with shoddy construction.

71. Inspectors for various state bodies are vested with considerable powers over firms found to be in violation of the law. This power is often appropriate since unsafe practices – violations of fire or building codes, unsanitary food storage, and so forth – can have disastrous consequences. (See Text Box 6). Yet, the powers vested in state inspectors can also be misused to extract bribes from firms that are not in violation of the law, or (arguably worse) to accept bribes from firms that are in violation.

72. The Kyrgyz Republic has not yet succeeded in achieving the second goal of ensuring efficient, transparent and predictable regulation. Although most bothered by the tax inspectors, firms also reported encountering bribery frequently when visited by sanitary and epidemiological inspectors (29 percent of firms) and fire inspectors (27 percent), and when seeking construction permissions (26 percent). (See Table 3.) Fewer than half of the firms reported being satisfied with their experiences with the inspectors. In the case of fire, sanitary and epidemiological inspections, the justification for discretion and power on the part of inspectors is clear. But it is equally clear that improving transparency and accountability on the part of inspectors could make the regulations more effective and less costly for firms.

<table>
<thead>
<tr>
<th>Table 3. Bribery in Registration and Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of firms encountering bribery</td>
</tr>
<tr>
<td>Of firms with contact</td>
</tr>
<tr>
<td>Business Registration</td>
</tr>
<tr>
<td>Fire Inspection</td>
</tr>
<tr>
<td>Sanitary Inspection</td>
</tr>
</tbody>
</table>
Text Box 6. The Immeasurable Cost of Poorly Implemented Regulations in India

While unnecessary regulation imposes costs on firms, poorly implemented regulations – due to lack of capacity or to corruption – can be even more disastrous. One official in India lamented that although the government must approve construction plans, “the people who give the approval have no expertise. Anyway, most builders want to do things as cheaply as possible, and they can get their plans approved by greasing the right palms.” Weak implementation of earthquake-resistant building principles can have immeasurable costs. “We had an earthquake in Latur that killed 9,700 people; an earthquake of the same intensity in California killed five.”


International Trade

73. The expansion of poverty in the Kyrgyz Republic in the last few years has coincided with a decline in exports and a halving of foreign direct investment. Since the benefits of trade are the greatest for the smallest countries, any governance-oriented weaknesses that hamper international trade have a magnified effect on growth and on poverty for a country like the Kyrgyz Republic.

74. Customs topped the list of public sector bodies that took bribes according to the enterprise survey. Nearly half of the firms that had dealt with customs said that they encountered bribery, consistent with the perception, voiced by all three sample groups, that corruption is widespread in customs. Enterprises also voiced their negative perception that the quality of work undertaken by customs is poor. Only 7 percent of all enterprises rated the quality of work as “good,” although firms that actually deal with customs were somewhat more charitable: 31 percent of those firms said they were satisfied with their experiences with customs.

Figure 9. Strategies for Getting Export-Import Licenses
75. A recent study by the Asian Development Bank (ADB) found customs procedures to be cumbersome, and documentation excessive.\textsuperscript{19} The delay caused by the preparation of 5 to 9 documents (depending on the nature of the product) reportedly makes it difficult for Kyrgyz exporters to negotiate with overseas buyers.\textsuperscript{20} Restrictions on trade, in the guise of export or import licenses, create rents for those lucky enough to get the licenses – the incentive to get the licenses, legally or illegally, can be very strong. Among the firms that actually applied for export or import licenses, the majority said they used some form of influence to get the licenses, either through family, political, or other connections, or through the payment of bribes, or using some combination. More than one in four firms admitted that they used bribes to get the licenses. (See Figure 9.) Since quantitative trade restrictions will always generate rents and increase the incentives for corruption, such restrictions should only be adopted when there is a strong justification and when more efficient alternatives are not possible. And if quantitative restrictions are necessary, care must be taken to ensure that the allocation mechanism is fully transparent.

The Net Impact on Firms

76. The myriad costs imposed on firms by weaknesses in the business environment, especially corruption, can certainly be expected to weaken the firms. Detecting these weaknesses, however, presents a bit of a paradox. In the Kyrgyz Republic firms that have engaged in corruption are the fastest growing, the more likely to have invested in the past, and the ones more likely to invest in the future. Does this mean that engaging in corruption is good for firms? Quite the contrary. These same firms are much more likely to report that corruption is a problem than firms that have not paid bribes. The fact that growing firms are likely to report paying bribes merely reflects the fact that expanding businesses have more interactions with state official, and are perhaps more lucrative targets for officials wishing to supplement their official salaries with bribes. Indeed, firms that had paid bribes in the previous 12 months were much more likely to describe corruption as a serious obstacle to their business development than those that didn’t.


77. Ultimately, the costs that weak performance imposes on firms far exceed the level of unofficial payments, since bureaucracy and delays hinder a firm’s ability to conduct business. Firms participating in the enterprise survey were asked hypothetically the value to their firm of the elimination of crime, corruption, and excessive regulations. The answers provide an indication of the overall burden that these problems are placing on firms. Most firms indicated that the value of such imaginary scenarios was high enough that they would be willing to pay a non-trivial\textsuperscript{21} percentage of their firm’s revenues to achieve them. Of the three – crime, corruption, and excessive regulations – firms were most willing to pay for the elimination of corruption: on average, firms would be willing to pay nearly 8 percent of their revenues if corruption could be eliminated. (See Table 4). While the figures in Table 4 illustrate the magnitude of the costs of weak governance to firms, they also illustrate the fiscal cost of these implicit taxes, the subject of the next sub-section of this report.

### Table 4. The Implicit Tax on Firms

<table>
<thead>
<tr>
<th></th>
<th>Crime</th>
<th>Corruption</th>
<th>Excessive Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises willing to pay some percentage of firm revenues to eliminate …</td>
<td>62%</td>
<td>65%</td>
<td>51%</td>
</tr>
<tr>
<td>Average additional amount of firm’s revenues that the firms would be willing to pay (of those willing to pay) to eliminate …</td>
<td>11.4%</td>
<td>12.2%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Average additional amount of firm’s revenues that the firms would be willing to pay (of all firms) to eliminate …</td>
<td>7.0%</td>
<td>7.9%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Weakening of the Resource Base

78. Reducing poverty requires an environment in which the poor can help themselves, in which government services are easily accessible and of high quality, and in which safety nets are available for those most vulnerable. The availability of budget resources is a precondition for the latter two. Weaknesses in governance have an indirect effect on the poor through the weakening of the resource base available for anti-poverty and other programs. Given that total external debt has reached $1.78 billion\textsuperscript{22}, or the equivalent of three years salaries for every employed person\textsuperscript{23} in the country, the imperative to use scarce budgetary resources effectively and efficiently is clear.

**Weakening of the Revenue Side of the Budget**

79. From the firm’s perspective, profits, value added, and personal income are all squeezed by the implicit tax imposed by bureaucracy and unofficial payments. (See the

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\textsuperscript{21} Fifty-eight percent of firms said they would pay at least 2 percent of revenues for the elimination of corruption.

\textsuperscript{22} World Bank “at a glance” tables.

\textsuperscript{23} Based on the assumptions of total employment of 1.7 million and an average monthly wage of $29 per person.
discussion above and in Table 4.) Some firms may even avoid the difficulties posed by a weak business environment altogether by operating unofficially. A growing body of research\textsuperscript{24} has linked corruption to the “underground economy”, and it is not hard to see why. Enterprises that are operating unofficially usually could not do so without the complicity of officials who turn a blind eye to the practice.

80. The underground economy is just one of the ways that weak governance deprives the state – and ultimately the populace – of needed revenues. Even paying off a traffic policeman or a fire inspector diverts funds from the state coffers into private pockets.\textsuperscript{25} The effect is yet more direct for the revenue authorities. As in many countries, customs and tax inspectors were among the bodies with whom firms in the Kyrgyz Republic were most likely to encounter bribery. Forty-five percent of enterprises that dealt with these two bodies reported that they encountered bribery, among the highest proportions of all public sector bodies, and only a third of all firms reported being satisfied with their experience with tax\textsuperscript{26} and customs. Not surprisingly, the firms that encountered bribery were much more likely to report being unsatisfied\textsuperscript{27}; however even among those that did not encounter bribery, half were unsatisfied.

81. The ubiquity of tax inspectors in the affairs of enterprises – nearly all must deal with tax inspectors, whereas smaller proportions must deal with sector specific bodies – makes the high rate of bribery there even more worrisome. (See Table 5.) One hundred and sixty firms reported the size of bribes to tax inspectors, twice as many as any other state body.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
                  & Percent of firms encountering bribery & Average bribe size (soums) \\
                  & Of firms with contact & Of all surveyed firms & \\
\hline
Tax Inspections  & 45\% & 43\% & 2,538 \\
Customs          & 47\% & 10\% & 4,229 \\
Social Insurance Fund & 11\% & 8\% & 764 \\
\hline
\end{tabular}
\caption{Table 5. Bribery and State Revenue Bodies}
\end{table}


\textsuperscript{25} This is obviously only true when there is an actual infraction and the bribe is paid in lieu of a fine. Exactly half of the 90 household respondents who said they had paid a bribe to a traffic policeman admitted that they had made a violation and that it was easier and cheaper to pay a bribe than to pay a fine. The other half said that they had done nothing wrong and that the policeman simply made up the violation.

\textsuperscript{26} World Bank, 1999, \textit{Kyrgyz Republic: Private Sector Review in the Transitional Era}, p. 34, finds that a key issue for the State Tax Inspectorate is that lack of training for tax collectors which leads to contradictory interpretations and arbitrary implementation.

\textsuperscript{27} Clearly some firms benefit from their bribery by escaping taxes. However, as described earlier, firms that paid bribes were more likely to view corruption as an obstacle than other firms, suggest that for most firms the net effect is negative.
82. Weak performance also exacts a toll on the expenditure side of the state budget. Most officials familiar with procurement practices (76 percent) reported on the public officials survey that procurement rules and procedures are followed, however they have relatively less faith that they are working properly: 70 percent said the policies were effective for ensuring the procurement of high quality goods and services at low costs, and 63 percent believe they are effective at limiting corruption. One in five public officials familiar with procurement practices in their institutions said that unofficial payments are frequently made to gain contracts in public tenders.

83. A fair and open procurement process increases the benefits of doing business with the state, at least for honest firms. Transparency in procurement helps to expand the pool of firms competing to provide the state with quality goods and services, lowering prices through the force of competition. Yet most firms’ evaluations of the transparency of state tenders are lukewarm at best. Less than a third of the firms that had participated in state tenders reported being satisfied with the transparency of the tender process, with similar evaluations for fairness and efficiency. (See Table 6.) Deepening the procurement reforms would help mitigate the fiscal costs of weak performance.

84. Other governance challenges may have direct impact on the expenditure side of the state budget. Weaknesses in financial management facilitate waste and divert public resources into private pockets. For example, 17 percent of surveyed public officials in Kyrgyz Republic said that embezzlement sometimes occurs where they work, and 7 percent said that it happens very often. State capture, in the form of large state subsidies or the assignment of monopoly rights to well-connected enterprises, can lead to diversion of scarce resources to inefficient programs in addition to the perverse consequences for competition. One in nine public officials said that their institution does accept bribes for granting monopoly rights from time to time; an equal number said that from time to time privileges in state contracting are granted in exchange for bribes.

| Table 6. Satisfaction with the Transparency of Tenders -- The Firm Perspective |
|---------------------------------|------------|---------|--------|--------|---------|
|                                 | very dis-satisfied | dis-satisfied | so-so satisfied | satisfied | very satisfied |
| Ministries                      | 11%         | 23%     | 37%   | 17%   | 11%         |
| Local bodies of state administration | 21%     | 29%    | 29%   | 14%   | 7%         |
| Oblast or Rayon governments     | 5%          | 20%    | 50%   | 20%   | 5%         |
| State enterprises               | 10%         | 29%    | 38%   | 10%   | 14%        |

85. Although the entire population relies on state-provided services of some form or another, the poor are the most vulnerable when governance weaknesses disrupt these services since they have the least ability to seek private alternatives. Health and education are particularly important not only for the current well-being of the population but the long-term prospects of the poor. The complexity of the problems in the health sector is underscored by
the fact that even in industrialized countries there is no consensus on the best way to meet the goals of sufficiency in financing and equal access while preserving incentives to innovate and provide high quality. In the Kyrgyz Republic, where radically new financing arrangements have been thrust on both sectors, the challenge is greater still.

86. This section of the report examines the ways in which weak governance in health and education are affecting the poor, followed by a look at the governance in the provision of social benefits, the provision of rural extension services, and access to justice.

**Health Care**

87. The health care system in the Kyrgyz Republic bears many of the hallmarks of problem systems throughout the post-Soviet world: under-funded facilities struggling to get by, and a legacy of large staffs and numerous hospital beds without the resources to fund them. The unsustainable system of universal free health-care collapsed into a system of unofficial co-payments. Like many countries, the Kyrgyz Republic is also experimenting with contribution-based systems of health insurance and the introduction of a system of co-payments.\(^{28}\) Despite the increase in health care funding flowing directly from the co-payments of the population, overall funding levels have not changed, since budget resources were cut by an equivalent amount.\(^{29}\) Indeed, the cascading payments problems continue to disrupt the financial stability of health care providers: last year the Mandatory Health Insurance Fund was reportedly underfunded by the Social Fund and the Ministry of Finance in the amount of 226 million soums. According to the Minister of Health, the lack of resources from the top trickled down to the users: “as a result, the Mandatory Health Insurance Fund has not paid 120 million soums to health facilities, and they, consequently, could not pay the pharmaceutical companies. In the end, sick people suffer.”\(^{30}\)

88. As in countries throughout the former communist world, and as described in Text Box 7, unofficial payments have become prevalent in the health sector in the Kyrgyz Republic. Nearly 40 percent of those who had visited the hospital, for example, said that they provided some form of unofficial payment, primarily in the form of money. (See Table 7.)

\(^{28}\) Several reforms have been piloted: a new formal co-payment system has been instituted for in-patient care in Chui and Issyk-Kul Oblasts in combination with the pooling of (budget and health insurance) funds on the oblast level, greater flexibility in spending, etc. However, due to the timing of the reforms and the survey, the preliminary results of these experiments are not reflected in the survey data.

\(^{29}\) *Moya Stolitsa*, “Minister of Health Tilek Meimanailiev About the Situation in the Health Sector” Jan. 14, 2002.

\(^{30}\) *Moya Stolitsa*, “Minister of Health Tilek Meimanailiev About the Situation in the Health Sector” Jan. 14, 2002.

