Guatemala’s Kleptocratic Networks

Qualitative Research Brief
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Guatemala and its Neighborhood
Executive Summary

Guatemala is a country that has faced constant inner struggles since its independence in 1821. These inner struggles range from dictatorships supported by international regimes, a revolution, a civil war, and now a local insecurity crisis. The security crisis now facing the country – one of transnational organized narco-organizations – has worsened because of Guatemala’s weak government. The government has largely proven incapable of preventing the rise of criminal activity and violence coming in from its border with Mexico.

The border fights began in 2006 when Mexico cracked down on drug cartels based in its territory, causing them to look elsewhere for a safe haven. This situation, linked with the goal of these criminal organizations to dominate the geographic corridor for drug trafficking between South America and the United States, has fueled insecurity in Guatemala.

Nevertheless, the geographic location of Guatemala was not the only trigger for the insecurity crisis that emerged in 2008. Endemic government corruption, political instability, and an impoverished public treasury have weakened governmental institutions to the point that they are unable to contain the problem of state insecurity.

Finally, the living conditions for most Guatemalans are far from optimal. Despite the country’s large economic growth within the last decade, Guatemala remains one of the most unequal countries in the world. This threatens to breed resentment among a young population that can easily be recruited to join the ranks of transnational criminal organizations.
Methodology

Investigation into Guatemala’s kleptocratic networks began with identifying the actors, mechanisms, and processes used to benefit those in power. To make such a determination, our team first needed to define the meaning of “corruption.” To keep cross-country evaluations consistent, we adopted the definition of the Carnegie Endowment for International Peace (CEIP), which describes corruption as a product of a functioning kleptocratic system in which ruling networks use selected government mechanisms to capture specific revenue streams. We refined this definition to focus on a subset of corruption: acute and structured, meaning a functioning governing system that has been bent to benefit certain cliques or networks in a pervasive incidence.

Another often-cited definition, offered by Transparency International, describes corruption as “the abuse of entrusted power for private gain.”1 TI notes that there are varying degrees of corruption based on the nature and scale of the abuse: grand, petty, and political. For our purposes, these distinctions were unnecessary; the essence of a kleptocratic network, as posited by CEIP, can be identified by its systemic nature – especially among the highest offices – and by the extraordinary sums diverted from state coffers. To identify the nature, structure, and effect of Guatemala’s corruption networks, we used three tracks of research:

1) Analysis of corruption-related material from trade journals, news media, think tanks, and non-governmental organizations;

2) Evaluation of reputable online indices measuring perceptions of corruption, inequality, and national wealth; and

3) In-depth interviews with experts on Guatemalan politics, culture, and history.

Using these three tracks of research, our team sought to identify and evaluate what economic, political, social, and geographical/environmental factors contributed to Guatemala’s ongoing security crisis. The eight composite risk factors shared by CEIP formed the baseline for our research, with additional factors added after discussions with CEIP and through the course of the research. (A complete list of factors researched can be found in the Appendix, and in the Corruption Manual.)

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Based on this research, our team assessed the presence and relative importance of each factor as a contributor to the outbreak of the current crisis. Attention was paid to illustrative examples that demonstrated how certain factors played into the violence, and helped contextualize the presence of other less-significant factors. The degree to which each factor played a role in the security crisis was determined through evaluation of the factor in relation to the others, as well as to the historical context of Guatemala’s political and economic development.

The degrees of relative importance assigned to each risk factor are unique to the Guatemalan crisis. These rankings – that categorize the risk factors on a scale of “Negligible” to “Overwhelming” – were reached only after analyzing the crisis, identifying the root causes, and evaluating the role corruption played in exacerbating each. These rankings alone should not be interpreted as a universally applicable threshold by which other countries may be evaluated in future years. Instead, these findings are part of a toolkit that researchers can use to identify potential risk factors, and the dynamic relationships between them, and between them and corruption, in the lead up to a national security crisis.
Overview: Politics and Corruption

Guatemala is located in Central America, south of Mexico and bordering Belize, Honduras and El Salvador. It has an estimated population of 15.8 million, making it the most populated country in Central America.

The country’s history is dominated by political instability. From the late 1800s to the early 1900s, Guatemala was ruled by a series of dictators and authoritarian leaders. In 1960, socialist guerrilla movements expanded throughout the country, fuelled by left-wing ideologies and demands of better care by underserved indigenous populations. So began a 36-year civil war. In 1996, the Guatemalan Civil War ended with a peace agreement between the government and numerous guerrilla groups centered around a robust disarmament and reintegration plan.\(^2\) The agreement also provided for the establishment of a truth commission. The goal of the commission was to clarify and review the abuses committed by both the government against indigenous populations, and by the guerrilla forces against civilians. While the commission has alleviated some tensions, new sources of distrust between the government and rural indigenous populations have sprouted up as new cases emerge. Over the last years, there has been a push by rural populations to label the government’s actions during the civil war as “genocide” – a legally-significant term that could trigger criminal charges against former political leaders, further escalating social tensions and putting the country at risk of a security crisis.

Guatemala is a republic with three branches of government – the executive, legislative and judiciary. The executive branch is led by a president who also acts as Head of Government and is elected every four years. It is unlawful for the president to seek immediate re-election. The president has to be elected with 50% plus one vote; if no candidate meets that threshold, there is a run-off between the top two candidates. Among Guatemala’s last four presidents, all were runners-up in the elections immediately preceding their victory.

Guatemala has 28 political parties; never once in modern history, since the signing of the 1996 Peace Agreement between the Guatemalan government and guerrilla forces, has any of these parties twice won the presidency. Parties are constantly created as vehicles for presidential

candidates. Once in power, these political parties have a difficult time identifying and promoting another popular candidate, meaning the turnover rate among presidents and parties is frequent. This constant reinvention of the executive branch has made it difficult for Guatemala to build strong institutions, implement long-term policies or have political stability.

The reason for this high turnover rate of the presidency is attributed to Guatemala’s experiences with violent dictatorships during the Twentieth Century. Guatemalans are averse to letting any one politician or political party establish deeply-embedded connections throughout the government in an effort to dominate the political scene. While this approach has worked well at preventing egregious abuses of power, it has had detrimental side effects; government institutions are continually turned over and thus, they are never professionalized. As new civil servants come in with each new administration, institutional knowledge is lost, and processes have to be recreated. This means many government institutions remain weak. Consequentially, this means there are no strong bodies able to check the power of the executive – especially in cases of corruption.

Despite efforts to maintain a peaceful setting in the country, violence began escalating in the early 2000s. However, this time the violence was not driven by internal politics or ideological struggles among the populace or ruling political figures. Instead, an influx of organized crime syndicates coming from Mexico was disrupting the fragile state.

The most critical group entering Guatemala was the militant Mexican narco-cartel known as Los Zetas. Los Zetas was first created as the armed unit of the Cartel del Golfo, one of Mexico’s oldest crime syndicates. Around 2006, the leadership of Los Zetas moved to overpower the Cartel del Golfo and became its own, separate organization. Infighting between Golfo and Zeta forces pushed Los Zetas over the border into Guatemala in 2008. With its arrival came several high-profile attacks: the murders of Guatemala’s most well-known local drug dealers Juancho León, Haroldo León and Giovanny España; followed by the murder of a federal attorney and 27 farm workers on the ranch of Raul Otto Salguero, a prominent landowner with close ties to local cartels. There were also threats made against Manuel Baldizon, then a Guatemalan congressman and

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presidential candidate running on a strong anti-crime platform and advocating for a more robust application of the death penalty.⁴

The arrival of Los Zetas was a critical event for Guatemala’s national security. It has disrupted the relative calm in rural villages and brought conspicuous violence to the streets. While not posing an imminent threat, Los Zetas, along with other similar criminal organizations, are a major risk factor when assessing the country’s stability. Los Zetas have the potential to recruit young, unemployed and undereducated Guatemalans into its rank, and disrupt a fledgling agriculture-based economy.