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**Table 7. Health Care – Unofficial Payments and Satisfaction**

<table>
<thead>
<tr>
<th>Percent of households paying unofficially</th>
<th>“Necessary for proper treatment”</th>
<th>Average unofficial amount (soums)</th>
<th>Percent satisfied with treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>All unofficial payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>39</td>
<td>28</td>
<td>934</td>
</tr>
<tr>
<td>Policlinics</td>
<td>19</td>
<td>13</td>
<td>201</td>
</tr>
<tr>
<td>Emergency Medical</td>
<td>38</td>
<td>26</td>
<td>214</td>
</tr>
</tbody>
</table>

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33
Since the surveys were conducted in the spring of 2001, at a time when the health care reforms were not yet implemented nationwide, these statistics do not reflect improvements resulting from the current reforms. Rather, they serve as benchmarks against which future progress can be measured.

**Text Box 7. Unofficial Payments for Health Care**

Throughout the former communist world, unofficial payments in the health sector have emerged as a fundamental aspect of health care financing and a serious impediment to reform. Such payments for health care are too often viewed as acceptable systems of funding an under-funded sector. Yet, unofficial payments to public employees in any sector are unacceptable. Rather than perpetuating a regime of unofficial payments, it is better to improve management and address the fundamental imbalances in the funding of health care:

- The inherited public health systems are bloated and inefficient. Strategies for downsizing may include voluntary severance packages and the introduction of standards for modern medical practices.
- Comprehensive, free services cannot persist in a budget constrained environment. Limiting the range of free services, and introducing official user fees can add to the realism of the health care system.
- Health care systems require basic oversight and accountability for all providers and swift punishment for violations.
- Private alternatives need to be allowed (with appropriate regulation) and promoted for those who choose to use them.


89. Although it is tempting to view these unofficial payments as simply co-payments for services rendered, there are differences. Unofficial payments, by their nature opaque, often increase uncertainty in the minds of patients about the costs and quality of treatment, as well as the consequences for those who do not provide something extra to the attending medical staff. In fact, in the Kyrgyz Republic the dominant reason for making unofficial payments in health care is to improve the quality of care. (See Figure 10.)

90. Both official and unofficial payments can pose a serious burden on the poor, and this is true in any country. In the Kyrgyz Republic, 23 percent of respondents reported that in the previous twelve months they had been ill to the point of needing medical attention, but did not seek treatment. When asked the primary reason for not seeking treatment, 71 percent of the poorest third said the reason was the official cost, and a further 11 percent said they were deterred by the unofficial costs of treatment. (See Figure 11.) The fact that the poor are seemingly less deterred by unofficial payments than those with higher income merely reflects the sequential nature of payments – if one can not even afford the official co-payments, then the size of unofficial payments becomes irrelevant.

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31 A survey based study by the London School of Economics found that 15 percent had not sought treatment in the previous 30 days because it was “too expensive.” Jane Falkingham, 2001, “Health, Health Seeking Behaviour And Out Of Pocket Expenditures In Kyrgyzstan 2001 – Kyrgyz Household Health Finance Survey Final Report.”
91. When care is not sought, even though it is medically needed, there are costs not only for the patient but for society as well, since a healthy work force is the most productive. Indeed, recent research has demonstrated the strong statistical link between population health and economic growth.\textsuperscript{32} If the Kyrgyz Republic is to grow its way out of poverty, health sector reforms geared toward improving efficiency, reducing unofficial payments and ensuring access for the poor will have to be deepened.

\textbf{Text Box 8. The Need to Publicize Safety Nets – An Example From Pharmaceuticals}

According to a very detailed survey of health-seeking behavior in the Kyrgyz Republic in 2001, safety nets to ensure the affordability of medicines, which account for two-thirds of all private spending on health care, may not reach many of the most vulnerable. Although a system of exemptions and discounts was established to protect selected groups, not all exempt groups were aware of their entitlements. The survey found that “less than half of those households where a member was entitled to purchase medicines with a discount reported that they were always able to exercise this right. Targeted public information campaigns are needed to inform people of their rights under the MHIF and the system of exemptions. At the same time administrative and financial obstacles need to be resolved to improve the functioning of the prescription discount scheme.”


92. The impact that corruption has on the well-being of the poor, however, may be far more dramatic when treatment is refused or delayed when a patient can’t afford the unofficial payments. In a recent study of healthcare by researchers from the London School of

Economics, an interview in Issyk-Kul related the story of ambulance workers who demanded money before attending to a boy who had been stabbed. By the time the boy’s father could garner the funds, the boy had bled to death.  

33 The survey was funded by UK-DFID and undertaken in cooperation with the National Statistical Committee (NSC) and the Ministry of Health during March-April 2001. Jane Falkingham, 2001, “Health, Health Seeking Behaviour And Out Of Pocket Expenditures In Kyrgyzstan 2001 – Kyrgyz Household Health Finance Survey Final Report.” She recalled a recent incident in which a young boy had been stabbed. By-standers called an ambulance but before the paramedics would treat the boy, or even see him to assess the urgency of his predicament, they demanded money. Unfortunately the boy’s father did not have sufficient funds on him. By the time the father was able to locate the funds and return to the scene, the boy had bled to death.

93. While the performance of the health care system can undoubtedly be improved, it bears mentioning that in many transition countries the situation is far worse. This may reflect the fact that some reforms have already been implemented and are beginning to take root, or it may reflect the unusual severity of problems in other sectors. In either case, a concerted effort to deepen reforms in financing and service delivery will be needed to bring about the system of easily accessible and quality health care needed to reduce poverty in the Kyrgyz Republic.
Education

94. Education, through the positive effect it exerts on human capital, is widely accepted to be essential for long-term economic development. In the Kyrgyz Republic, improvements in education during socialist times constitute an important achievement of the former system, one deserving of pride for many.

<table>
<thead>
<tr>
<th>Table 8. Education – Unofficial Payments and Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of households paying unofficially</td>
</tr>
<tr>
<td>All unofficial payments</td>
</tr>
<tr>
<td>Elementary Schools</td>
</tr>
<tr>
<td>Secondary Schools</td>
</tr>
<tr>
<td>Universities</td>
</tr>
</tbody>
</table>

Text Box 9. Corruption in Education

Corruption in education has emerged as an important challenge in the post-communist world. At last year’s International Anticorruption Conference in Prague, speakers provided numerous examples of the expansion of corruption in education: An NGO director from Poland described the story of a small-town teacher who declined to take bribes and refused to promote students who had not legitimately passed their exams: “The whole community in this small town was against him. And in fact they expelled him from the education post. He didn’t give up. He created an exhibit on cheating and it has become his own crusade.” A university student from Kazakhstan described corruption in higher education: “Basically, you can buy a diploma. It’s not a secret. It can cost much, but it’s not a secret. You can buy tests for entrance exams and it normally costs about the same as enrolling on a commercial basis at university.”

Exposure to corruption at a young age can have lasting impact, as aptly put by the director of the Polish Children’s and Youth Foundation: “Corruption in education has a very demoralizing impact on the young generation. There exists a growing conviction that money is more important than the individual learning effort and intellectual capacities.”


95. Education is officially compulsory and free in the Kyrgyz Republic through secondary school. As in health care, out-of-pocket expenses for education are common and unofficial payments are apparently commonplace. Among all of the state bodies to whom households reported making unofficial payments, educational institutions are among those cited most often. (See Annex 1.) The size of the payments are smaller than those reported for health care (See Table 7 and Table 8), averaging about 150 soums for secondary school. However, as described earlier in relation to health care, even small payments can be burdensome for the poor.

3. EXACERBATION OF POVERTY

Despite the compulsory and “free” status of primary and secondary education in the Kyrgyz Republic, the burden of out-of-pocket expenses for education, both official and unofficial, can effectively preclude some poorer households from educating their children. In an interview for the *Voices of the Poor* study in 1999, one young mother from Jalal-Abad said they could not afford to send all five children to school, so only the two boys attend school.  

**Social Assistance**

A system of social safety nets is essential for mitigating the deprivations of poverty and unemployment. In the Kyrgyz Republic, the state is still relied upon by many for support. The Kyrgyz system of social assistance includes payments for state allowances as well as targeted privileges for certain categories of citizens, such as war veterans and invalids. Pensions can be problematic. According to one interview with a pensioner for the *Voices of the Poor* study in 1999, pensioners are forced to purchase old newspapers from the post office in order to receive their pension payments.

Targeting of social benefits programs is difficult, with some benefits flowing to those who do not need them at the expense of those that do, a challenge recognized by the Kyrgyz authorities in the INSPR. A 1999 World Bank study found that government subsidies that cover electricity, gas, and district heating were regressively distributed, with the extreme poor being the least likely to receive the privileges. The present survey of households in 2001 provides further evidence. Many households in the richest third of the population had visited the state seeking social protection benefits. Even more worrisome, of the 46 respondents who selected social protection benefits as one of their most important interactions with the state (other than health, education, the police, or the courts) one in five said they had to provide money in order to speed the process along. (See Table 9.) The situation for

<table>
<thead>
<tr>
<th>Social Assistance – Unofficial Payments and Satisfaction</th>
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</thead>
<tbody>
<tr>
<td>Percent of households paying unofficially</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Social Protection Benefits</td>
</tr>
<tr>
<td>All unofficial payments</td>
</tr>
<tr>
<td>“Necessary for proper treatment”</td>
</tr>
<tr>
<td>Average unofficial amount (soums)</td>
</tr>
<tr>
<td>Percent satisfied with treatment</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Protection Benefits</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>206</td>
</tr>
<tr>
<td>33%</td>
</tr>
<tr>
<td>Unemployment Benefits</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>30</td>
</tr>
<tr>
<td>44%</td>
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</tbody>
</table>

38 INSPR, p. 31.
40 Using overall household income as the measure of household well-being, the richest group were actually slightly more likely to seek social protection benefits. The same result was found when using access to running water as the indicator of household well-being. However, using an arbitrary measure of real wealth based on ownership of variable assets (automobiles, livestock, etc.), the poor are significantly more likely to seek social protection benefits. Even so, all three approaches suggest that targeting could be improved since, regardless of the metric, many relatively well-off households are seeking social protection benefits, and the overwhelming majority of poor households are not.
unemployment benefits is noticeably better – payments are smaller and less frequent, and people were generally more satisfied with their experiences.

*Ensuring That The Poor Can Help Themselves*

99. Perhaps the most effective attribute of a system for sustainable poverty reduction is that the poor be afforded the opportunity to help themselves. Several of the subjects discussed so far do just this. A sound business environment hospitable for employment and income growth, widespread access to healthcare and education all help to allow the poor the opportunity to improve the livelihood of their families. In a country like the Kyrgyz Republic, where two thirds of employment is in agriculture, and an equal proportion of the population is rural, state services that support agriculture and animal husbandry have an important role to play. Indeed, agricultural extension services worldwide have helped to ease the information asymmetry between rich and poor farmers, affording the latter a better opportunity to reap the rewards of their toils.

100. In the Kyrgyz Republic, unofficial payments for both veterinary and agricultural services were fairly common. Even though most respondents considered these payments to be necessary for proper treatment – they were almost universally given to speed things along – the amounts given were relatively small. (See Table 10.) Moreover, the satisfaction rating for veterinary services, 78 percent, represents a standout among the services rated by households in the Kyrgyz Republic. Apparently, the long tradition of a state veterinary service, or the recent reforms or both, have managed to maintain a level of service that the customers – mostly poor and middle income people – find very valuable.

<table>
<thead>
<tr>
<th>Table 10. Rural Extension Services – Unofficial Payments and Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of households paying unofficially</td>
</tr>
<tr>
<td>All unofficial payments</td>
</tr>
<tr>
<td>Veterinary Services</td>
</tr>
<tr>
<td>Agricultural Services</td>
</tr>
</tbody>
</table>

42 The interviews conducted for the *Voice of the Poor* study also suggested an important role in poverty reduction, naming veterinary services among the institutions that help people to cope with poverty in rural areas. *World Bank, 1999, Kyrgyz Republic – Consultations with the Poor*, p. 103.
4. Institutions of Public Administration

101. The preceding section argued that weaknesses in governance and the delivery of services are exacerbating poverty, through both direct and indirect channels. Yet delivering high quality goods and services with low levels of corruption requires more than just knowledge of the problem and strong will. The institutional environment in which public servants work must provide incentives for honesty, for efficiency, and for delivering performance. This section of the report draws on responses from the public official’s surveys to assess, from their own perspective, the environmental strengths and weaknesses of the public sector in the Kyrgyz Republic. The conceptual framework around which this chapter is organized presumes that the provision of performance in the public sector is a function of the incentive structure for public employees, the mechanisms for client feedback, and institutional restraints in terms of external auditing and financial management systems.

102. In assessing the strengths and weaknesses of public administration based on survey results, it should be noted that the sample is, to some degree, biased in favor of optimistic projections about the state of affairs. Twenty percent of the public officials who were initially approached for the survey refused to participate, frequently on the grounds that they were afraid of reprisals from superiors. It is reasonable to suspect that many of the public officials that did participate provided somewhat rosier views of public administration than might be the reality. Nevertheless, those that did participate provided enough variation in responses to draw the contours of the relative strengths and weaknesses of public administration in the Kyrgyz Republic. The picture that emerges highlights both the accomplishments of the reforms already undertaken, and the formidable challenges that remain.

Human Resources Management

103. Establishing incentives for high quality services with low levels of corruption demands a stable, apolitical, merit-oriented civil service. Toward this goal, the Kyrgyz Republic introduced in 1999 a Law on Public Service which lays out in broad terms the rights and responsibilities of state employees of various classes. Successful implementation of the law, however, requires widespread knowledge of its provisions and

<table>
<thead>
<tr>
<th>Table 11. Willingness to Exercise Rights</th>
</tr>
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<tbody>
<tr>
<td>Percentage of officials willing to file an official appeal …</td>
</tr>
<tr>
<td>if not promoted when respondent believes should have been if pressured to hire someone even if the person was not the best candidate if pressured to make a donation to a charity event such as a marathon</td>
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</tr>
<tr>
<td>if not promoted when respondent believes if pressured to hire someone even if the person was not the best candidate if pressured to make a donation to a charity event such as a marathon</td>
</tr>
<tr>
<td>16</td>
</tr>
<tr>
<td>16</td>
</tr>
<tr>
<td>8</td>
</tr>
</tbody>
</table>
confidence that they will be applied fairly. Most public officials (72 percent) said they were at least fairly familiar with the provisions of the Law on Public Service, and most said they were aware of their rights. Only 2 percent of the surveyed public officials said they were not at all familiar with their rights.