Analysis

Network Structure

**Number of Networks**
There is not one cohesive kleptocratic network within Guatemala. The frequent rotation of political parties in power prevents political elites from building vertically-integrated networks capable of capturing large revenue streams. However, that does not mean ad-hoc schemes do not emerge. The recent “La Línea” scandal illustrates this well.

On April 16, 2015 the International Commission Against Impunity in Guatemala (CICIG), a United Nations-sponsored office designed to tackle corruption in the country, released a report in which they revealed a criminal network led by the vice-president’s chief of staff, Juan Carlos Monzon. This was the first documented case in which a vertically-integrated kleptocratic network was discovered and shown to the public. The Commission reported that Monzon’s network collected nearly $300,000/week in illicit bribes by offering importers the possibility of paying a reduced tax rate in exchange for fees collected at customs stations around the country.

The network is said to include officials from the Superintendent of Tax Administration (SAT) – the government agency responsible for collecting taxes at seaports, airports, and land border crossings. The revenue generated from this collection scheme went all the way up to the head of the customs administration, Claudia Mendez Ascencio. Ascencio was forced to resign April 21 and is now under criminal investigation.

The released of CICIG’s report happened at a critical time for two reasons. First, the report was released when Monzon was travelling to South Korea with the Vice President. Upon news of the CICIG’s allegations, Vice President Roxana Baldetti returned to Guatemala, but left Monzon behind. He is now a fugitive pursued by Interpol. Vice President Baldetti claims that when she heard the news she called Monzon dismissing him from the government, and asked him to turn himself in for questioning. He has failed to do so.

Second, the report comes on the eve of CICIG’s concluding two-year mandate. Since 2006, the Commission has been renewed every two years by request of the President. The request has to be made by May of that calendar year. However, towards the end of 2013, President Otto Perez Molina had declared that he did not intend to renew the Commission, claiming “Guatemalans need to start learning to solve their own their internal problems.” This changed a week following the CICIG’s report. On April 24, 2015, President Molina announced that he had asked the United Nations Secretary General for the CICIG to remain in the country another two years, until September 2017.

It should also be mentioned that the CICIG investigation was made in collaboration with Guatemala’s Federal Attorneys Office and with help of the National Police. Following the Commission’s announcement, twenty-four government officials were arrested, including high officials from the Superintendent of Tax Administration.

Like never before, this scandal has promoted populist claims for the President and Vice President to resign, and people have turned to social demonstration to show their anger with the events. There have been calls for a change in leadership. On April 25, there was protest around the country including one in Guatemala City that gathered more than ten thousand people.

Over the course of the following two weeks, public calls for the resignation of Vice President Baldetti grew louder. On May 8, Baldetti yielded to the calls and resigned. Investigations into her involvement in La Línea are ongoing.
**Vertical Integration**
While ad hoc corruption schemes are pervasive throughout the government, there are not other known networks operating on the same scale as “The Linea.” Revenue streams do not have a clear and established flow from low-level officials to ruling elites. More accurately, there are informal and sporadic schemes among medium and low-level government employees looking to gain some economic benefit to supplement their salaries.

**Captured Elements of State Function**
There are three main captured elements of state function. The first is the Ministry of Communications, Infrastructure and Housing. This ministry assigns contracts for large infrastructural improvements, where practices of preferential treatment towards “government-friendly” companies occur. One example of this was the Brazilian construction company, OAS. OAS allegedly gave one million dollars to the CIH Minister in return for a federal contract to build highway CA9-Norte. The 80-mile highway would have connected Mayuelas, Zacapa to Puerto Barrios. An investigation was opened at the time but charges were not made.  

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The second is the Ministry of Public Health, which works with select businesses in awarding inflated contracts for medical equipment and pharmaceutical purchases. The final captured state entity is the Superintendent of Tax Administration, which offers especially low tax rates to a few large businesses, particularly in the import/export industry where products brought into the country are undervalued or undocumented. Also as mentioned previously, it obtains certain financial benefits through collusion with the business sector.

**Instruments of Force**
There are no instruments of force used to promote or protect corrupt practices within the country. Corrupt actors – such as business elites – are incentivized into cooperation through economic gains, not through physical pressure. Interviewees that asked to remain anonymous shared that corruption between government officials and businessmen was generally done in an effort to create mutual benefits, more than out of fear of compliance.

**Hollowed Out Elements of State Function**
We cannot identify hollowed elements of state function. For instance, Guatemala’s legislative branch is an endemically weak entity within the federal government. There are no well-organized minority parties that check the power of the Executive. However, this body is weak by nature, not by an intention of the ruling party.

**Revenue Streams**
Corruption in Guatemala is not systematized, making established revenue streams non-existent. Instead, corruption is an *ad hoc* exercise between individuals throughout government, and between government and select businessmen.

**Distortion of Democratic Process**
The corrupt practices within the government have not altered the democratic processes within the country. Vigorous elections are such a part of Guatemalan politics in which, over the last 20 years, not one of the country’s 28 political parties has held on to the presidency in consecutive elections.

**Public Attitudes Towards Corruption**
While government corruption is largely “accepted” by the Guatemalan people, there is evidence of growing frustration. Increasing inequality and
more visible acts of corruption, like La Línea threaten to mobilize the populace around anti-corruption initiatives. Transparency International’s Corruption Perception Index shows that negative perceptions of corruption have grown among the population in recent years; in 2012, Guatemala earned a score of 33. One year later, this score had fallen to a 29.⁶

**Corruption as Motivator for Oppositional Elements**

In 2006, the Public Prosecutor’s Office received institutional support from the United Nations with the creation of the International Commission Against Impunity in Guatemala – or CICIG using its Spanish acronym. This independent body was formed out of a collective response by Guatemalans to combat general corrupt practices plaguing the government. In 2015, the commission’s mandate was extended for another two years at the request of the Guatemalan president. Aside from the public pressure culminating in 2006, there have not been other oppositional elements fuelled by anti-corruption sentiment.