104. Although people generally believe that they understand the provisions of the Public Service Law and say they know their rights, many seem unwilling to exercise those rights. Fewer than half said they would probably file an official appeal if they were not promoted when they felt they should have been. The objective of managers and reformers is not to maximize this proportion since there is no way to know what an acceptable target would be for such a hypothetical question. Managers should, rather, take measures to ensure that it is not intimidation or lack of trust in the system that makes people unwilling to exercise their rights.

Figure 12. Changes since the Passage of the Law on Public Service

105. Respondents seemed somewhat less reluctant to request written instructions for suspect orders, their explicit right under the Public Service Law. Most (80 percent) were aware that they have the right to request written instructions when they do not feel comfortable with the instructions given to them by superiors, and as many said that they would probably take advantage of this right.

106. Have recruitment, promotion, and other personnel practices improved since the introduction of the law? The public officials survey asked specific questions about changes

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44 Article 10 (15).
since the Law of Public Service went into effect in 1999. Many noted benefits in terms of fairness, less so for benefits in assuring that the best people get hired. (See Figure 12)

107. Twenty-five percent of respondents had actually been through the competitive recruitment process since the Law took effect, and a similar proportion had been responsible for making hiring decisions. Both groups provided assessments of the fairness, transparency, and speed of the process. (See Figure 13) By and large, those who had been through competitive recruitment and the hiring managers agreed that the process was transparent and fair and helped ensure that the most qualified were selected. Even among applicants who were not successful, most agreed that the process was transparent and ensured that the most qualified applicant was hired. Those who had been through competitive recruitment were somewhat less enthusiastic about the time that the process took. The pattern was also true in Kazakhstan where a similar survey posed similar questions – favorable responses for assessments of fairness and transparency, slightly less favorable assessment of the time cost of the process.

108. Like competitive recruitment, a system of attestation can help ensure that officials are qualified for their jobs. Forty-one percent of respondents had actually been through attestation since the Law took effect. Three out of four said the process was fair, transparent, and fast. Equally impressive is the fact that attestation seems to be succeeding toward its goals: 40 percent of public officials said they were aware of specific cases at their institution.

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46 Although assessments of transparency, fairness, speed, and the ability to ensure that the most qualified applicant got the job were all higher for successful applicants, the differences were not statistically significant except for the evaluation of fairness.
where someone has been promoted or demoted as a result of attestation; 37 percent said they were aware of cases where training has been provided or other corrective action has been taken as a result of attestation.

109. Delivering high quality services with low levels of corruption requires a public work force with not just the incentives to achieve, but the human capital needed to do so. Training and re-training of staff plays a crucial role in maintaining high levels of human capital. In the Kyrgyz Republic, training activities were provided by most of the institutions covered by the survey (84 percent) and nearly three fourths of respondents said they had participated. Among those who participated, 68 percent of respondents rate the usefulness of training courses as “mostly useful”, and a further 23 percent said that the training was totally useful. It is also encouraging that decisions on who can participate are viewed as transparent by 77 percent of respondents. Given the budget challenges facing the Kyrgyz Republic, the apparently positive role that training plays in human capital formation is encouraging.

\textit{Codes of Ethics}

110. Among the factors making it difficult for transition countries to reduce the prevalence of unofficial payments is the lack of a common understanding of just what constitutes acceptable and unacceptable behavior. Small gifts are commonplace in many transition countries and are not unheard of even in established industrial countries. Small gifts may be considered by many to be tokens of appreciation.\textsuperscript{47} But at what point does a small gift become a bribe?\textsuperscript{48}

111. All three of the sample groups were asked to evaluate various hypothetical situations and tell whether or not they view the situation as “corruption.” The responses, summarized in Table 12, make clear that what may be corruption in one person’s eyes may be viewed as perfectly acceptable by someone else. Small payments for health care seem particularly controversial, although near consensus seems to be reached for cases when money is actually requested.

112. Even if one considers small gifts to government officials to be acceptable there may yet be divergent understandings of the definition of “small.” All three sample groups were asked what they considered to be a “small” gift that is perfectly acceptable. Tellingly, 30 percent of the public officials surveyed did not even answer this hypothetical question, either claiming ignorance or refusing to answer. Among those that did, answers ranged from 0 to 5,000 soums for public officials and households and up to 10,000 soums for enterprise managers. On average, enterprise managers’ assessments of just what constitutes “trivial” was twice that of the other two sample groups. Even more striking is the divergence in understanding between richer and poorer households: while only 11 percent of the wealthier

\textsuperscript{47} Indeed, in many countries, tips for private sector services are not only common but expected. However, it is generally recognized that the public and private sectors are very different, justifying different approaches to tipping. Services provided by the public sector are not generally subject to competition as in the private sector, and indeed officials may have powers of coercion over citizens and enterprises.

third of the population declared a box of chocolates given to a doctor after a visit to be “definitely corruption,” 23 percent of the poorer households thought so. Even a small token can be a burden on the poorest.

<table>
<thead>
<tr>
<th>Table 12. What is Corruption?</th>
<th>Is it corruption?</th>
<th>Households</th>
<th>Enterprises</th>
<th>Public Officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>After a visit to a doctor, the doctor is given a box of chocolates.</td>
<td>Definitely Yes</td>
<td>17</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Yes and No</td>
<td>27</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>56</td>
<td>68</td>
<td>64</td>
</tr>
<tr>
<td>After a visit to a doctor, the doctor is given money (in addition</td>
<td>Definitely Yes</td>
<td>44</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>to the official payments).</td>
<td>Yes and No</td>
<td>32</td>
<td>41</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>24</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>At the beginning of a visit to the doctor, the doctor is given</td>
<td>Definitely Yes</td>
<td>33</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>a box of chocolates.</td>
<td>Yes and No</td>
<td>32</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>35</td>
<td>42</td>
<td>38</td>
</tr>
<tr>
<td>At the beginning of a visit to the doctor, the doctor is given</td>
<td>Definitely Yes</td>
<td>60</td>
<td>52</td>
<td>63</td>
</tr>
<tr>
<td>money (in addition to the official payments).</td>
<td>Yes and No</td>
<td>25</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>15</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>During a visit at the hospital, money (in addition to the official</td>
<td>Definitely Yes</td>
<td>58</td>
<td>42</td>
<td>50</td>
</tr>
<tr>
<td>payments) is offered to doctors and nurses to ensure proper care.</td>
<td>Yes and No</td>
<td>28</td>
<td>40</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>14</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>During a visit at the hospital, money (in addition to the official</td>
<td>Definitely Yes</td>
<td>81</td>
<td>81</td>
<td>82</td>
</tr>
<tr>
<td>payments) is requested by doctors and nurses to ensure proper care.</td>
<td>Yes and No</td>
<td>12</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>7</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>A student gives a gift to a university professor in order to</td>
<td>Definitely Yes</td>
<td>64</td>
<td>51</td>
<td>63</td>
</tr>
<tr>
<td>influence his grade.</td>
<td>Yes and No</td>
<td>28</td>
<td>36</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>8</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>A company gives some gift or money (in addition to the official</td>
<td>Definitely Yes</td>
<td>83</td>
<td>77</td>
<td>80</td>
</tr>
<tr>
<td>payments) to a government official to avoid waiting in a long line.</td>
<td>Yes and No</td>
<td>14</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>4</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>A company gives some gift or money (in addition to the official</td>
<td>Definitely Yes</td>
<td>90</td>
<td>86</td>
<td>91</td>
</tr>
<tr>
<td>payments) to a tax inspector to avoid paying more taxes.</td>
<td>Yes and No</td>
<td>8</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>At the beginning of a court case, one of the parties to the suit</td>
<td>Definitely Yes</td>
<td>87</td>
<td>79</td>
<td>88</td>
</tr>
<tr>
<td>gives the judge a gift.</td>
<td>Yes and No</td>
<td>10</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>A traffic policeman fines someone for an infraction; the driver</td>
<td>Definitely Yes</td>
<td>75</td>
<td>54</td>
<td>78</td>
</tr>
<tr>
<td>offers a smaller amount and indicates that no receipt is required.</td>
<td>Yes and No</td>
<td>22</td>
<td>36</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Definitely No</td>
<td>3</td>
<td>11</td>
<td>5</td>
</tr>
</tbody>
</table>

113. Remembering that one out of three public officials surveyed said they had been offered a small gift in the previous 12 months, a common understanding of acceptable and unacceptable behavior would help to remove the uncertainty that so often faces public officials and citizens. A uniform code of ethics can play a valuable role in generating such an understanding not just on the acceptability of gifts, but on conflicts of interest, nepotism, and
many other situations. The Code of Ethics promulgated by the President in January 2001 takes provisions of the Public Service Law several steps further in the regulation of conflicts of interest and nepotism and in clarifying rights and responsibilities for cases when an ethics violation has been alleged. Although this Code is certainly a step forward, the survey responses described above suggest that in the months just after passage, the Code of Ethics was not well known or understood. Seventy-two percent of public officials said they are provided with guidance on what is and what is not acceptable behavior by public servants, but it is still largely informal. Only 44 percent said the code of conduct was provided in written form, and only 30 percent said that they had received ethics training.

114. Among the subset of public officials who said that they do have an ethics regime of some sort, most agree that the principles are clear and easy to understand, but relatively fewer say they are followed or that they help reduce corruption. (See Figure 14.) Indeed, the Code of Ethics does not address the issue of the size of gifts that are acceptable, or the procedures one should follow when offered a gift. The Code merely states that public servants are not allowed to receive rewards in the form of presents, money, and services for execution of actions or inactions connected with their duties.

115. Strengthening of the ethics regime, through simple, fair, and unambiguous rules reinforced with periodic training can help to reduce the corruption that takes place out of ignorance. Moreover, in light of the relative frequency of abuse of position to help those with political or other connections (see paragraph 53), strengthening the sections of conflicts of interest can help to remove ambiguity about proper and improper behavior.
Salaries

116. The level of salaries is, in the opinion of most public officials surveyed (52 percent), the primary cause of corruption in the Kyrgyz Republic – only 20 percent cited “greed.” Although the relationship between corruption and salaries seems self-evident – those who can not afford to feed their families are much more likely to attempt to supplement their income unofficially – this report has argued that salaries are not the only factor contributing to corruption. Increasing salaries alone, in the absence of more systemic reforms, will do little to reduce corruption or to improve the quality of government services. Moreover, salary levels are not the only aspect of compensation that needs improvement in the Kyrgyz Republic. Weaknesses in the payments system mean that state employees must sometimes wait for even the small amount that they do receive. Nearly half of the public officials surveyed said that at least once in the previous 12 months they received their salary late, forcing them to wait for a median of 30 days to be paid.

117. The household survey provides corroborative support to the notion that reducing corruption will require more than just increasing salaries. Among the many reasons that a person might contact a state body is that of trying to find a job. One in three respondents that had visited the state to try to get a job said they had provided some sort of unofficial payment in the quest, reminding us that while official salaries are miserably low in the public sector, the high level of unemployment and low salaries in the private sector apparently make public sector jobs appealing enough that many are willing to pay bribes to get those jobs.49

Public-Private Dialogue

118. When the dialogue between service providers and users is open and well-informed service providers can better serve the needs of their constituents. The public officials in the Kyrgyz Republic reported a number of ways in which they keep the community informed about their activities. Seventy-four percent said their institution provides information through local periodicals and mass media, and 63 percent said they issue activity reports. Twelve percent said they provide information over the internet.

119. Providing information to the public is only part of the dialogue. Formal mechanisms for receiving feedback are equally important. Most officials (71 percent) report that they do have formal mechanisms for receiving complaints from citizens and businessmen. However, the onus is on the citizens to find out how to complain or provide comments. (See Table 13) Such a system increases the chances that intimidation will dissuade people from

<table>
<thead>
<tr>
<th>Table 13. Informality of Complaint Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>If a citizen or businessman has a comment or complaint, how would they know how to file a formal complaint? (multiple choices are possible)</td>
</tr>
<tr>
<td>Instructions are publicly posted in the place where they are likely to see it</td>
</tr>
<tr>
<td>Instructions are printed on materials that are provided to the citizens and entrepreneurs</td>
</tr>
<tr>
<td>The citizen should simply ask one of our employees for the instructions for providing comments and complaints</td>
</tr>
</tbody>
</table>

49 Clearly, the prospect of earning unofficial income may also serve as a draw for some applicants.
complaining and even increases the costs to citizens who might have helpful suggestions for improving performance.

120. Public sector bodies must also provide the public with the opportunity to provide feedback, positive and negative, about budget execution. In the Kyrgyz Republic, only 36 percent of respondents were aware that elected bodies or revision commissions are required to hold public hearings on budget execution; 30 percent affirmatively denied that the law had such provisions, the rest didn’t know. On a positive note, among those who are aware of the hearings, 80 percent said that someone from their institution had been called to such a hearing and 62 percent reported action taken as a result of the hearing.

121. Strengthening the public-private dialogue, through more open access to information, formalized complaint mechanisms, and public hearings will help to apply pressure to public sector bodies to perform effectively. However, this pressure will likely have little effect unless the personnel management system rewards positive performance, discussed earlier, and the internal rules and procedures of the bodies that provide incentives for the body to perform well and effectively uncover poor performance. Such institutions of oversight and internal rules and procedures are the topic of the next section.

Institutions of Oversight and Internal Rules and Procedures

122. Employees of the state do not perform their duties in a vacuum. They are subject to myriad formal and informal procedures concerning their activities. A system of public administration and internal procedures that provides oversight and incentives without excessive bureaucracy leaves officials better equipped to provide high quality services. For example, such systems and procedures should be designed to make most administrative and managerial decisions traceable by multiple control bodies within and without the organization. They should also rely more on ex post than on ex ante controls, and naturally the level of control should be appropriate for the potential risks of violations.

123. Oversight in terms of formal auditing is provided by a large number of bodies, from rayon and oblast level Revision Commissions for local bodies to State Inspection for Financial Control and the Accounting Committee. Nearly all respondents said they had been audited by at least one body in the previous 12 months, often multiple times by multiple controlling bodies. Bodies that are supported by extra-budgetary funds or user fees are much more likely to be audited than are bodies supported exclusively through budgetary resources.