**Risk Factors**

**Identity Divisions**

Guatemala’s society presents strong identity divisions, most recently those exacerbated by the relatively recent civil war. There are three major groups with which Guatemalans associate: first, the numerous rural indigenous groups; second, the left-wing movement; and third, descendants of European and settler populations who mostly live in urban areas. Dissatisfaction with the government is strongest among the indigenous populations, who experienced the greatest violence from the government during the civil war. A report issued by the Guatemalan Truth Commission estimated that, “The overall number of deaths during the 36-year conflict [was] around 200,000 [people], 85% of whom were indigenous, with over 90 percent of the killings, torture and violence committed by the security forces and their allies.”⁷

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The narco-cartels have capitalized on this social discontent. Guatemala’s remaining left-wing movements, in conjunction with other Central American gangs (such as the Mara Salvatrucha), have made connections with organized crime organizations like Los Zetas. These groups – most visibly the Maras – are benefiting from access to cash and weapons that narco-organizations provide in exchange for territorial control and distribution networks.⁸

**Recent Economic Downturn**

Guatemala is Central America’s biggest economy with a gross domestic product of $53.8 billion.⁹ Much of its economy is driven by the agricultural sector, which represents 13.5% of the country’s GDP and 30% of its labor force. The country’s most important agricultural exports are sugarcane, coffee, bananas and vegetables, and other large economic drivers include textiles, furniture and chemical industries.¹⁰

After the peace accord was signed in 1996, the country experienced intense growth. Foreign direct investment (FDI) increased as investors saw instances of political and social violence diminishing. The economic benefits of the peace agreement are highlighted when comparing the country’s FDI levels pre- and post-conflict. Before 1996, FDI was $75 million but, just four years later, the country was receiving nearly three times as much: $230 million. Eleven years later, FDI surpassed $1 billion.¹¹ The country has also been leveraged as a regional hub for multinational corporations originating in neighboring El Salvador and Honduras.

At no time before the arrival of Los Zetas and the subsequent spike in violence in 2008 did Guatemala experience any economic contraction. In 2005 the country’s GDP grew by 3.3%; it then grew by 5.4% in 2006; 6.3% in 2007; and 3.3% in 2008. Economic growth occurred in spite of the global economic crisis that took hold in the United States and Europe at the time.

**Acute, Visible Inequality**


Guatemala has experienced great economic growth in the last two decades, but the benefits of this growth have not extended to the greater population. With a Gini coefficient of 55.1 in 2007, Guatemala is considered the 11th most unequal country in the world. Countries with a worse ranking include Haiti, Sierra Leone and Botswana.\textsuperscript{12}

Guatemala’s high poverty indices reflect this inequality. In 2006, 51% of the population was considered to be living in poverty conditions.\textsuperscript{13} The United Nations Development Programme’s 2011 Human Development Index – which rates countries on several factors attributed to be key indicators of good quality of life – has ranked Guatemala 131\textsuperscript{st} out of 187 countries.\textsuperscript{14}

These poor social conditions, when combined with the state’s overall ineffective governance structure, are creating a security threat. According to the \textit{Informe Estadístico de la Violencia en Guatemala} (“Statistical Report of Violence in Guatemala”), cited by the United Nations Development Programme, “…it is possible to propose that the high levels of violence in Guatemala are related to two causes: social exclusion and lack of enforcement.”\textsuperscript{15}

\textbf{Environmental Pressures}

Guatemala is one of the most ecologically diverse countries in the world, with over 14 different eco-regions. According to USAID, four million hectares of sub-tropical forest are found in the country and the forested area comprised of northern Guatemala, Belize and southern Mexico is, after the Amazon, the second-largest forest in the continent. Nevertheless, “These areas, as well as other parts of Guatemala, face threats related to habitat loss, deforestation, over-exploitation of natural resources, and environmental contamination.”\textsuperscript{16}


Although the entrance of organized criminals into the country and the ensuing insecurity crisis was not due to economic factors, their increased activity within the country has damaged the environment. As one news report assesses, “Under the narco-effect, we see [deforestation] over 60 sq km per year. In some parts of Guatemala, the rates are even higher. We’re talking up to 10% deforestation rates, which is just staggering.”

Median Age
Guatemala’s median age is 21 years – 20.4 for male and 21.7 for female. In the country, 58.3% of the population is 24 years or younger, making Guatemala’s population the youngest in Latin America. This youth bulge is problematic when understood in relation to the country’s high poverty rates.

Having a large, young population living below the poverty line increases the appeal of working in illicit markets. The unemployment rates among the youth population have brought social tension, alienating them from society and pushing them into illicit economies and gangs as an alternative source of stability. “Young men and women are most susceptible to armed violence, and those living in marginal areas are particularly at risk. As a result of such exposure, youth can become both perpetrators and victims of the hostile environment.”

Further proof can be found through the alliances that the drug cartels are forming with different gangs. As noted above, the alliance between Los Zetas and the Mara Salvatrucha is a notable example. As one independent analysis asserts,

The Salvadoran Mara has become a major link in the human and drug smuggling chains that Los Zetas have in Central America. The services that these Centro American gang originated in Los Angeles provides to the ruthless Mexican cartel have passed from simply


bringing protection to drug shipments, to being actively involved in the logistics of cocaine trafficking, human smuggling and weapon sales to Los Zetas. In exchange, the former military wing of the [Cartel del Golfo] provides with military training to some members of the criminal group.\textsuperscript{20}

Having a large population in these conditions has become a matter of national security within Guatemala. The increase in the insecurity rates is directly linked to the involvement of the youth population in the crime organizations, youth population that couldn’t get employed or fulfil their desires within the legal parameters.

**Proximity to Terrorist, Separatist, or Transnational Criminal Networks**

Guatemala’s geographic position – south of Mexico and the United States, where there is a major market for illicit drugs, and north of countries like Colombia, which are known to be sources of illicit drugs – means the country sits along the main corridor for drug trafficking from south to north.\textsuperscript{21} Organized crime experts underscore the geographical importance of Guatemala specifically in the drug trafficking network, noting it is “the most important transit, depot, and staging point for drugs in Central America.”\textsuperscript{22}

“The mountainous interior, combined with the vast, sparsely populated stretches of jungle in the north make the country an ideal storage and transit nation.”\textsuperscript{23} Capitalizing on this trend, Mexican organized crime organizations are now fully operational in the country. Not only is Guatemala a strategic hub for transportation and distribution, it also serves as a “safe heaven” from Mexican law enforcement that has increasingly been cracking down on narco-cartels. This is especially true for Los Zetas.


The Zetas are one of Mexico’s most dangerous criminal narcotics networks. Around 2008, following Mexican President Felipe Calderón’s crackdown on drug cartels, the Zetas moved their operations to Guatemala. There, they infiltrated or co-opted the local police and military forces. They also engaged with locals, laundering their profits through private sector activities like the agro-industry. The Zetas have a unique style of operations: They don’t just focus on controlling distribution chains and infrastructure needed for drug trafficking operations, they also focus on controlling territory. This is a harder objective, and therefore requires more violent uses of force to achieve success.  

The introduction of external organized crime networks to Guatemala since 2008 has changed the security landscape, along with the internal dynamics of the country. Open acts of violence have become more common. The World Bank remarked on the trend in its Crime and Violence in Central America report. The report explains how drug trafficking promotes violence through different methods: fight between law enforcements and drug traffickers, the massive flow of firearms into the country, and the weakening of the judicial system through corrupt practices.

Guatemala’s weak institutional framework has made it impossible for any government to respond to the escalating insecurity. The government lacks the organizational and institutional capacity to confront and counter well-organized and heavily-armed criminal organizations. This lack of empowerment has given the organized crime institutions the opportunity to act more freely and operate within the country without coordinated impediments.

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Corruption in Guatemala

Transparency international’s Corruption Perceptions Index places Guatemala 115th out of 175 countries. Allegations against public officials who participate in illicit agreements are not uncommon. Rudolf Jacobs, the director of the Guatemalan Chamber of Industry, estimates that acts of government corruption contributes to roughly 20% of the funds allocated for infrastructure projects being "lost."27

Infrastructure is not the only area weighted down by corruption. David Gaitan, director of the Center for Legal Anticorruption, stated that even though the majority of demands come from matters related to construction or manipulation of government procurement procedures, there were other areas that had vast claims of corruption cases. The Ministry of Health – through procurement of health supplies and equipment – and the Ministry of Agriculture – through the procurement and distribution of fertilizers – were the two most cited ministries in anti-corruption lawsuits.28

Another government agency that is severely affected by corrupt practices Guatemala is the Superintendent of Tax Administration. This agency is perceived as one of the most corrupt public offices in the country,29 and the corrupt activity resides primarily in the customs sector. Bribery in clearing goods for export and import as well as underreporting their value in exchange for a commission are practices that are becoming more common in the country.30

Corruption schemes – unchecked by a weak central government – caused the government to enlist the support of multilateral organizations. In 2006, the Guatemalan government signed an agreement with the United Nations

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to create a new institution, the International Commission Against Impunity in Guatemala – or CICIG using its Spanish acronym. The commission’s mandate is to carry out

Independent investigations into the activities of illegal security groups and clandestine security structures, which are defined as groups that: commit illegal acts that affect the Guatemalan people’s enjoyment and exercise of their fundamental human rights, and have direct or indirect links to state agents or the ability to block judicial actions related to their illegal activities.\textsuperscript{31}

The activities and margin of action of the CICIG to strengthen the rule of law and make the politicians responsible for their actions is compared to none. It has the benefits and strengths of international prosecutors, nevertheless in operates within the Guatemalan judicial system.\textsuperscript{32}

Even though on paper the creation of this UN entity appears to be a great policy, it has had a tough time enforcing and battling the generalized corrupt practices within the government. Corruption has been in the past considered a “normal” activity by the general population and although it is not supported, it is seen with resignation. The end of corrupt practices, at least by high-ranking officials, is not expected to end soon.\textsuperscript{33}

In addition, the government’s scant resources contribute to its weak enforcement capacity. A nonpartisan think-tank posits that Guatemala’s low tax collection, being one of the lowest in Latin America, is essential for the low public spending capacity of the country. The lack of other incomes – including from natural resources or state enterprises that could be filed as taxable entities – complicates the financial situation of the country.\textsuperscript{34}

The lack of economic resources within the country and the multiple cases of corruption has made it difficult for the government to the country’s needs. If we also account for the lack of political stability, then the country

\textsuperscript{31} International Commission Against Impunity in Guatemala, “About CICIG.” Web.
has clearly faced an uphill battle in creating strong governmental institutions.

An argument could be made if either some officials within the security forces may have taken bribes for the drug cartels in order to have liberty of action within the country or that the officials have been afraid of acting knowing that they don’t only can put up a fight, but also they and there families could be harmed. Either argument shows a structural problem within the country. The first confirms how even though the corruption wasn’t a driver for the insecurity crisis, it was an enabler for organized crime organizations to enter the country and establish it as a center for operations. The latter shows how the government as a political structure doesn’t have the capacities to combat a threat and fulfill one of its most important mandates: citizen security.
Findings

Based on the analyses above, our team evaluated the relative degrees of influence each risk factor played leading up to the insecurity crisis. These factors, when exacerbated by the effects of acute corruption, were categorized ranging from “Negligible” to “Overwhelming.” In instances where a factor played no role, we noted “not applicable” and why.

<table>
<thead>
<tr>
<th>Negligible</th>
<th>Minimal</th>
<th>Moderate</th>
<th>Significant</th>
<th>Overwhelming</th>
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**Proximity to Terrorist, Separatist, or Transnational Criminal Networks**

*Overwhelming*

Guatemala’s geographic location makes it a critical logistical center for drug trafficking networks. It is half-way between Colombia and the United States, making it an ideal layover for cocaine traffickers. Additionally, it is located on Mexico’s southern border, immediately next to some of the most notorious drug cartels in the world.

**Acute, Visible Inequality**

*Significant*

Guatemala ranks as one of the most unequal countries in the world. Its high levels of poverty and lack of opportunities have produced social tension and contributed to the insecurity crisis.

**Median Age**

*Moderate*

Guatemala is the youngest country in Latin America and hasn’t been able to provide opportunities within the formal economy and legal parameters to the new generations. This has promoted social exclusion, pushing some of them to illegal activities.

**Environmental Pressures**

*Minimal*
Even though Guatemala faces a case of deforestation, this has very small impact to the insecurity crisis in the country. The link regards the extent to which the crisis is having against the environment but not how they were environmental pressures.

**Identity Divisions**

*Minimal*

The recent history of internal civil war for 36 years in which the country encountered very tragic episodes of violence are wounds that still have repercussions in Guatemalan society.

**Recent Economic Downturn**

*Negligible*

In Guatemala there is not a significant decrease in GDP growth, decline in a major export, growth of a new industry, or discovery of a new resource in the years preceding the emergence of the security crisis in 2008. In fact, the country experienced constant economic growth before the crisis. In 2005, Guatemala’s GDP grew by 3.3%; it then grew by 5.4% in 2006; 6.3% in 2007; and 3.3% in 2008.

**Impending Government Transition**

*Not Applicable*
Appendix

A. Experts Interviewed or Consulted
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Kenya and its Neighborhood
Executive Summary

On December 30, 2007, incumbent President Mwai Kibaki was declared the winner of Kenya’s general election. Opposition candidate Raila Odinga, backed by international election monitors, challenged the result as violence erupted across the country. Over the next six months, an estimated 1,000 Kenyans were killed and over 500,000 were displaced. The crisis, fuelled by longstanding frustrations over systemic corruption and ethnic competition over the spoils of the state, challenged the legitimacy of the state.

Government corruption in Kenya has evolved over the country’s fifty years of independence, but Kenya’s three presidents all leveraged the country’s most valuable asset to remain in control: land. As with many developing countries, Kenya’s economy is dominated by tourism and agriculture – two industries dependent on fertile, workable land. Most of this land is concentrated in the Central Province around the capital, Nairobi, and is now controlled by the Kikuyu Tribe. Kenya’s first president, Jomo Kenyatta, orchestrated the land distribution after colonial Britain’s exit to reward his people – a dangerous precedent that created a corrupt norm. This skewed distribution of land still drives tribal resentment around economic inequality today.

Kenya’s second president, Daniel arap Moi, assumed the presidency in 1978. Though a member of Kenyatta’s party, Moi was a member of the minority Kalenjin tribe. Facing the entrenched Kikuyu elites and without a similarly broad base of support, Moi offered access to certain revenue streams – specifically in the financial and extraction industries – across ethnic lines to secure loyalties and capture state resources for personal gain. This approach differed from Kenyatta’s patronage system, and normalized corrupt practices at every level of government. However, Kenyans from the other minority tribes, such as the Luo Tribe living along the coastal border remained politically and economically ostracized and faced food crises, underdevelopment, illegal land seizures, and high unemployment rates.

Kenya’s third president, Mwai Kibaki, failed to deliver on his 2002 campaign promises to combat corruption, as former Kibaki official John Githongo’s 2006 report exposed the continued corrupt practices by the Kenyan Government. The subjugation of the Kenya Anti-Corruption Commission was the final straw, and Kibaki was forced to dissolve Parliament in October 2007. Rampant electoral manipulation of the
subsequent December elections ignited the people’s longstanding frustrations with their corrupt government, and unfortunately resulted in violence in early 2008. Kenya’s 2007–2008 election crisis was largely the result of increased inequality exacerbated by government corruption along tribal lines.
Methodology

In investigating Kenya’s kleptocratic networks, we sought to identify the actors, mechanisms and processes used to benefit those in power. To make such a determination, our team first needed to define the meaning of “corruption.” To keep cross-country evaluations consistent, we adopted the definition of the Carnegie Endowment for International Peace (CEIP), which describes corruption as a product of a functioning kleptocratic system in which ruling networks use selected government mechanisms to capture specific revenue streams.