124. Most officials (78 percent) reported that their internal regulations and procedures are formalized in writing, and are simple, clear and easy to understand. However, there also appears to be ambiguity in the procedures as a smaller proportion (68 percent) reported that procedures were well-specified, leaving little room for interpretation. Only 57 percent reported that the procedures are strictly implemented, and only 66 percent said they were enforced. (Despite the fact that bodies supported by extra-budgetary funds are more likely to face audits, officials from the same bodies are much more likely to say that their internal policies and procedures are not implemented.) Perhaps the instability of the system of internal regulations and procedures is to blame for the lack of enforcement. The biggest
problem according to public officials is the instability of the rules and procedures – only 31 percent described their internal procedures as stable.

Public Financial Management Systems

125. Transparent and accountable financial management systems can play integral roles in empowering state officials to provide high quality services with low levels of corruption. An open and transparent system helps policymakers and implementing authorities alike focus on their priorities and ways to achieve them given limited resources. It also allows citizens and the legislature to hold the executive accountable for using those resources effectively and efficiently. The Kyrgyz Republic has made substantial progress since independence in laying out a basic framework for budget preparation, execution, and control with the passage in 1997 of a “Law on the Principles of Budget,” the establishment of both a functioning treasury system and an external audit function carried out by the Chamber of Accounts.

126. The medium term macro fiscal planning system that was introduced in 1997 through the preparation of the Medium Term Fiscal Framework (MTFF) has opened the way for a more strategic approach to budget planning. Although the foundations have been laid, several challenges remain. Strategic budget preparation requires, among other things, that the government account for all budget resources. Forty percent of respondents to the public officials survey said their body was partially funded by extra-budgetary or special funds, and 24 percent said they collect user fees.

127. Since the sampling of the public officials survey is not weighted by the amount of budgetary spending, these figures may not reflect the importance of off-budget funds relative to on-budget funds. Treasury data provide a more accurate picture. In 2001, extra-budgetary operations accounted for 9.2 percent of the budget at the republican level and 7.5 percent at the local level. Moreover, some 30 percent of budget revenues and expenditures remained outside the Treasury Single Account in 2000, and “administrative charges” officially represent 12 percent of total revenue. The usefulness of the MTFF for strategic planning would be enhanced if all budget resources were taken into its purview. In addition, a better picture of the available resources in the budget would greatly facilitate cash management and increase transparency in the use of budget funds, as these special resources would be subject to the same accounting and reporting rules as the rest of the budget.

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51 The surveys do not offer a way to distinguish between legally instituted special funds, such as the social fund, and more as hoc funding mechanisms.
52 A second caveat on the section on public financial management is that since the field is relatively specialized, only about half of the 350 public officials provided information in this area.
128. Public officials familiar with budget practices almost universally reported that the budget formulation process involves a close consultation between budget managers and department/division managers. However, cross-ministerial discussion in the cabinet only takes place about half the time. (See Table 14.) Moreover, nearly half (47 percent) of the respondents familiar with budget issues said that their budgets were revised after review by the President’s office. Of these, 69 percent said their budgets were revised upward, and the remainder downward.

129. Most officials provided positive evaluations of budget preparation, execution, and audit policies, although the depth of feeling leaves room for improvement: 63 percent said the written principles were specified in a correct manner and 63 percent said they were strictly implemented. (Audits are discussed in paragraph 123.) There was slightly less confidence in the stability of the system – 57 percent reported the policies to be stable – possibly reflecting the simple fact that the process is under reform.

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Table 14. Budget Formulation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our ministry discusses the budget with the Ministry of Finance without input from other ministries</td>
<td>22%</td>
</tr>
<tr>
<td>Our ministry discusses the budget with the Government and the Ministry of Finance, with little or no input from other ministries</td>
<td>28%</td>
</tr>
<tr>
<td>Budget allocations among ministries are openly discussed by the entire Government cabinet</td>
<td>50%</td>
</tr>
</tbody>
</table>

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53 Ninety-two percent agreed. This is based on the subset of officials (approximately 150) who said they were fairly familiar the budget process.
54 Of those saying the budgets were revised upward, the median amount of the adjustment was 20 percent, and of those saying the budgets were revised downward, the median amount of the adjustment was 15 percent. Again, however, it must be emphasized that the sample is not weighted according to budgetary impact, so these numbers are merely illustrative.
55 I.e., while many agreed that policies were strictly implemented, few gave the highest rating, “strongly agree.”
5. Improving Service Delivery and Reducing Corruption

130. The governance challenges outlined in this report are formidable. Unofficial payments have become the norm for many key services, and firms say they are significantly affected by state capture. Credibility in the highest levels of government is eroding. Poverty, already the Kyrgyz Republic’s greatest challenge, is worsening as a non-supportive business environment stymies growth, investment, and income opportunities, as corruption strains the already overburdened state coffers, and as the accessibility of services the poor need most fades.

131. Although the challenge is daunting, there are a number of approaches that can help move the Kyrgyz Republic on the path to improvement. Indeed, the menu of options is enormous, ranging from sector-specific campaigns to the reframing of the overall balance of power among the branches of government, from deregulation to transparent party financing. Multipronged strategies involving all of these reforms have been proposed and are under implementation in many countries. However, major initiatives such as the CDF and the INSPR have already laid out detailed reform agendas in many spheres. Moreover, the broad public audience for this report may well have alternative interpretations of priorities. For these reasons and to avoid over-taxing reformers with another long list of reform proposals, this report chooses to selectively emphasize the importance of two reform areas that should receive priority attention: openness in government and incentives in public administration.

Greater Openness and Integration with Civil Society

132. An essential element of strategies for reducing corruption and stimulating quality in the public sector is the fundamental shift toward openness in society. Introducing transparency requires that government provide the public—civil society organizations, the media, or anyone else who is interested—sufficient information about their activities in order for the public to provide an effective check on abuses by government and public officials. Many public officials indicated that they do, in fact, inform the public of their activities in a number of ways. However, the public at large does not seem to have responded to this provision of information. In the analysis of the determinants of performance, described in detail in Annex 2, the public provision of information is not as highly correlated with performance as found in other countries.

133. Most public officials report that they do have a specific department or designated person to whom a citizen or businessman can complain if they encounter a problem, but again we find that the public rarely avails itself of such channels. Despite the relatively low levels of satisfaction with publicly provided services, and the frequent need for unofficial payments, less than three percent of the households surveyed had ever filed an official complaint regarding poor services or requests for bribes. Moreover, most bodies and services are still viewed as inaccessible if one has a comment, complaint, or question.57

56 See, for example, World Bank, 2000, Anticorruption in Transition – A Contribution to the Policy Debate.
57 The strong skepticism of the judiciary is perhaps mirrored for the case of administrative appeals.
134. The apparent disconnect between the openness perceived by the public officials and that utilized by the general public could suggest that the current mechanisms through which state bodies publicize information are left too much to their own discretion or are left impotent by management practices that do not provide incentives for staff to focus on the needs of their beneficiaries. Similarly, complaint mechanisms that are not viewed as credible by the public will have little effect. Formalizing both in ways that demand attention by the public bodies in an unambiguous way can help provide civil society with the information it needs to push the public sector in the right direction. Many countries have enacted freedom of information laws that require governments to provide information to the public unless there is a valid reason (such as threat to national security) for the information to remain secret. Under such regimes, clear guidelines prescribing when information can remain secret, and sufficient investment in training civil servants are essential. Ultimately, however, freedom of information regimes will be most effective when public management practices provide the incentives for state bodies to perform, and when strong leadership signals that public employees must err on the side of making information free, rather than keeping it secret.

135. More generally, openness should not be limited to providing information. Civil society and the media could serve as effective allies of the state in reducing corruption and stimulating efficient government. A proactive approach that invites open oversight by civil society and the media will be the most effective at introducing true transparency and openness into government and reducing corruption.\footnote{See Bart W. Edes, 2000, \textit{The Role of Public Administration in Providing Information: Information Offices and Citizens Information Services}, presentation at the EIPA Seminar “An Efficient, Transparent Government and the Rights of Citizens to Information,” Maastrict, The Netherlands, May 2000.} Openness in the very process of making the law also limits the scope for state capture and other forms of corruption.\footnote{This point was made by the director of Interbilim, a business-development NGO, on the Central Asian news website Eurasiangent: investments are poorly administered because civic participation in this area has been ignored. Transitions On Line, “A Bleak House” by Hamid Tursunof, 1/15/02.} In an open society, public hearings become the rule rather than the exception. While the efficacy of such openness may be constrained by the limited capacity of the nascent non-governmental sector to act on it, the availability of information can also provide fodder for the development of this capacity.

136. The greater openness felt by the media\footnote{This section draws on World Bank, 2000, \textit{Anticorruption in Transition – A Contribution to the Policy Debate}, and on Mark Nelson, Vitaliy Kartamychev, Irina Borisovna Garsia, Fiona Harrison, and Vladimir Svetozarov, 1999, “Anticorruption in Transition: The Role of the Media”. World Bank. Mimeo.} since the fall of communism in the FSU has brought with it numerous stories of fraud, corruption, and criminal activity, making the media a key player in the fight against corruption. In a few countries, many factors continue to weaken the media’s potentially powerful contribution to limiting corruption. Legal guarantees to free speech form the foundation of a vibrant media. However, the press may yet be inhibited by libel laws and intimidation, or by state monopolies on printing, supply of paper distribution, and television signal transmissions. The Kyrgyz Republic would do well to ease the threat posed to journalists by libel laws – a proposal to soften the libel laws was...
defeated last year— and to maintain distance from the media – strong controls over the media, including controls over printing houses, inevitably lead to distrust of the media and the state. By contrast, a policy of openness strengthens tools for oversight and enlists the media as an ally in controlling corruption. Indeed, countries with the most free and open medias tend to have lower levels of corruption and state capture, as illustrated in Figure 15.

Figure 15. Media Repression in Transition Countries

137. By agreeing to the surveys on which this report is based, and publicly disseminating the findings, the Kyrgyz Republic has made an important stride toward a system whereby feedback from the public becomes a regular feature of the effort to improve performance in the public sector. In some countries, surveys of customer satisfaction, like those completed in the Kyrgyz Republic, are an annual feature of public sector evaluations. An example from the United States is described in Text Box 10.

Text Box 10. Customer Satisfaction Surveys for the Public Sector in the United States

In the absence of competitive market pressures, how can a state provider of services evaluate the quality of their work? One approach, employed in the USA since 1999, is to simply survey the users of the services and publicize the results. The American Customer Satisfaction Index (ACSI) is an economic indicator of quality that has been used in the private sector since 1994, and has been adapted and used for the evaluation of the public sector in 1999 and 2000. The actual clients of 31 Federal agencies are surveyed about their experiences – the results provide valuable feedback for the managers of those agencies and a measure of competitive pressure as well, since no one wants poor ratings.


Incentives and Restraints in Public Administration

138. As in many countries, discussion of the causes of corruption and weak public sector performance brings forth an immediate reaction that the key is surely to increase salaries – if people are better paid they will not need to take unofficial payments. Indeed, in the Kyrgyz Republic, where official salaries are so low as to leave officials nearly impoverished, the level of salaries play an indisputable role. However, increasing salaries without more systemic reforms will not change the incentive structure facing public officials and will have little impact on the level of corruption. In a similar vein, a weak bureaucracy increases the opportunities for corruption while reducing the chance of detection, and hinders the ability of managers and staff to deliver high quality work while reducing accountability for poor performance. Increasing salaries without attention to the quality of public administration will not address the root causes of corruption and poor performance.

139. A simple model of public sector performance, described in detail in Annex 2, examines the ways that the institutional environment affects the level of performance in public sector bodies. The analysis relies on a framework in which institutional variables including systems of personnel management, financial management, performance management, and policy formulation, shape the environment in which officials do their jobs and, ultimately, drive performance. The data from the Kyrgyz Republic survey of public officials allows a partial examination of this paradigm. (See Annex 2 for details.)

140. The results of the analysis suggest two clear lessons for public administration reform in the Kyrgyz Republic. First, both the level of meritocracy and overall quality of internal administration are important for explaining the performance of state bodies, and both are strongly supported by the clarity and formalization of rules and by institutions of oversight. Second, the surveys suggest that meritocracy and internal administrative quality are mutually supporting. That is, the ability of meritocracy to improve performance is higher when the quality of internal administration is higher, and vice versa. (See Figure 16, below.) Addressing both civil service issues and more general administrative reforms in concert will have a greater impact on corruption and public sector performance than attacking either in isolation.

141. Despite the synergistic relationship between the various public administration reforms, it is worthwhile to remember that, ultimately, it is people that implement policies and decide whether reforms will be implemented or not. Designing a meritocratic personnel management system that rewards positive behavior must have primacy in the reform agenda.
Lastly, it must be noted that while enhancing the system of incentives and restraints in public administration can go a long way toward improving quality and reducing corruption, the incentives and restraints of elected and politically appointed officials must also be addressed. Strengthening conflict of interest legislation and extending such provisions to members of officials’ immediate families – the norm in many countries – in an atmosphere of openness and free access to information can provide a powerful restraint on state capture.

**Leadership and Commitment**

The 1,750 enterprise managers, citizens, and public officials that were surveyed for this report have provided a sobering message about governance weaknesses and the impact on service delivery, about the roots of poverty and the erosion of trust in the all branches of the state. The complex and deep-rooted problems of corruption and poor service delivery will not be easily fixed in the Kyrgyz Republic, and indeed the many public documents on the CDF and the INSPR reflect this. The long list of needed reforms can not be addressed by the Government alone, nor even by a single donors, and certainly not within a short period of time. As this report has made clear, however, the systemic institutional weaknesses that are contributing to corruption and poor service delivery in the Kyrgyz Republic will not be solved by sector-specific reforms alone.

One benefit of a system with strong executive power is the ability to quickly enact changes, at least on paper. Truly changing behavior, however, requires societal commitment best generated by healthy discourse, and executive leadership by example, rather than by fiat.

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62 The charts show the average index of quality and (inverse) corruption in state bodies with low and high levels of meritocracy in personnel decisions, and low and high levels of quality in public administration.

63 The World Bank, for its part, is engaged in a number of sectoral projects that will help to improve performance and governance in those sectors. The Second Health Sector Reform Project (HSRP-II) is working on reforms to enhance access to health care and mitigate the high out-of-pocket expenses for health care, especially for the poor. The Sheep Development Project (SDP) supports the veterinary services, one of the services that received extraordinarily high marks by users. The Consolidated Structural Adjustment Credit (CSAC) aims to improve the fiscal and business environment and reduce regulatory barriers to the entry while ensuring that a minimum acceptable level of access and utility service is preserved for the poorest elements of the society.
Indeed, in a country with high levels of both state capture and administrative corruption, a concerted effort to bring openness to government and involve civil society in public discourse is essential. Harnessing the power of civil society to bring about change requires strengthening the public’s capacity to utilize the information, and building public management practices that provide incentives to strengthen the public-private dialogue through transparency and open provision of information at all levels of government.

145. The challenges the Kyrgyz Republic faces are many, but the costs of inaction are too great to ignore. The World Bank stands ready to do its part in helping the people of the Kyrgyz Republic, both within government and without, to reach the goals outlined in the Comprehensive Development Framework:

Creation of effective and transparent administration of the state will give a new impulse to political, social and economic reforms. This envisages formation of a democratic, pluralistic and open system of government based on the principle of independence of the three branches of government, their coordinated functioning and interaction in order to settle public and private issues effectively and fairly.

_The Kyrgyz Republic: A New Perspective_  
_The Comprehensive Development Framework Strategy 2001 to 2010_
Annex 1. Scorecards of Public Sector Bodies

146. Scorecards of the performance of state bodies provide a valuable incentive for leadership to reform those bodies, and scorecards of various types are widely used throughout the world, funded both by bodies being evaluated, and by external entities interested in evaluations of quality. One well-known innovator in this respect is the Bangalore Report Card on Government Services, created in 1993, which has been used by civil society institutions “both to create greater public awareness about the poor performance of their public service providers and to challenge the latter to be more efficient and responsive to their customers.”64 By placing the ordinary person and firm in the role of evaluator, their importance as clients and users of services becomes explicit. This Annex summarizes data from the Kyrgyz Republic surveys of households, enterprises, and public officials and presents a similar set of scorecards.

147. The scorecards presented at the end of this Annex evaluate performance of state bodies from the perspective of the users of those services. Following the paradigm described in the text, three particular aspects of performance are examined: the quality of delivery of selected publicly provided services, access to such services, and the level of corruption within key public sector entities involved in delivery or oversight of these services, or broader policy making. The evaluations of performance are based on both general perceptions and specific experiences related by survey respondents. Both types of assessments provide useful, and complementary, information. “Perceptions” form the basis for decision-making, as when a firm is deciding where and whether to invest, while the actual “experiences” of firms and households that actually use public services provide valuable first-hand evaluations and evidence of the actual incidence of bribery.

Some Caveats

148. Before proceeding with discussion of the scorecards, several caveats are in order. First, the scorecards are limited in the sense that they do not cover every state-provided service. Thus, additional state bodies or services may in fact perform worse (or better) than those listed here, but were not included in the scorecards due to the practical limitations of conducting the surveys.

149. Second, since each score is based on statistics from a sample survey, each is an estimate with its own margin of error. This means that the “ranking” of the bodies or services are only approximate.

150. Third, the rankings in the scorecards are influenced by the precise definition of the dimension of performance being evaluated. Thus, more information can be gained by considering disaggregated definitions of performance, and indeed the scorecards disaggregate to a considerable extent. But even when the definition is precise, there are numerous statistics

that can be obtained from a single survey question, and each may yield a different ranking on the scorecards. For the two most important sets of scorecards, those based on actual experiences, multiple statistics will be presented and explained.

151. Fourth, comparing diverse government bodies along a uniform dimension inevitably raises questions about comparability. For example, a citizen might have a personal relationship with an educator, while the broader institutions of government, such as the local government, may be viewed as faceless bureaucracies. Similarly, an enterprise manager may not judge a traffic policeman with the same metric as a provider of pure services. For this reason, the overall ranking of bodies based on experiences and perceptions, the traditional scorecard, will be supplemented by an identical scorecard with state bodies grouped into four categories: (i) pure service providers such as health, (ii) controlling authorities such as tax inspectors, (iii) bodies that provide services but on a selective basis such as banking services, and (iv) the broad institutions of state such as the Presidential administration and local governments.

152. Finally, it must be recognized that these scorecards are based entirely on the user’s perspective. While such a perspective is extremely valuable (see Text Box 10 for a description of customer satisfaction surveys in the United States), it must be recognized up front that the user is not in every case the best judge of the quality of services. For example, a patient may not be the best judge of the quality of his heart surgeon.

**Scorecards on Quality**

**Satisfaction with Publicly Provided Services – Actual Experiences**

153. Both enterprises and households were asked about their actual experiences with a large number of public sector bodies and services (and a few privately provided services for comparison) and the results are presented in Figure 17 and Figure 18. Most enterprises reported being satisfied with most of their experiences. The satisfaction ratings, provided only by enterprises that interacted with the body or service in the previous 12 months, indicate that private or quasi-public services receive the highest ratings: banking services, private accounting and auditing services, and notaries receive the highest ratings from enterprises. At the other end of the scale, few of the affected enterprises reported being satisfied with their experiences with the courts or the police. Among the services used by households, the highest marks went to veterinary services and vehicle registration, and the worst to the police, and the labor exchanges.

**Quality of Public Sector Services and Bodies – Perceptions**

154. All three sample groups were asked about the quality of services provided by a large number of state, and a few non-state, entities; the specific services listed on the household and enterprise questionnaires corresponded to the kinds of services that households and enterprises are likely to use. For higher levels of public administration, respondents were asked to assess the quality of the work performed by those bodies. The results are presented in Figure 19 and Figure 20.
155. Enterprises provided the highest assessments of quality for utilities (telephone and water) and the post office, although even these were rated as providing high quality by less than 60 percent of the firms. At the other end of the scale, relatively few enterprise managers described the police, courts, and prosecutors as providers of quality service. Similarly, controlling bodies such as customs received poor ratings for quality work. Only an eighth of enterprise managers provided favorable ratings for broad institutions of state, such as Parliament and the Presidency.

156. The quality assessments provided by households provide the highest marks to the mass media. Like enterprise managers, few households gave favorable quality ratings to the work of the courts or the police. Several services of particular importance to households received poor ratings: social protection benefits, health and education were all toward the bottom end of the scale. The broad institutions of state generally received poor evaluations by households, although local administrations seemed to have fared better than the national or oblast-level bodies.

157. The assessments of quality provided by the public officials can be thought of as peer assessments – public officials evaluating each other and themselves. Only banking services received favorable ratings by more than half of the respondents. The responses largely mirrored those provided by households and enterprises: private and quasi-public services, such as banking and notary services, mass media and telephone services were most likely to receive favorable assessments, while state housing assistance, police, health and social services, customs, the courts and the railways receive the least favorable ratings.

158. Although public officials’ perceptions of public services are similar to those reported by households and enterprises, there is a noticeable difference in their assessments of the broader institutions of state: Parliament, the Presidential Administration, and central and local executive bodies all receive more favorable ratings by public officials than by either of the other two sample groups.

Scorecards on Accessibility

Accessibility of Public Sector Services and Bodies – Perceptions

159. This section of the scorecard examines the extent to which households and enterprises, as users and clients, have access to a service or the entities that provide them. Both sample groups were surveyed about accessibility of various services that they use, including some privately provided services for the sake of comparison. The results are presented in Figure 21 and Figure 22.

160. Respondents were also asked to provide evaluations of not only entities which actually provide public services, but also of entities involved in policy-making and legislation, such as Parliament, the Government, and the Presidential Administration. For this latter category of entities, respondents were asked to assess how accessible the bodies would be if the respondent had a comment or question. (Tax inspectors, labor regulators, licensing
bodies, and customs authorities were included in the latter group since, as controlling authorities, they are not likely to be viewed as “service providers” by enterprise managers.)

161. From the enterprise perspective, the post office and utilities (electricity, water, and telephone service) receive the highest marks for overall access. Indeed, most services provided to enterprises receive favorable marks for access. Even controlling authorities, such as tax inspectors, are reported to be easily accessible by most enterprises surveyed in case they have a question or comment. From the household perspective, the mass media, electricity and the post office were reported to be the most accessible, with courts and long-distance transportation (airline and railway) receiving the poorest marks.

162. The very low ratings for accessibility of the broadest powers of state – the Presidential and Prime Ministerial Administrations – are somewhat to be expected, since such bodies are not “accessed” in the same sense as services such as health care.

**Scorecards on Corruption**

*Bribery in Public Sectors Bodies – Actual Experiences*

163. Figure 23 and Figure 24 summarize enterprise and household encounters with bribery with specific state-provided services and bodies. For enterprises, three indicators of experiences with bribery with specific bodies and services are provided. Enterprise managers were asked how many times their firm had visited each of 25 bodies and services, mostly state, and on how many of those occasions they paid a bribe or had it made known to them that they should pay a bribe.

164. The top bar of this Figure shows the percentage of enterprises that said they encountered bribery on at least one occasion in the previous 12 months with the respective agency: 47 percent of firms that interacted with customs said they had encountered bribery, 46 percent for the traffic police, etc.

165. The second and third bars of Figure 23A and Figure 24A provide alternative indicators of firm experience with bribery. The second bar can be interpreted as the estimated likelihood that a firm needing a particular service would encounter bribery, while the third bar shows the percentage of all dealings with the state where bribery was encountered.

166. The right hand sides of Figure 23 and Figure 24 provide the scorecard for experiences with unofficial payments from the household perspective. Respondents to the household survey were asked about their experiences with a wide range of services and public administration bodies. There is an important challenge in identifying corruption in such interactions, since gifts are often given merely as tokens of appreciation or for customary or traditional reasons. Distinguishing these from bribes is empirically difficult. Indeed, the difficulty one has in clearly identifying what is a “bribe” is illustrative of the difficulties that service providers and users have in making the same determination.
167. One answer to this challenge is to consider any unofficial payment that could be perceived as having a quid pro quo as unacceptable. With this in mind, the basic measure employed is whether an unofficial payment was made. The first bar in Figure 23B and Figure 24B shows the percentage of households that provided some gift, money, or service to the service provider. This measure was supplemented with three additional indicators of whether the payment constituted an outright bribe or something more innocuous. First, payments that were offered completely unilaterally were not included in the second bar. Note that this may bias the estimates downward since bona fide bribes may indeed be completely voluntary. Second, respondents were asked whether they felt the payment was necessary in order to receive proper service, and those who answered in the negative were dropped from the third bar. Finally, respondents were asked to identify whether or not the payment was in some ways a “bribe.” The fourth bar in the Figure excludes unofficial payments that the respondent declares are definitely not bribes. Again, this may bias estimates downward since a respondent may not describe a payment as a bribe, but still feel it is necessary to receive proper service, which is the usual definition of a bribe.

Corruption in Public Sector Bodies – Perceptions

168. This section of the scorecard presents the perceptions of all three sample groups about the overall extent of corruption in public sector bodies. Their responses are summarized in Figure 25 and Figure 26. It bears repeating that these are “perceptions” and as such reflect common beliefs, beliefs which may overstate or understate the true extent of corruption.

169. The police, customs, tax inspectors, and the courts top the enterprise managers’ lists with a third to a half of respondents reporting their belief that corruption is widespread in these bodies. Public officials and households confirm these findings. The best marks for the perception of corruption pertain to garbage collection, water, the post office and telephone services.

Problems in Perspective

170. The final chart in this section is not a “scorecard” per se, but rather a ranking of the problems facing enterprises and citizens from their own perspectives. Enterprise managers and households were both presented with a list of issues and asked to rate how problematic these issues were for their firm’s business development or the country as a whole by firms and households, respectively. They were asked to rate each issue individually and also highlight the single most serious problem and the results are presented in Figure 27.

171. Enterprise managers highlighted two problems that impact directly on their profitability: tax rates and low purchasing power of the population were selected as most problematic by 25 and 17 percent, respectively. Enterprise managers also identified frequent inspections, inflation, and corruption as problematic. On the household survey, citizens

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65 The bottom bar in Figure 27 shows the percentage saying that the problem is a “very serious” obstacle to doing business in the Kyrgyz Republic. Many other firms indicated the issues to be “serious” obstacles. Thus the fact that 49 percent of enterprise manages said that corruption is a “very serious problem” does not indicate
identified unemployment and the high cost of living: 29 and 18 percent, respectively, said these were the most important problems. Poverty, small salaries and corruption were also highlighted by households as major problems for the Kyrgyz Republic.

that the rest are not bothered by corruption. To the contrary, a further 15 percent said corruption is a serious obstacle. Only 14 percent said that corruption is not an obstacle.
Figure 17. Satisfaction with Services

**A. Enterprises**
- Bank services: 80%
- Private accounting and auditing service: 72%
- Notary offices: 69%
- Telecommunications: 65%
- Social insurance fund: 54%
- Other oblast administration: 52%
- Border Guards: 50%
- Utilities (water, gas, electricity, heating): 48%
- Other rayon or aiyl l administration: 48%
- City administration: 47%
- Other Licenses and permits: 47%
- Sanitary and Epidemiological Inspectors: 46%
- Fire Inspectors: 46%
- Central Architecture and planning agency: 44%
- Business Registration: 43%
- Environmental protection: 41%
- Construction permissions: 36%
- Tax Inspectors: 35%
- Custom authorities: 31%
- National rev. and insp.commisions: 29%
- Rayon or Aiyl rev. and insp.commisions: 27%
- Traffic police: 27%
- Oblast rev. and insp.commisions: 25%
- Courts: 24%
- Police: 18%

**B. Households**
- veterinary services: 78%
- register vehicle: 63%
- driving license: 57%
- universities: 53%
- secondary schools: 52%
- telephone connection/repair: 51%
- passport: 51%
- hospital stay: 50%
- elementary schools: 47%
- kindergarten: 47%
- policlinics: 46%
- vocational schools: 45%
- unemployment ben.: 44%
- power connection/repair: 44%
- real estate reg.: 43%
- courts: 41%
- visa or travel permit: 38%
- customs: 38%
- agricultural services: 37%
- apply for loan: 37%
- job from the state: 37%
- social protection ben.: 33%
- emergency medical: 31%
- water connection/repair: 30%
- traffic police: 20%
- job through labor exch.: 20%
- police investigations: 18%

percent satisfied
### Figure 18. Satisfaction with Services -- Alternative Groupings