Another often-cited definition, offered by Transparency International (TI), describes corruption as “the abuse of entrusted power for private gain.” TI notes that there are varying degrees of corruption based on the nature and scale of the abuse: grand, petty, and political. For our purposes, these distinctions were unnecessary; the essence of a kleptocratic network, as posited by CEIP, can be identified by its systemic nature – especially among the highest offices – and by the extraordinary sums diverted from state coffers.

To identify the nature, structure, and effect of Kenya’s corruption networks, we used three tracks of research:

1) Analysis of corruption-related material from trade journals, news media, think tanks, and non-governmental organizations;

2) Evaluation of reputable online indices measuring perceptions of corruption, inequality, and national wealth; and

3) In-depth interviews with experts on Kenyan politics, culture, and history

Using these three tracks of research, our team sought to identify and evaluate what economic, political, social, and geographical/environmental factors contributed to Kenya’s post-election crisis. The eight composite risk factors shared by CEIP formed the baseline for our research, with additional factors added after discussions with CEIP and through the course of the research. (A complete list of factors researched can be found in the Appendix and in the Research Rubric.)

Based on this research, our team assessed the presence and relative importance of each factor as a contributor to the 2007–2008 crisis. Attention was paid to illustrative examples that demonstrated how certain factors played into the violence, and helped contextualize the presence of other less-significant factors. The degree to which each factor played a role in the security crisis was determined through evaluation of the factor in relation to the others, as well as to the historical context of Kenya’s political and economic development.

The degrees of relative importance assigned to each risk factor are unique to Kenya’s post-2007 election crisis. These rankings – that categorize the risk factors on a scale of “Negligible” to “Overwhelming” – were reached only after analyzing the crisis, identifying the root causes, and evaluating the role corruption played in exacerbating each. These rankings alone should not be interpreted as a universally applicable threshold by which other countries may be evaluated in future years. Instead, these findings are part of a toolkit that researchers can use to identify potential risk factors, and the dynamic relationships between them, and between them and corruption, in the lead up to a national security crisis.
Overview: Politics & Corruption

Kenya’s corruption can be traced back to its independence in 1963. The country’s first president – Jomo Kenyatta, a Kikuyu – did not use any of the legal or traditional distributional frameworks that would have recognized the customary use of land. Instead, Kenyatta sold land rights – which England, its colonial occupier, had transferred directly to the government – ostensibly under the principle of “willing seller, willing buyer.” The majority of the available fertile land ended up in the hands of Kikuyu buyers rather than being distributed among the communities that had originally owned the land, and had lived on it during colonial rule.

The largely patronage-styled format that was used to determine land allocation typifies the leadership style of Kenyatta’s administration. With all the state’s resources at his disposal, President Kenyatta, while favoring his Kikuyu, nonetheless diminished ethnic tension by dispensing civil service positions and other state resources in exchange for political loyalty from other powerful tribes. Under Kenyatta, corruption took the form of a vertical patronage network.

Then-Vice President Daniel arap Moi came to power in 1978 following the passing of President Kenyatta. President Moi, a member of Kenyatta’s Kenya African National Union (KANU) party but from the minor Kalenjin Tribe, faced an entrenched Kikuyu elite who naturally opposed Moi’s attempts to redistribute power and resources away from their economic and political dominance. The Kalenjin are only 12 percent of the population, which forced Moi to seek alliances outside of his tribe by trading government resources for support. This elite bargain strategy, especially given the resources demanded by the Kikuyu, required blatant and extensive plundering of state resources. Moi allegedly laundered over $1.5 billion into personal wealth as president, and his administration oversaw Kenya’s two most egregious corruption scandals:

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4 Ibid.
7 Ibid.
1. The Goldenberg Scandal (1993) implicated several government officials, including President Moi, his daughter and two sons, in colluding with financier Kamlesh Pattni to exploit a 35% government subsidy on gold exports.\(^9\) The scheme used the multinational Goldenberg International, which was compensated for non-existent gold exports over several years. Estimates on the total cost range from a low of $600 million\(^10\) – equal to roughly 10% of Kenya’s total GDP at the time – to a high of almost $1 billion.\(^11\)

2. The Anglo-Leasing Affair (2002) saw a well-connected British firm, Anglo Leasing Finance, awarded a €30 million contract to replace Kenya’s passport printing service, with related contracts worth hundreds of millions later being awarded to phony corporations.\(^12\) Subsequent investigations revealed that most of the contracted work was never performed.\(^13\)

Kalenjin minority status also required Moi to undermine any attempts at unified political opposition.\(^14\) First, Moi abandoned Kenyatta’s strategy of co-opting elites and allowed more Kenyans access to the kleptocratic network.\(^15\) Corruption flourished at all levels of Kenyan society, including lower-level bribes collected by the bureaucracy and law enforcement.\(^16\) Moi also politicized ethnic identities, generating and then relying on anti-Kikuyu sentiment to rally marginalized ethnic groups to his cause.\(^17\) This legacy of competition and violence still haunts Kenya today. The Moi administration represents both the proliferation of corruption throughout the government apparatus, as political office remained a vehicle for ethnic protectionism via control of the kleptocratic network.\(^18\)

\(^12\) *Ibid.*
Michela Wrong,\textsuperscript{19} who reported on Kenya for the \textit{Financial Times} and other newspapers, described the Moi administration’s mantra and prevailing winner-take-all attitude of Kenyan’s towards politics:

“…if you’re in power, you use your access to the contract-allocating departments to leech from the state…Various ethnic groups see their interests as being defended or represented by those only in their ethnic community. If you’re a Luo you would not expect a Kikuyu to defend your interests down to the nitty-gritty of life – water usage, schooling level, health clinics, sewage, etc.”

Moi, constitutionally ineligible to run in 2002 after 25 years in office, was unable to secure the victory of the KANU successor, Uhuru Kenyatta. President Mwai Kibaki, a technocrat who ran on a heavy anti-corruption platform, disrupted the KANU’s grip on power for the first time since independence. IMF Deputy Managing Director Anne Kreuger shared an optimistic assessment of President Kibaki’s 2002 election:

“The [Kenyan] authorities have placed the anticorruption strategy at the top of their policy agenda. They have already taken significant steps in their fight against corruption, with the passage of key governance legislation in May 2003 and the setting up of institutions to enforce the legislation. They have also taken bold steps to strengthen the judiciary. These reforms, if implemented consistently and supported by strong enforcement of the rules and regulations, will have a positive impact on the efficiency of resource allocation and support higher economic growth.”\textsuperscript{20}

Despite promising reform, Kibaki maintained the kleptocratic environment and returned the Kikuyu to positions of power.\textsuperscript{21} Kibaki failed to take action against members of the Moi administration despite their apparent guilt and public pressure for justice.\textsuperscript{22}  

\textsuperscript{19}Wrong, Michela. Personal Interview. 26 February 2015.
These three regimes – Kenyatta, Moi, and Kibaki – thus served to introduce and entrench corruption into Kenya politics. Under Kenyatta, the networks were based on a patronage model, while Moi strengthened and entrenched the coupling of the networks with ethnic politics and identity. Kibaki did not reform or disrupt the kleptocratic framework, and threatened the legitimacy of Kenya’s government by committing electoral fraud and then declaring himself the winner in 2007. The end result was a mindset described by Chris Lewis, a Columbia University graduate student who lived in Kenya and operated with various aid organizations throughout the region during the Kibaki regime, as one in which corruption, while seen as an expected component of everyday life, nonetheless served as a powerful source of long-term resentment and, due to its close relationship to tribal identities, ethnic tensions.  