#### A. Enterprises

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank services</td>
<td>82%</td>
</tr>
<tr>
<td>Private accounting and auditing service</td>
<td>72%</td>
</tr>
<tr>
<td>Notary offices</td>
<td>69%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>66%</td>
</tr>
<tr>
<td>Utilities (water, gas, electricity, heating)</td>
<td>48%</td>
</tr>
<tr>
<td>Social insurance fund</td>
<td>54%</td>
</tr>
<tr>
<td>Other oblast administration</td>
<td>52%</td>
</tr>
<tr>
<td>Border Guards</td>
<td>50%</td>
</tr>
<tr>
<td>Other rayon or ayl’ administration</td>
<td>48%</td>
</tr>
<tr>
<td>City administration</td>
<td>47%</td>
</tr>
<tr>
<td>Other Licenses and permits</td>
<td>47%</td>
</tr>
<tr>
<td>Sanitary and Epidemiological Inspectors</td>
<td>46%</td>
</tr>
<tr>
<td>Fire Inspectors</td>
<td>46%</td>
</tr>
<tr>
<td>Central Architecture and planning agency</td>
<td>44%</td>
</tr>
<tr>
<td>Business Registration</td>
<td>43%</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>41%</td>
</tr>
<tr>
<td>Construction permissions</td>
<td>36%</td>
</tr>
<tr>
<td>Tax Inspectors</td>
<td>35%</td>
</tr>
<tr>
<td>Custom authorities</td>
<td>31%</td>
</tr>
<tr>
<td>National rev. and insp.commissions</td>
<td>29%</td>
</tr>
<tr>
<td>Rayon or Ayl’ rev. and insp.commissions</td>
<td>27%</td>
</tr>
<tr>
<td>Traffic police</td>
<td>27%</td>
</tr>
<tr>
<td>Oblast rev. and insp.commissions</td>
<td>25%</td>
</tr>
<tr>
<td>Courts</td>
<td>24%</td>
</tr>
<tr>
<td>Police</td>
<td>18%</td>
</tr>
</tbody>
</table>

#### B. Households

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment benefit</td>
<td>44%</td>
</tr>
<tr>
<td>Apply for loan</td>
<td>37%</td>
</tr>
<tr>
<td>Job from the state</td>
<td>37%</td>
</tr>
<tr>
<td>Social protection benefit</td>
<td>33%</td>
</tr>
<tr>
<td>Job through labor</td>
<td>20%</td>
</tr>
<tr>
<td>Veterinary services</td>
<td>78%</td>
</tr>
<tr>
<td>Universities</td>
<td>53%</td>
</tr>
<tr>
<td>Secondary schools</td>
<td>52%</td>
</tr>
<tr>
<td>Telephone connection/repair</td>
<td>51%</td>
</tr>
<tr>
<td>Hospital stay</td>
<td>50%</td>
</tr>
<tr>
<td>Elementary schools</td>
<td>47%</td>
</tr>
<tr>
<td>Kindergarten</td>
<td>47%</td>
</tr>
<tr>
<td>Polyclinics</td>
<td>46%</td>
</tr>
<tr>
<td>Vocational schools</td>
<td>46%</td>
</tr>
<tr>
<td>Power connection/repair</td>
<td>45%</td>
</tr>
<tr>
<td>Agricultural services</td>
<td>37%</td>
</tr>
<tr>
<td>Emergency medical</td>
<td>31%</td>
</tr>
<tr>
<td>Water connection/repair</td>
<td>30%</td>
</tr>
<tr>
<td>Register vehicle</td>
<td>69%</td>
</tr>
<tr>
<td>Driving license</td>
<td>57%</td>
</tr>
<tr>
<td>Passport</td>
<td>51%</td>
</tr>
<tr>
<td>Real estate reg.</td>
<td>43%</td>
</tr>
<tr>
<td>Courts</td>
<td>41%</td>
</tr>
<tr>
<td>Visa or travel permit</td>
<td>38%</td>
</tr>
<tr>
<td>Customs</td>
<td>38%</td>
</tr>
<tr>
<td>Traffic police</td>
<td>20%</td>
</tr>
<tr>
<td>Police investigations</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Note:** The percentages represent the percentage of satisfied respondents for each service or group of services.

**Legend:**
- **Pure services**
- **Mix of services and evaluative functions**
- **Controlling or evaluative functions**
- **Controlling evaluative functions**

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KYRGYZ REPUBLIC

ANNEX 1. SCORECARDS OF PUBLIC BODIES
Figure 19. Perceptions of Quality

A. Enterprises

- Telecommunication: 56%
- Water: 48%
- Post Office: 32%
- Electricity: 21%
- Business information services: 40%
- Banking services: 39%
- Notary services: 39%
- National airline: 33%
- Railway services: 24%
- Prosecutor: 15%
- Courts: 13%
- Police: 12%
- Inspections (fire, sanitary, etc.): 25%
- Local administration (Ayil Okmotu): 28%
- Tax authorities and inspectors: 26%
- Oblast, City, Rayon Administration: 23%
- State licensing, permitting, and similar regulatory bodies: 22%
- Ministries, agencies, commissions: 17%
- Prime Minister administration: 14%
- Deputy of Oblast, City Rayon Kenesh: 14%
- Accounting Chamber: 14%
- Presidential administration: 13%
- Parliament: 11%
- Customs authorities: 7%

B. Households

- Telecommunication: 61%
- Electricity: 42%
- State-owned airline: 41%
- Telephones: 41%
- Banking services: 37%
- Post Office: 36%
- Public Transport: 36%
- Water: 35%
- Notary services: 29%
- National airline: 28%
- Railway services: 27%
- Prosecutor: 15%
- Courts: 13%
- Police: 12%
- Inspections (fire, sanitary, etc.): 22%
- Local administration (Ayil Okmotu): 22%
- Ministries, agencies, commissions: 22%
- Oblast, City, Rayon Administration: 19%
- State housing assistance (dom upravlenie): 19%
- Health services: 17%
- Social protection benefits: 15%
- Education services: 13%
- Public transportation: 12%
- Police: 10%
- Notary services: 8%
- State-owned airline: 8%
- Water: 7%
- State-owned airline: 6%
- Mass-media (newspapers, radio, TV): 5%

C. Public Officials

- Telecommunication: 43%
- Electricity: 45%
- State-owned airline: 43%
- Telephones: 41%
- Banking services: 37%
- Post Office: 34%
- Public Transport: 34%
- Water: 31%
- Notary services: 20%
- National airline: 19%
- Railway services: 18%
- Prosecutor: 19%
- Courts: 18%
- Police: 17%
- Inspections (fire, sanitary, etc.): 17%
- Local administration (Ayil Okmotu): 17%
- Ministries, agencies, commissions: 16%
- Oblast, City, Rayon Administration: 16%
- Health services: 15%
- Social protection benefits: 13%
- Education services: 12%
- Public transportation: 11%
- Police: 9%
- Notary services: 8%
- State-owned airline: 7%
- Water: 7%
- State-owned airline: 6%
- Mass-media (newspapers, radio, TV): 5%

"quality of service is "good"

"quality of work undertaken by the body is "good"
Figure 20. Perceptions of Quality -- Alternative Grouping

A. Enterprises

1. Banking services: 45%
2. Notary services: 39%
3. Telephone: 58%
4. Water: 54%
5. Post Office: 51%
6. Electricity: 49%
7. Business information services: 48%
8. National airline: 33%
9. Railway services: 24%
10. Inspections (fire, sanitary, etc.): 28%
11. Tax authorities and inspectors: 26%
12. State licensing, permitting, and similar regulatory bodies: 22%
13. Prosecutor: 15%
14. Accounting Chamber: 14%
15. Courts: 13%
16. Police: 12%
17. Customs authorities: 7%
18. Local administration (Aiyl Okmotu): 6%
19. Oblast, City, Rayon Administration: 4%
20. Ministries, agencies, commissions: 17%
21. Prime Minister administration: 14%
22. Deputy of Oblast, City, Rayon Kenesh: 14%
23. Presidential administration: 14%
24. Parliament: 11%

B. Households

1. Banking services: 37%
2. Notary services: 29%
3. State housing assistance (dom provlenie): 23%
4. Social protection benefits: 15%
5. Mass-media (newspapers, radio, TV): 31%
6. State-owned airline: 31%
7. Telephone: 36%
8. Post Office: 36%
9. Public Transport: 36%
10. Water: 36%
11. Agricultural services (e.g., veterinary services): 23%
12. Education services: 22%
13. Garbage collection, street cleaning: 19%
14. Health services: 17%
15. Railway services: 13%
16. Property valuation: 15%
17. Police: 10%
18. Prosecutor: 9%
19. Courts: 8%
20. Local administration (Aiyl Okmotu): 28%
21. Parliament: 18%
22. Prime Minister administration: 15%
23. Presidential administration: 14%
24. Ministries, state agencies, commissions: 12%
25. Oblast, city, rayon administration: 11%
26. Deputies of oblast, city, rayon kenesh: 10%

C. Public Officials

1. Banking services: 56%
2. Notary services: 48%
3. Property valuation: 17%
4. Social benefits protection: 17%
5. State housing assistance (dom upravlenie): 9%
6. Mass-media (newspapers, radio, TV): 43%
7. Post Office: 37%
8. Water: 34%
9. Electricity: 31%
10. State-owned airline: 19%
11. Education services: 18%
12. Public transportation: 16%
13. Health services: 11%
14. Railway services: 7%
15. Garbage collection: 7%
16. Courts: 20%
17. Police: 13%
18. Accounting Chamber: 29%
19. Inspections (fire, sanitary, etc.): 16%
20. State licensing, permitting, and similar regulatory bodies: 13%
21. Customs authorities: 12%
22. Local administration (Aiyl Okmotu): 34%
23. Parliament: 34%
24. Prime Minister administration: 33%
25. Presidential administration: 31%
26. Deputies of Oblast, City, Rayon Kenesh: 30%
27. Ministries, agencies, commissions: 25%
28. Local Administration (Aiyl Okmotu): 21%
Figure 21. Perceptions of Accessibility

A. Enterprises

<table>
<thead>
<tr>
<th>Service</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Office</td>
<td>94%</td>
</tr>
<tr>
<td>Telephone</td>
<td>89%</td>
</tr>
<tr>
<td>Electricity</td>
<td>89%</td>
</tr>
<tr>
<td>Water</td>
<td>86%</td>
</tr>
<tr>
<td>Notary services</td>
<td>77%</td>
</tr>
<tr>
<td>Business information services</td>
<td>71%</td>
</tr>
<tr>
<td>Police</td>
<td>70%</td>
</tr>
<tr>
<td>Railway services</td>
<td>64%</td>
</tr>
<tr>
<td>Banking services</td>
<td>63%</td>
</tr>
<tr>
<td>National airline</td>
<td>60%</td>
</tr>
<tr>
<td>Courts</td>
<td>48%</td>
</tr>
<tr>
<td>Prosecutor</td>
<td>44%</td>
</tr>
</tbody>
</table>

B. Households

<table>
<thead>
<tr>
<th>Service</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass media (newspapers, radio, TV)</td>
<td>88%</td>
</tr>
<tr>
<td>Electricity</td>
<td>83%</td>
</tr>
<tr>
<td>Post Office</td>
<td>80%</td>
</tr>
<tr>
<td>Public Transport</td>
<td>76%</td>
</tr>
<tr>
<td>State housing assistance (dom problems)</td>
<td>73%</td>
</tr>
<tr>
<td>Water</td>
<td>69%</td>
</tr>
<tr>
<td>Agricultural services (e.g., veterinary services)</td>
<td>67%</td>
</tr>
<tr>
<td>Garbage collection, street cleaning</td>
<td>62%</td>
</tr>
<tr>
<td>Notary services</td>
<td>62%</td>
</tr>
<tr>
<td>Property valuation</td>
<td>60%</td>
</tr>
<tr>
<td>Telephone</td>
<td>59%</td>
</tr>
<tr>
<td>Education services</td>
<td>55%</td>
</tr>
<tr>
<td>Banking services</td>
<td>49%</td>
</tr>
<tr>
<td>Police</td>
<td>48%</td>
</tr>
<tr>
<td>Health services</td>
<td>48%</td>
</tr>
<tr>
<td>Social protection benefits</td>
<td>42%</td>
</tr>
<tr>
<td>Railway services</td>
<td>35%</td>
</tr>
<tr>
<td>Prosecutor</td>
<td>33%</td>
</tr>
<tr>
<td>Courts</td>
<td>32%</td>
</tr>
<tr>
<td>State-owned airline</td>
<td>32%</td>
</tr>
</tbody>
</table>

"service is easily accessible"

"body is easily accessible if there are comments, questions, or complaints"
Figure 22. Perceptions of Accessibility - Alternative Grouping

### A. Enterprises

<table>
<thead>
<tr>
<th>Service</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notary services</td>
<td>77%</td>
</tr>
<tr>
<td>Banking services</td>
<td>63%</td>
</tr>
<tr>
<td>Post Office</td>
<td>94%</td>
</tr>
<tr>
<td>Telephone</td>
<td>89%</td>
</tr>
<tr>
<td>Electricity</td>
<td>89%</td>
</tr>
<tr>
<td>Water</td>
<td>86%</td>
</tr>
<tr>
<td>Business information services</td>
<td>71%</td>
</tr>
<tr>
<td>Railway services</td>
<td>64%</td>
</tr>
<tr>
<td>National airline</td>
<td>60%</td>
</tr>
<tr>
<td>Police</td>
<td>70%</td>
</tr>
<tr>
<td>Courts</td>
<td>49%</td>
</tr>
<tr>
<td>Prosecutor</td>
<td>44%</td>
</tr>
<tr>
<td>Inspections (fire, sanitary, etc.)</td>
<td>79%</td>
</tr>
<tr>
<td>Tax authorities and inspectors</td>
<td>71%</td>
</tr>
<tr>
<td>State licensing, permitting, and similar regulatory bodies</td>
<td>51%</td>
</tr>
<tr>
<td>Customs authorities</td>
<td>31%</td>
</tr>
<tr>
<td>Accounting Chamber</td>
<td>16%</td>
</tr>
<tr>
<td>Local administration (Ayl Okmotu)</td>
<td>73%</td>
</tr>
<tr>
<td>Oblast, City, Rayon Administration</td>
<td>55%</td>
</tr>
<tr>
<td>Deputy of Oblast, City Rayon Kenesh</td>
<td>39%</td>
</tr>
<tr>
<td>Ministries, agencies, commissions</td>
<td>24%</td>
</tr>
<tr>
<td>Parliament</td>
<td>10%</td>
</tr>
<tr>
<td>Prime Minister administration</td>
<td>7%</td>
</tr>
<tr>
<td>Presidential administration</td>
<td>7%</td>
</tr>
</tbody>
</table>

### B. Households

<table>
<thead>
<tr>
<th>Service</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>State housing assistance (dom provlenie)</td>
<td>73%</td>
</tr>
<tr>
<td>Notary services</td>
<td>62%</td>
</tr>
<tr>
<td>Banking services</td>
<td>49%</td>
</tr>
<tr>
<td>Mass-media (newspapers, radio, TV)</td>
<td>86%</td>
</tr>
<tr>
<td>Electricity</td>
<td>93%</td>
</tr>
<tr>
<td>Post Office</td>
<td>99%</td>
</tr>
<tr>
<td>Public Transport</td>
<td>76%</td>
</tr>
<tr>
<td>Water</td>
<td>69%</td>
</tr>
<tr>
<td>Agricultural services (e.g., veterinary services)</td>
<td>67%</td>
</tr>
<tr>
<td>Garbage collection, street cleaning</td>
<td>62%</td>
</tr>
<tr>
<td>Telephone</td>
<td>59%</td>
</tr>
<tr>
<td>Education services</td>
<td>55%</td>
</tr>
<tr>
<td>Health services</td>
<td>46%</td>
</tr>
<tr>
<td>Railway services</td>
<td>35%</td>
</tr>
<tr>
<td>State-owned airline</td>
<td>32%</td>
</tr>
<tr>
<td>Property valuation</td>
<td>60%</td>
</tr>
<tr>
<td>Police</td>
<td>48%</td>
</tr>
<tr>
<td>Prosecutor</td>
<td>33%</td>
</tr>
<tr>
<td>Courts</td>
<td>32%</td>
</tr>
<tr>
<td>Local administration (Ayl Okmotu)</td>
<td>69%</td>
</tr>
<tr>
<td>Deputies of oblast, city, rayon kenesh</td>
<td>31%</td>
</tr>
<tr>
<td>Oblast, city, rayon administration</td>
<td>27%</td>
</tr>
<tr>
<td>Parliament</td>
<td>11%</td>
</tr>
<tr>
<td>Ministries, state agencies, commissions</td>
<td>11%</td>
</tr>
<tr>
<td>Presidential administration</td>
<td>9%</td>
</tr>
<tr>
<td>Prime Minister administration</td>
<td>4%</td>
</tr>
</tbody>
</table>
Figure 23. Experiences with Bribery and Unofficial Payments

A. Enterprises

- Custom authorities: 47%
- Traffic police: 40%
- Tax inspectors: 45%
- Police: 39%
- Sanitary and Epidemiological inspectors: 24%
- Courts: 27%
- Fire inspectors: 27%
- Construction permissions: 26%
- Rayon or Aiyl level revision and inspection commissions: 24%
- Central Architecture and planning agency: 24%
- National level revision and inspection commissions: 23%
- Business Registration: 22%
- Other licenses and permits: 21%
- Oblast level revision and inspection commissions: 20%
- Other rayon or aiyl level administration: 18%
- Border Guards: 17%
- Environmental protection: 18%
- City administration: 18%
- Social insurance fund: 11%
- Private accounting and auditing service: 10%
- Utilities (water, gas, electricity, heating): 9%
- Notary offices: 8%
- Telecommunications: 7%
- Other oblast level administration: 7%
- Bank services: 1%

B. Households

- Kindergarten: 54%
- Elementary schools: 56%
- Universities: 49%
- Customs: 43%
- Traffic police: 42%
- Hospital stay: 39%
- Emergency medical: 38%
- Job from the state: 34%
- Veterinary services: 30%
- Courts: 30%
- Real estate reg.: 29%
- Secondary schools: 26%
- Register vehicle: 25%
- Agricultural services: 24%
- Visa or travel permit: 23%
- Social protection ben.: 20%
- Power connection/repair: 19%
- Polyclinics: 19%
- Passport: 18%
- Police investigations: 16%
- Unemployment ben.: 14%
- Apply for loan: 13%
- Water connection/repair: 11%
- Vocational schools: 9%
- Driving license: 9%
- Telephone connection/repair: 8%
- Job through labor exch.: 7%

- percent of enterprises paying bribes
- average percent of times bribe paid
- percent of total encounters with bribe

- made unofficial payment
- made non-voluntary unofficial payment
- made payment necessary for proper service
- made payment that was in some ways a bribe
Figure 24. Experiences with Bribery and Unofficial Payments -- Alternative Groupings

A. Enterprises

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percent of Enterprises Paying Bribe</th>
<th>Average Percent of Times Bribe Paid</th>
<th>Percent of Total Encounters with Bribe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private accounting and auditing service</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notary offices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities (water, gas, electricity, heating)</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Custom authorities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic police</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Inspectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sanitary and Epidemiological Inspectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Courts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire Inspectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction permissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rayon or Aiyl level revision and inspection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>commissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Architecture and planning agency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National level revision and inspection commissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Registration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Licenses and permits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oblast level revision and inspection commissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other rayon or aiyl level administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Border Guards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental protection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social insurance fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other oblast level administration</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Households

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percent of Households Making Unofficial Payment</th>
<th>Percent of Total Encounters with Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>job from the state</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>social protection ben.</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>unemployment ben.</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>apply for loan</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>job through labor excl.</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>kindergarten</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>elementary schools</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>universities</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>hospital stay</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>emergency medical</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>veterinary services</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>secondary schools</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>agricultural services</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>power connection/repair</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>policlincs</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>vocational schools</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>water connection/repair</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>telephone connection/repair</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>customs</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>traffic police</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>courts</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>real estate reg</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>register vehicle</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>visa or travel permit</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>passport</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>police investigators</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>driving/license</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Other oblast level administration
Figure 25. Perceptions of Corruption

A. Enterprises
- Police: 62%
- Courts: 39%
- Prosecutor: 38%
- Notary services: 15%
- Railway services: 13%
- Banking services: 10%
- Electricity: 10%
- National airline: 8%
- Telephone: 6%
- Water: 4%
- Business information services: 4%
- Post Office: 3%

B. Households
- Police: 54%
- Courts: 50%
- Prosecutor: 48%
- Education services: 30%
- Health services: 28%
- Notary services: 18%
- Electricity: 13%
- Social protection benefits: 13%
- Railway services: 11%
- Property valuation: 10%
- Banking services: 9%
- Telephone: 8%
- State-owned airline: 8%
- Public transport: 8%
- State housing assistance (dom. provlenie): 7%
- Agricultural services (e.g., veterinary services): 5%
- Mass-media (newspapers, radio, TV): 5%
- Post Office: 4%
- Water: 4%
- Garbage collection, street cleaning: 3%

C. Public Officials
- Customs authorities: 49%
- Tax authorities and inspectors: 48%
- State licensing, permitting, and similar regulatory bodies: 27%
- Prime Minister administration: 21%
- Presidential administration: 21%
- Inspections (fire, sanitary, etc.): 21%
- Parliament: 20%
- Ministries, agencies, commissions: 18%
- Accounting Chamber: 18%
- Deputy of Oblast, City, Rayon Kenesh: 17%
- Oblast, City, Rayon Administration: 15%
- Local administration (Ayl Okmotu): 11%
Figure 26. Perceptions of Corruption -- Alternative Grouping

A. Enterprises
- Notary services: 15%
- Banking services: 10%
- Railway services: 13%
- Electricity: 10%
- National airline: 8%
- Telephone: 6%
- Water: 4%
- Business information services: 4%
- Post Office: 3%

B. Households
- Notary services: 18%
- Social protection benefits: 13%
- Banking services: 9%
- State housing assistance (dom. ownership): 7%
- Education services: 30%
- Health services: 28%
- Electricity: 13%
- Railway services: 11%
- Telephone: 8%
- State owned airline: 8%
- Public transport: 8%
- Agriculture services (e.g., veterinary services): 5%
- Mass media (newspapers, radio, TV): 5%
- Post Office: 5%
- Water: 4%
- Garbage collection: 2%

C. Public Officials
- Notary services: 21%
- Social protection benefits: 17%
- Banking services: 16%
- State housing assistance (dom. ownership): 15%
- Education services: 25%
- Health services: 25%
- Electricity: 21%
- Railway services: 14%
- State owned airline: 14%
- Mass media (newspapers, radio, TV): 10%
- Public transport: 9%
- Post Office: 4%
- Water: 4%
- Garbage collection: 2%

Services that also involve some degree of evaluator or control

Pure services

Controlling or evaluative authorities

Broad institutions of state
### Figure 27. Problems Facing Enterprises and Households

#### A. Enterprises

- **Low purchasing power of the population**: 71% (7% serious, 64% very serious)
- **Inflation**: 65% (8% serious, 57% very serious)
- **Tax rates**: 64% (25% serious, 39% very serious)
- **Frequent inspections by state bodies**: 50% (11% serious, 39% very serious)
- **Corruption in state administration**: 49% (7% serious, 42% very serious)
- **Low professionalism and capabilities of state officials**: 48% (4% serious, 44% very serious)
- **Tax regulations**: 48% (5% serious, 43% very serious)
- **Uncertainty and constant changes on laws, rules, and regulations**: 45% (22% serious, 23% very serious)
- **Unfair competition and obstacles by existing firms**: 45% (3% serious, 42% very serious)
- **Shortage of loan resources**: 39% (5% serious, 34% very serious)
- **Inadequate infrastructure (roads, telecommunications and banking services)**: 39% (2% serious, 37% very serious)
- **Bureaucratic delays**: 38% (1% serious, 37% very serious)
- **Political instability**: 37% (2% serious, 35% very serious)
- **Ambiguous legal standards relating to business**: 33% (1% serious, 32% very serious)
- **Shortage of qualified workers**: 26% (1% serious, 25% very serious)
- ** Favorism and clientelism**: 24% (0% serious, 24% very serious)
- **Slow courts**: 24% (0% serious, 24% very serious)
- **Tax evasion and other economic crime**: 24% (0% serious, 24% very serious)
- **Non-enforcement of judicial decisions**: 24% (1% serious, 23% very serious)
- **Racketeering, organized crime**: 23% (1% serious, 22% very serious)
- **Customs/foreign trade regulations, certifications**: 17% (1% serious, 16% very serious)
- **Rules and procedures for other licenses**: 14% (0% serious, 14% very serious)
- **Rules and procedures for obtaining an import/export license**: 13% (0% serious, 13% very serious)
- **Rules and procedures for establishing an enterprise**: 12% (1% serious, 11% very serious)
- **Labor regulations**: 7% (0% serious, 7% very serious)
- **Labor costs**: 7% (0% serious, 7% very serious)

#### B. Households

- **Unemployment**: 89% (29% serious, 60% very serious)
- **Poverty**: 84% (10% serious, 74% very serious)
- **Drug abuse / Trafficking**: 76% (8% serious, 68% very serious)
- **Small salaries and pensions**: 76% (10% serious, 66% very serious)
- **Corruption in public structures**: 76% (10% serious, 66% very serious)
- **High cost of living**: 75% (18% serious, 57% very serious)
- **Crime**: 75% (4% serious, 71% very serious)
- **High cost of health care**: 59% (3% serious, 56% very serious)
- **Late payment of salaries and pensions**: 56% (2% serious, 54% very serious)
- **High cost of education**: 52% (1% serious, 51% very serious)
- **Bad roads**: 49% (1% serious, 48% very serious)
- **Low quality of public services**: 47% (1% serious, 46% very serious)
- **Problems associated with housing**: 42% (2% serious, 40% very serious)
- **Environmental problems**: 35% (1% serious, 34% very serious)
- **Lack of freedoms and civil liberties**: 34% (1% serious, 33% very serious)
- **Ethnic conflicts**: 34% (1% serious, 33% very serious)

*most serious problem*

*very serious problem*

172. While it is usually presumed that administrative and civil service reforms will help to bring about improved performance in the public sector, the strengths of the links and the manner in which they interact are less well understood – these are empirical issues. The survey of public officials undertaken in Kyrgyz Republic provide the data necessary to undertake such an empirical analysis. This Annex summarizes a detailed and rigorous examination of how various aspects of public administration contribute to public sector performance. The full results are embodied in a background paper being prepared simultaneously for this study and another study on the importance of public sector institutions for public sector performance. 66 This Annex briefly outlines the approach and the main results.

173. The analysis seeks to unbundle the determinants of performance in several ways. First, the link between institutions and performance has been explicitly modeled to account for intermediate institutional outcomes. Second, the data was used to explore the relative importance of both specific public administration systems (e.g., personnel management systems), and of various aspects of each (e.g., clarity of rules, and oversight and feedback mechanisms).

174. The underlying model is one whereby overall performance is determined in a fashion akin to a traditional production function used in microeconomics, the key inputs being labor and non-labor resources. Behind the basic inputs are a large number of institutional variables that influence the overall efficiency of the labor and non-labor resources, and the technology of the production function used to create the output called “performance.” These institutional variables can be broadly grouped into systems of personnel management systems, financial management, performance management, and policy formulation. The qualities of each of these systems arguably depends on the others. For example, unless the personnel management system rewards staff for performing well, they may have little incentive to implement the other management systems. The schematic is presented in Figure 28.

175. The schematic described above can be partially examined using data from the Kyrgyz survey of public officials. Although the questionnaire compiled detailed assessments of aspects of the personnel management system and various aspects of internal administrative systems, the surveys do not provide data on performance management systems or policy formulation systems. The surveys do provide some information on financial management systems, however due to the specialized nature of these systems, only a fraction of the respondents were able to provide information. Including financial management systems in the model to be estimated results in many fewer observations. 67 For this reason, the framework for the production of performance that will be examined using the Kyrgyz public

66 “Institutions in Transition,” currently under preparation, examines these issues in the Kyrgyz Republic and several other countries.
67 Multicollinearity also becomes a problem when the sample size is thus reduced.
KYRGYZ REPUBLIC

ANNEX 2. DETERMINANTS OF PERFORMANCE

official’s data is a partial one, focusing on personnel management systems and a catch-all category of “internal administration.” This simplification of the model is not intended to minimize the importance of the omitted systems, but rather is entirely data driven. The results of the analyses, therefore, must be interpreted as a general examination of whether and how the different system of public sector management work together. The evaluations of the relative importance of the different systems can only be applied to the systems for which there is data. The result, therefore, is not an exhaustive evaluation of which systems from the whole gamut are most important, but a partial indication of the importance of personnel management systems versus the catch-all “internal administration.”

Figure 28. Schematic for the Production of Performance

176. This revised (partial) model to be estimated is depicted in Figure 29. In this model, public sector performance is produced by overall work efficiency and by the public-private dialogue that enables managers to provide overall direction for the body. Work efficiency is determined by the overall success in implementation of both personnel management systems, and other administrative systems. The overall success in implementation of these administrative systems are in turn determined by the underlying qualities of the institutions of these systems.