The election cycle legitimizes the continued political dominance of the elite while stoking ethnic tensions among the masses. With the possibility of either suffering illegal seizures or enjoying significant government benefits, average citizens have come to view elections as a zero-sum ethnic game. The rivalries and anti-Kikuyu sentiments that Moi stoked to stay in power still contribute to this feeling of aggressive competition over voting along demographic, not ideological, lines. Politicians leverage the peoples’ fear of not being able to “eat” (a Kenyan euphemism for securing state resources) to mobilize violent support and avoid dealing with issues such as corruption.  

Analysis

Network Structure

**Number of Networks**

Kenya’s corruption is highly concentrated in a single kleptocratic network. The Waki Report, commissioned by the Government of Kenya to investigate the 2007-2008 electoral crisis, cites “centralization of power in

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the presidency” and land grievances as the primary root causes of the violence. Control of this network is informally arranged between tribes; the failed 2005 referendum and electoral fraud in the 2007 election violated this “elite bargain”.

**Vertical Integration**
Corruption in Kenya is a vertically integrated patronage network. Government positions ranging from low-level bureaucrats to the vice presidency are awarded based on ethnic links and political loyalty. The control of government procurement procedures and law enforcement provide multiple revenue streams, which flow up to the President.

**Captured Elements of State Function**
Kenya’s judiciary and legislative branches have been co-opted by the executive. The judiciary has the authority to review election results and rule on electoral misconduct, but extensive backlog and political pressure prevent judges from hearing cases in a timely manner or delivering impartial results. In 2003, the Supreme Court Chief Justice resigned due to corruption-related accusations, and 55% of the judges in the Court of Appeals and 50% of those in the High Court had “credible evidence of corruption” found against them. The courts initially refused to rule on the 2007 election; uncertainty and the lack of legitimacy contributed to the ensuing violence.

Kenya’s parliament members stay in power by participating in the kleptocratic game, and have no incentive to fight the system. Laws regarding public procurement are rarely enforced, and the mechanisms for overseeing state-owned companies are particularly vulnerable to political manipulation. Parliament responded to the growing crisis in 2007 by passing a law limiting the Kenya Anti-Corruption Commission’s authority and power to investigate and prosecute. Auxiliary government agencies - the anti-corruption agency and the election committee - are similarly dependent on, and complicit in, Kenya’s kleptocratic network. The Kenya Anti-Corruption Commission, established in 2003, was delegated sufficient power and money to operate independently, but has proven unable to compete against the system. John Githongo, appointed by President Kibaki as the Permanent Secretary for Governance and Ethics, delivered a scathing in 2006 on the Anglo-Leasing Scandal; he now lives in exile due to repeated death threats from Kenya’s political elite. The Election Commission of Kenya (ECK), despite its internationally commended performances supervising both the 2002 general election and the politically charged 2005 constitutional referendum, saw 18 new appointments to its 21 member Commissioner list in the build-
up to the 2007 elections. The Commissions’ quick declaration of a Kibaki victory and the rapid swearing in ceremony undermined the legitimacy of the election and fuelled opposition claims of electoral fraud.

**Instruments of Force**

Kenya’s network relies on both formal and informal instruments of force. Police Officers are not only a revenue source (bribe collection) and reward for political loyalty (employment), but they also serve to enforce the network’s interests. In the ensuing violence after the 2007 election, the police used water cannons and tear gas to disperse opposition protests. Estimates vary, but the police may have been responsible for up to 40% of the 1,000 civilian casualties in the 2007-2008 violence. The International Coalition for the Responsibility to Protect further alleges that politicians and civil leaders were complicit in pre-mediated violence perpetrated by the police.

The Mungiki Gang, comprised of young, poor, and undereducated Kikuyu men living in Nairobi’s largest slums, formed in the late 1980s in response to President Moi’s politicization of ethnic identities and anti-Kikuyu sentiments. The Mungiki redistributed generated revenues by taxing Nairobi’s minibus services back to the Kikuyu. President Kibaki, a Kikuyu, co-opted the Mungiki into the state’s kleptocratic network in his first term, and the Gang defended the declaration of President Kibaki’s 2007 electoral victory with violence.

**Hollowed Out Elements of State Function**

Nearly every state function designed to act as a check or balance against the executive branch has been hollowed out. The Global Integrity Report gives Kenya’s legal framework strong ratings across a range of governance metrics, but the actual implementation scores are among the world’s most corrupt. The example of the Election Commission of Kenya (ECK) - 18 new appointments to its 21 member Commissioner list in the build-up to the 2007 elections - represents the unchecked influence of the executive on other government bodies.

**Colonized Revenue Streams**

Kenya’s kleptocratic network relies on land, bribes, and government procurement for illicit revenues. Land ownership drives Kenya’s three most profitable industries: tourism, horticulture, and tea and coffee production. Since independence, Kenya’s presidents have leveraged the Ministry of Agriculture and the Ministry of Land, Housing and Urban Development to re-distribute the best, fertile land to their tribes as reward for political
loyalty. Political candidates have promised land rights in exchange for votes, even to land that they did not currently control, knowing that they will be able to illegally capture and deliver the land once in office. A 2003 government report estimated that over 200,000 falsified or illegal land titles had been awarded to politically connected individuals.

In addition to land ownership, appointment to political office or the civil service is a highly coveted reward. Filling government positions based on loyalty instead of merit ensures that the bureaucracy remains loyal to the political elite while limiting government effectiveness. Systematic bribe collection by police officers, customs agents, and low-level bureaucrats doubles as a form of taxation on the people, and salary augmentation for both these employees and their superiors. Paying small bribes to complete paperwork or pass a security checkpoint is the accepted norm in Kenya.

The greatest revenue stream for corrupt capture is government contracts. The Anglo-Leasing (hundreds of millions of dollars in contracts awarded to phony corporations) and Goldenberg ($600 million paid for non-existent gold exports) are the two most publicized scandals. These types of schemes are the norm, not the exception, in Kenya’s distribution of state contracts. Billions of dollars from Kenya’s state coffers have been intentionally squandered to the businesses of well-connected individuals.

**Key Internal and External Enablers**

International banks facilitated Kenya’s elite storing their illicitly acquired wealth. A confidential report commissioned by President Kibaki on President Moi’s personal finances found that Moi had moved over $1.5 billion US Dollars to European banks during his presidency. The domestic financial sector, including CFC Bank, also helped move funds acquired from bribes, election contributions, and government contract kickbacks abroad.

**Distortion of Democratic Processes**

Kenya’s presidents - from Moi’s temporary transition to a single party system to Kibaki’s restructuring the Election Commission - have a long history of undermining the democratic process in Kenya. The Kibaki administration stands accused of registering Somali refugees who paid the bribes necessary to secure National Identity Cards as voters, and then counting every refugee card as a vote for the President in the 2007 election.

**Public Attitudes towards Corruption**
Transparency International’s Corruption Perception Index consistently ranks Kenya as one of the most corrupt countries in the world. This ranking reflects domestic and international perceptions of Nairobi. According to Afrobarometer’s 2007 survey, Kenyan perceptions of inequality and corruption fall along tribal lines. Unsurprisingly, the Kikuyu, who benefit from the system under then-President Kibaki, viewed the Kenya as less corrupt than the minor tribes who have had their lands seized and who receive a disproportionately low percentage of scarce development resources.

**Corruption as a Motivator for Oppositional Elements**

The Kenyan people, and the international community, were hopeful that President Kibaki’s 2002 election would disrupt the entrenched kleptocratic network in Nairobi and enhance legitimacy and accountability. Instead, Kibaki reneged on a previous agreement to support the 2005 referendum to create the office of Prime Minister as a balance of power against the Presidency, and instead returned the Kikuyu to positions of power. He also failed to take action against corrupt members of the Moi administration despite their apparent guilt and public pressure for justice. The forced exile of John Githongo and the new legal limitations imposed on Kenya Anti-Corruption Commission fuelled resentment that Kibaki was actually strengthening the corrupt network. In addition to these political frustrations, Kenya’s youth – especially ethnic minorities – faced structural underemployment. Electoral fraud in the 2007 election, and justified fears of another 5 years of discriminatory and corrupt rule, resulted in electoral violence.

**Risk Factors**

**Identity Divisions**

The unequal distribution of resources and the politicization of tribal identities under President Moi have not resulted in national sectarian violence in Kenya (unlike neighbors Rwanda, Sudan, or the Democratic Republic of the Congo). Religious divisions - Kenya is 82% Christian and 11% Muslim - are not a significant source of internal tension. The Mungiki Gang were concerned with capturing ‘lost’ revenues, not necessarily targeting specific other groups. The electoral violence in 2007 was the result of politics becoming a life-or-death zero sum contest between the masses due to political manipulation and corruption by the elite.

**Recent Economic Downturn**
Kenya did not experience any major economic shocks in the years preceding the 2007 election crisis. In fact, the country was experiencing moderate economic growth: GDP grew 6% (2005), 6% (2006), and 7% (2007).\textsuperscript{27} Despite the consistent growth, economic inequality is one of the biggest issues facing the country. Kenya’s GINI coefficient (42.5) ranks it as the 48\textsuperscript{th} most unequal country in the world.\textsuperscript{*} Compared to its neighbors, it is less unequal than Uganda (46\textsuperscript{th}), but more than Tanzania (77\textsuperscript{th}), and Ethiopia (101\textsuperscript{st}).\textsuperscript{28} The Human Development Report, the United Nations Development Program’s composite development index, ranks Kenya 147\textsuperscript{th} out of 187 countries.\textsuperscript{29} The GINI average for Kenya’s neighbors (Ethiopia, Tanzania, and Uganda) is 39.1.\textsuperscript{30}

Kenya’s economy lacks sufficient economic diversification. Land ownership drives Kenya’s three most profitable industries: tourism, horticulture, and tea and coffee production. Agriculture represented 24\% of the country’s GDP in 2005.\textsuperscript{31} While this number is not abnormal for a developing country, most of the Kenya’s fertile land ownership is concentrated among the ruling elites, particularly the Kikuyu Tribe.

Economic consolidation centered around political power presents a similar issue. Political influence can secure government contracts, or increase taxation or regulatory enforcement on corporate opposition. Beyond favorable land distribution to his tribe, President Kenyatta made his family one of the wealthiest in Kenya.\textsuperscript{32} Members of his family have investments in insurance, telecommunications, energy, but their primary holdings source of wealth is land.\textsuperscript{33} President Moi used elite bargains (i.e., payoffs) to gain broader support – among his Kalenjin peers, other tribal minorities, and also the still powerful Kikuyu tribe. Due in part to his relatively smaller base of support and long tenure in power, the family of President Moi is now identified as the richest family in East and Central Africa. The family owns businesses in every sector, and captured billions from the Kenya’s

\textsuperscript{*} The GINI Coefficient measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution; a Gini index of 0 represents perfect equality, while 100 is perfect inequality.
coffers. Joshua Kulei, President Moi’s personal assistant, owns CFC Bank and CMC Holdings.\textsuperscript{34}

**Acute, Visible Inequality**

Economic inequality is a structural challenge in Kenya: the GINI coefficient of 42.5 is the 48\textsuperscript{th} most unequal in the world. The distribution of land and scarce government resources along tribal lines contributes to feelings of inequality in Kenya. The Human Development Report, the United Nations Development Program’s composite development index, ranks Kenya 147\textsuperscript{th} out of 187 countries.

Economic inequality was also evaluated using indicators reflective of perceived inequality. Perceptions of inequality, perhaps unsurprisingly, fall largely along ethnic lines. A 2005 survey conducted by the *Afrobarometer Survey* reported that perceived inequality was the lowest in Central Province, the home territory of Presidents Kenyatta and Kibaki’s Kikuyu Tribe; only 7 percent of respondents viewed their treatment as unfair. In contrast, 21\% of the Luhyas in the Western Province perceive the system as inequitable. The highest ranking of perceived inequality came from Kenya’s North Eastern Province, with 62 percent of respondents voicing unfair treatment.\textsuperscript{35} The North Eastern Province is largely inhabited by ethnic Somalis whose populations are not reflected in any major Kenyan political party.

**Environmental Pressures**

Kenya, like many developing countries, is economically dependent on land. Drought and desertification pose a serious threat to agricultural production in remote areas, which further amplifies the need for land redistribution. The largest reported natural disaster in Kenya’s history was a drought in 1999 that affected 23 million people. A smaller, albeit serious drought occurred in 2005, impacting 3.5 million people.\textsuperscript{36} In 2006, the coast along Lake Victoria, home to the Luo tribe, was assigned a food security classification level of “watch,” while other areas in the north and east had classifications as bad as “emergency.”\textsuperscript{37} Kenya’s most agriculturally-fertile regions—the contested lands from President Kenyatta’s redistribution—were relatively spared and continued to produce throughout the droughts.

Kenya’s shared borders with war-torn neighbors created the potential for political unrest. Kenya is bordered in the south by Tanzania, in the west by Uganda, in the northwest by Sudan, in the north by Ethiopia, and in the east by Somalia. The neighboring conflicts and the refugees they created—Kenya has one of the world’s largest refugee populations—and presented opportunity for political corruption. The Kenyan government hosted several hundred thousand indigenous Somalis mostly in the Dadaab refugee camp in northeastern Kenya, but those refugees consistently received inadequate support and a disproportionately low percentage of government resources.38

Located along the Indian Ocean, Kenya is susceptible to narcotics trafficking. A UN Office of Drugs and Crime review of drug seizures from 1998-2006 found an increase in trafficking activity to Kenya and other parts of East Africa from places like Pakistan, Thailand and India. UNODC concluded that, in Kenya as well as its East African neighbors, monitoring of drug distribution channels and supply networks was inefficient.39 UK Foreign Office Minister Kim Howells warned in November 2006 that Kenya’s porous land borders, and the fact that “people can be bought, right from the person who works at the docks in Mombasa up to the government,” made the UK and other European countries vulnerable to increased drug trafficking.40

Impending Government Transition
President Kibaki was 76 years old during his re-election campaign in 2007. Despite his campaign promises to combat corruption in 2002, he re-enforced the network during his first term. While Kibaki’s age may not have prevented him from ruling, it eventually contributed to his perception as a corrupt “insider.”