177. In this formulation, the institutions of public administration ultimately influence performance primarily through their ability to enhance the efficiency with which people do their jobs. Certain other institutions, however, would influence performance more directly rather than working through the efficiency of labor. For example, external oversight and feedback for the body as a whole is expected to increase performance through an improvement in non-labor policies.
178. The system presented in Figure 29 consists of both recursive and endogenous equations and was estimated\textsuperscript{68} using the appropriate econometric techniques.\textsuperscript{69} The results of the econometric examination are briefly summarized below.

**Figure 29. Partial Model of the Production of Performance**

![Diagram of the Production of Performance](chart.png)

**Summary of Key Findings**

179. A very consistent finding is that the overall efficiency of labor is highly significant for explaining performance of the public sector bodies in Kyrgyz Republic, regardless of whether the measure of performance is quality, accessibility, or corruption. This result powerfully demonstrates the importance of well-managed human resources to organizational performance.

180. The degree of meritocracy in the system is important for explaining the level of corruption above and beyond its impact on labor efficiency. Merit-oriented personnel management systems reinforce both productivity and commitment of staff to the ideals of honorable and non-corrupt behavior. For the other measures of performance such as quality and accessibility, however, there is no reason to expect a direct effect of merit-orientation,\textsuperscript{68}

\textsuperscript{68} Relating performance to public administration institutions in this manner faces challenges in (i) the definition of variables (how does one define “performance”?); (ii) challenges in the measurement of variables (once defined, how does one measure “performance”?); and (iii) challenges in estimation of the relationships. Each of these challenges is addressable using the data from the Kyrgyz public officials survey and is fully explained in the accompanying background paper.

\textsuperscript{69} The equations that are recursive were estimated using ordinary least squares and the ones that are jointly endogenous were estimated using three-stage least squares.
and indeed the overall level of meritocracy is not significant for explaining these other measures of performance, except through the effect it has on labor efficiency. The overall quality of internal administration, by contrast, is significant when the dependent variable is quality, but not in the other equations.

181. On subset of the analyses concerns the determinants of labor efficiency. There were two key results in this part of the analysis. First, meritocracy provides a very powerful influence on labor efficiency. Second, the level of salaries is not important for explaining labor efficiency. This latter finding means that after controlling for various other factors, the level of corruption in bodies with higher average salaries in the Kyrgyz Republic is not statistically lower than the level of corruption in bodies with lower average salaries in the Kyrgyz Republic. This finding may reflect the fact that salaries are low across the board in the Kyrgyz Republic, such that differences are not likely to have much import in the determination of efficiency.

182. Another subset of the analyses concerns the determinants of meritocracy. Both the qualities of the rules of personnel management, and the degree of oversight regarding personnel management are important for explaining the level of meritocracy. The quality of internal administration is significant for explaining the level of meritocracy, even after accounting for the joint endogeneity of the two variables. In other words, the meritocratic orientation of personnel management can be enhanced by improving the overall quality of (non-personnel oriented) internal administration. As described below, this synergy is reciprocated.

183. Another subset of the analyses concerns the determinants of the overall quality of internal administration. The underlying characteristics of the internal administration regime related to internal quality and oversight, were important explanators of the quality of internal administration. Again, we find that meritocracy and the quality of internal administration are mutually reinforcing, even after accounting for the joint endogeneity – a more meritocratic personnel regime leads to better quality internal administration.
Annex 3. Survey Samples and Methodologies

184. This Annex, an edited reproduction of the Technical Report provided by the survey research firm M-Vector, includes technical details on sampling methods, quality control and final distribution of the samples for each of the three surveys.

Households Survey

Sampling

185. The survey of the general population (households) was conducted in The Kyrgyz Republic 7 through 30, March 2001. The universe of the survey was the adult population of The Kyrgyz Republic (18 years old and more). The survey was conducted within the agreed sample of 1,000 respondents. The sample was representative of the demographic structure of the population (sex and age). The sample was also broken down to reflect the place of residence – urban and rural settlement. The sample was proportionally distributed among the oblasts according the population sizes in oblasts. (See Table 15.)

Questionnaires

186. The household questionnaire was translated into Kyrgyz and Russian. Each interviewer (especially in rural areas) had Kyrgyz copies of questionnaire during the fieldwork and used it when respondent had problems with Russian language. Thirty-one interviewers took part in household survey. The method of personal structured interview in household was used to collect information. Before the fieldwork all interviewers were instructed on the sample selection requirements and interviewing technique.

187. In oblasts, a cluster sampling method was used to select sample units. In addition to the oblast centers some smaller urban and rural settlements were randomly selected in each oblast for the fieldwork. Further, in each randomly selected region several areas (blocks) were selected where interviewers finally chose respondents.
In sampling locations interviewers randomly started and then used a sample interval of 5, i.e. they visited every fifth household in their area (street, block of flats etc). Selected respondents had to satisfy set criteria, i.e. be of certain sex and age. On average, interviews took from 30 minutes to 1 hour.

**Quality Control**

Fifteen percent of completed questionnaires (150 questionnaires) all over the country were randomly selected for the quality control. Controllers checked the performance of interviewers and accuracy of data by means of second visit or phone call to the respondents. During the field control the fact of interview, demographic characteristics of respondent and some selected questions were checked. Seven mistakes were detected in the questionnaires of interviewer, who worked in Tokmok. All work of this interviewer (37 questionnaires) was done anew in Tokmok by other interviewers.

---

**Table 15. Household Sample -- Distribution by Sex, Age, and Oblast**

<table>
<thead>
<tr>
<th>Region</th>
<th>Settlement</th>
<th>Units</th>
<th>18-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60+</th>
</tr>
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<tbody>
<tr>
<td>Chuioblast</td>
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<td></td>
<td>158</td>
<td>30</td>
<td>31</td>
<td>19</td>
<td>18</td>
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<td>5</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Krasnaya rechka</td>
<td></td>
<td>30</td>
<td>5</td>
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<td>3</td>
</tr>
<tr>
<td></td>
<td>Manas</td>
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<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Belovodskoe</td>
<td></td>
<td>33</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Besh-Kungei</td>
<td></td>
<td>30</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Oshoblast</td>
<td>Osh</td>
<td></td>
<td>63</td>
<td>12</td>
<td>13</td>
<td>8</td>
<td>9</td>
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<td></td>
<td>Mady</td>
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<td>Kashgar-Kyshtak</td>
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<td></td>
<td>Shark</td>
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<td>46</td>
<td>9</td>
<td>9</td>
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<td>6</td>
</tr>
<tr>
<td>Talasoblast</td>
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<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Djon-Aryk</td>
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<td>17</td>
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<tr>
<td></td>
<td>Ioganesdorf</td>
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<td>17</td>
<td>3</td>
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<td>2</td>
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<td>Narynoblast</td>
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<td></td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Kochkorka</td>
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<td>21</td>
<td>4</td>
<td>3</td>
<td>3</td>
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<td></td>
<td>Cholpon</td>
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<td>20</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2</td>
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<td>4</td>
<td>3</td>
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<td>Kumush-Azis</td>
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<td>33</td>
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<td>4</td>
<td>5</td>
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<td></td>
<td>Spasovka</td>
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<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Sovetskoe</td>
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<td>4</td>
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<td></td>
<td>Bazar-Korgon</td>
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<td>Moskva</td>
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<td>4</td>
</tr>
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<td></td>
<td>Kyzyl-Djol</td>
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<td>32</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>1000</td>
<td>183</td>
<td>178</td>
<td>127</td>
<td>125</td>
</tr>
</tbody>
</table>


Refused Interviews

190. Approximately 10 percent of approached respondents refused to take part in the interview, because of large volume of the questionnaire and lack of time.

Enterprise Survey

Sample

191. The survey of enterprises was conducted in all oblasts of the Kyrgyz Republic in March 2001. The population of the survey was based on registered and operating enterprises of all types of activities and ownership.

192. Probability proportional sampling was used. With a few exceptions, the sample was approximately representative of the existing enterprise structure (business sectors) in the Kyrgyz Republic and was proportionate to the number of enterprises of different types in the total population. The exception is that 30 kiosks in Osh and Bishkek, respectively, were included in the sample to provide some indication of conditions in smaller enterprises. (Table 16).

<table>
<thead>
<tr>
<th>Activity</th>
<th>Agriculture</th>
<th>Production</th>
<th>Transport</th>
<th>Communication</th>
<th>Construction</th>
<th>Trade and Catering</th>
<th>Small retail (kiosks)</th>
<th>Services and Supply</th>
<th>General Commerce</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>25</td>
<td>105</td>
<td>17</td>
<td>9</td>
<td>26</td>
<td>86</td>
<td>60</td>
<td>36</td>
<td>36</td>
<td>400</td>
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<td>2</td>
<td>4</td>
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<td>1</td>
<td>14</td>
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<tr>
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<td>7</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>9</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>Issyk-Kul oblast</td>
<td>0</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Naryn oblast</td>
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<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Osh oblast</td>
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<td>17</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>12</td>
<td>30</td>
<td>2</td>
<td>2</td>
<td>84</td>
</tr>
<tr>
<td>Talas oblast</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>84</td>
</tr>
<tr>
<td>Chui oblast</td>
<td>15</td>
<td>16</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>12</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>58</td>
</tr>
<tr>
<td>Bishkek</td>
<td>0</td>
<td>50</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>36</td>
<td>30</td>
<td>12</td>
<td>2</td>
<td>171</td>
</tr>
</tbody>
</table>

Field Methodology

193. A personal structured interview with the manager of enterprise was used as a data collection method. Twenty-five interviewers took part in this survey. To select sample units a single random sampling method was used. Due to the unavailability of comprehensive and precise database of enterprises with names, addresses etc., no lists of sample contacts were possible to prepare for interviewers. Instead, each interviewer had to interview a certain
number of enterprises of different business activity in his sampling area, using different methods and sample frames – telephone directories, newspaper announcements, contacts in offices etc. Once a sample unit that satisfied sampling criteria was selected, the interviewer approached enterprise manager or deputy manager for interview. On average, interviews took from 20 to 50 minutes.

194. The enterprise questionnaire was translated into Kyrgyz and Russian language. Each interviewer had both Russian and Kyrgyz questionnaires and used any of them according to the situation.

**Quality Control**

195. A total of 60 questionnaires (15 percent) from all regions were selected for quality control. Control was done by way of second visit or phone call to respondent. During the control some aspects were checked: date and length of interview, demographics, some selected questions from questionnaire were asked.

**Refused Interviews**

196. During the Enterprise survey about 10 percent of approached managers (48 sample units contacted) refused to participate in interview. The main reasons of refusals were: distrust in confidentiality of interview; fear of possible negative effects from the state institutions; busyness, lack of time. The largest number of refusals from enterprise managers was established in Issyk-Kul oblast (to get 13 interviews 11 refusals were encountered in Karakol, to get 7 interviews 6 refusals were encountered in Balykchi). In general, interviewers reported lack of openness and frankness from the side of enterprise managers. Some interviews were often interrupted by phone calls and were even postponed to the next day.

**Public Officials Survey**

**Sample**

197. The survey of public officials was conducted in March 2001, in all oblasts of the Kyrgyz Republic. State officials and employees were the population of the survey. The sample consisted of 350 respondents all over the Kyrgyz Republic. To make the survey representative of the existing state structure, a stratified disproportionate sampling method was used. The sample of 350 public officials was stratified to reflect the existing institutional and regional levels of state institutions – executive, legislative and judicial power at the central, oblast and regional level. (See Table 18.)
Table 17. Public Officials Survey -- Distribution by Oblast

<table>
<thead>
<tr>
<th>Region</th>
<th>Settlement</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bishkek</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Chui oblast</td>
<td>Tokmok 24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alamudun rayon 22</td>
<td></td>
</tr>
<tr>
<td>Issyk-Kul oblast</td>
<td>Karakol 17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aksuu rayon 18</td>
<td></td>
</tr>
<tr>
<td>Naryn oblast</td>
<td>Naryn 16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kochkor rayon 11</td>
<td></td>
</tr>
<tr>
<td>Talas oblast</td>
<td>Talas 17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bakai-Ata rayon 14</td>
<td></td>
</tr>
<tr>
<td>Djalal-Abad oblast</td>
<td>Djalal-Abad rayon 23</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Suzak rayon 18</td>
<td></td>
</tr>
<tr>
<td>Osh oblast</td>
<td>Osh 24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Karasuu rayon 20</td>
<td></td>
</tr>
<tr>
<td>Batken oblast</td>
<td>Batken 17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kadamjai rayon 15</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>350</td>
<td></td>
</tr>
</tbody>
</table>

Table 18. Public Officials Sample -- by Branch and Level of Government

<table>
<thead>
<tr>
<th>Branch Level</th>
<th>Executive</th>
<th>Legislative</th>
<th>Judicial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republican</td>
<td>55</td>
<td>10</td>
<td>12</td>
<td>77</td>
</tr>
<tr>
<td>Oblast level</td>
<td>105</td>
<td>17</td>
<td>16</td>
<td>138</td>
</tr>
<tr>
<td>Rayon level</td>
<td>101</td>
<td>17</td>
<td>17</td>
<td>135</td>
</tr>
<tr>
<td>Total</td>
<td>263</td>
<td>44</td>
<td>43</td>
<td>350</td>
</tr>
</tbody>
</table>

Field Methodology

198. Twenty-five interviewers took part in the survey. Interviewers were instructed on the questions, criteria for selecting respondents, technique of contacting and interviewing respondents. To avoid possible refusals and negative situations during the fieldwork, each interviewer carried a letter of support from the agency, aimed to inform officials or other entities about the purpose and importance of the study. Each interviewer had a list of state institutions, which he/she had to visit in the region, with the number and description of positions to be interviewed in this institution. Interviews were conducted in private setting, in a separate room or another place (outside of institution).

199. In case the sampled respondent refused, the interviewer had to select another similar official in the institution, satisfying sample requirements. The interviewer had to coordinate the replacement with the field supervisor or field director in advance. The average interview took 1 hour.
Quality Control

200. Fifteen percent (52 questionnaires) of all questionnaires were randomly selected for quality control. Field controllers verified the work of the interviewers by means of a second visit to the respondents. The fact of the interview, demographic characteristics of respondent and the length of interview were checked. Verification was done in all oblasts.

Refused Interviews

201. The public officials survey reported the largest percentage of refusals - 20 percent (73 sample units contacted). In general interviewers reported unwillingness of officials to participate in the survey under the fear of provocations, and penalties from superiors. It was rather difficult to persuade officials to give interview. Due to lack of time some interviews were postponed several times or were completed out by parts within few days.

202. The number of refusals by level of government were:
   Central Institutions: 19 reported refusals.
   Oblast Institutions: 32 reported refusals.
   Rayon Institutions: 22 reported refusals.