Proximity to Terrorist, Separatist, or Transnational Criminal Networks
Kenya’s shared borders with war-torn neighbors - Tanzania in the south, Uganda in the west, Sudan in the northwest, Ethiopia in the north, and Somalia in the east - create a large number of refugees. Refugees in Kenya consistently received inadequate support, but present as an opportunity for the corrupt capture of revenues or votes. Kenya has

avoided participating in regional violence, and has avoided the overflow of violence from these conflicts or their transient populations.

Kenya’s porous borders, with customs agents always open to bribes, have left Kenya susceptible to illicit international trafficking. Beyond petty ad hoc smuggling, international reports have linked high level drug traffickers with senior members of Kenya’s government. Rents paid by the traffickers enriched the elite, while increasing everyday danger and decreasing quality of life for the people. The increased flow of drugs through Eastern Africa has generated additional attention from international narcotics and counter terrorism units.

**Median Age**
The median age in Kenya in 2007 was 18.6 years old, with 42% of the population under the age of 14.\(^{41}\) In religious terms, the country is overwhelmingly Christian – approximately 82% of the population, versus roughly 11% Muslim – but religious divisions are not a source of internal tension.\(^{42}\)

**Recent Reduction in Distribution of Captured Revenues**
President Kibaki made campaign promises to combat corruption, but did not follow through once in office. The massive corrupt deals of the Moi administration (Goldenberg and Anglo-leasing) were not repeated under Kibaki, but he allowed corrupt politicians to remain in office without pursuing prosecution. The Mungiki Gang were co-opted into the state apparatus by Kibaki, suggesting that direct payments to the most aggressive supporters actually increased. The distribution of captured revenues remained in the hands of the political and economic elite, and away from average Kenyans.

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\(^{42}\) Lemaron Sadallah, Joe and Opalo, Kennedy O. Personal Interviews. 28 February 2015.
Corruption in Kenya

Revenue Streams
The Kenyan kleptocratic network captures both foreign and domestic revenue streams to reward their supporters. The primary legitimate external revenue stream is foreign aid. Foreign aid to Kenya has traditionally had an uneven pattern of disbursement and is relatively small compared to domestic revenue sources.\(^{43,44}\) For these reasons, foreign aid had a minimal impact on the 2007 crisis.

Drug trafficking was an illicit, but highly lucrative, source of foreign revenue. Traffickers can be willing to pay bribes to port agents to ensure that their cargo is not searched or seized, making Kenya’s porous borders and accommodating customs agents an attractive route. Alternately, they could seek protection from high-level officials. Rents paid by the traffickers enriched the elite, while increasing danger and decreasing quality of life for the people.

According to a US State Department cable from March 2006, two Armenian drug traffickers – Artur Sargsyan and Artur Margaryan, known as the “Artur Brothers” – had close links with the Kibaki administration.\(^{45}\) More specifically, a Kenyan parliamentary report from July 2007 linked the Artur Brothers to Mary Wambui, President Kibaki’s successor in Parliament and his rumored second wife, as well as MP Wambui’s daughter. The parliamentary report concluded: “It is… abundantly clear that the two brothers were conmen and drug traffickers. That they enjoyed protection by the high and mighty in the Government is not in doubt.”\(^{46}\) William Bellamy, the US Ambassador to Kenya at the time, wrote in the cable: “The presence in Kenya of armed foreigners working on behalf of ruling elements has alarmed many Kenyans.”\(^{47}\)

Domestically, the network generates and captures revenue from natural resources such as land, simple bribes, and government contracts. Land is


\(^{47}\) “Wikileaks says Artur brothers were shielded by top officials.” Daily Nation, 28 February 2011. Web.
fundamental to the Kenyan economy, and can generate agricultural revenues or rents. Droughts pose a serious threat to production and the livelihood of average Kenyans, which amplifies the significance of redistribution of the most desirable land along tribal lines.

Appointment to civil-service, custom or law-enforcement positions provide opportunities to collect small bribes in order to complete paperwork or allow passage through a checkpoint. Low-level officers often must pass these resources up the chain of command in order to keep their position, but they still enjoy power and some of the bounty collected during routine traffic stops.

The greatest revenue stream for corrupt capture is government contracts. Anglo Leasing and Goldenberg are the two most publicized scandals, but they are not necessarily unique. Billions of dollars from Kenya’s state coffers have been intentionally squandered to the businesses of well-connected individuals.

**Elements of State Function**

Kenyan executives rely on several major elements of state function to control the network: (1) The Ministries of Agriculture, and of Land, Housing and Urban Development to redistribute land ownership and the larger bureaucracy to provide government employment as rewards; (2) an impotent judiciary to ignore allegations of corruption and election fraud, (3) a loyal parliament to legislate and legitimize corrupt bargains, and; (4) malleable government agencies to enforce the system.

The manipulation of land ownership is a powerful tool to punish or reward constituencies based on their political allegiance. Corruption expert Jennifer Widner notes that political candidates would promise land rights in exchange for votes, even to land that they did not currently control.

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knowing that they could capture and deliver the rights to the land once in office.\textsuperscript{55} A 2003 government report estimated that over 200,000 falsified or illegal land titles had been awarded to politically connected individuals.\textsuperscript{56} In a 2002 study, the University of Nairobi found that 57\% of slumlords were government employees.\textsuperscript{57} The Ministries related to land ownership are powerful, and appointment to these cabinet positions confers a great opportunity to secure and distribute wealth.

In addition to land, appointment to political office or civil service is a highly desired reward for political loyalty. These positions offer a salary, power, and the opportunity to collect bribes.\textsuperscript{58} Filling government positions as political reward, as opposed to a meritocracy, ensures that the bureaucracy remains loyal to their benefactors but limits government effectiveness. Systematic bribe collection doubles as a form of taxation, and salary augmentation, for lower level bureaucrats and their superiors.

For the second and third main levers, Kenya’s executive limits the power of the other branches of government. The Waki Report, commissioned by the Government of Kenya to investigate the post-election violence, cites “centralization of power in the presidency” alongside land grievances as the primary root cause of the violence.\textsuperscript{59} The Global Integrity Report actually gives Kenya’s legal framework a surprisingly strong rating across a range of government metrics, but the actual implementation scores are among the world’s most corrupt.\textsuperscript{60}

Kenya’s judiciary has the authority to review election results and rule on electoral misconduct. Extensive backlog and political pressure, however, prevent judges from hearing cases in a timely manner or delivering impartial results.\textsuperscript{61} In 2003, the Supreme Court Chief Justice resigned due to corruption-related accusations, and 55\% of the judges in the Court of Appeals and 50\% of those in the High Court had “credible evidence of

\textsuperscript{55} Widner, Jennifer. Personal Interview. 28 February 2015. \\
\textsuperscript{61} Ibid.
corruption” found against them. The courts initially refused to rule on the 2007 election controversy, contributing towards the uncertainty surrounding the 2007 violence.

Though after the crisis in question, the case of Willy Mutunga is indicative of Kenya’s systematic corruption. Mutunga, the former country director for the Ford Foundation, was appointed Chief Justice of the Kenyan Supreme Court in 2011. He has served as an independent and impartial judge, and has refused to bend the law to political demands. The other branches responded by steadily decreasing the judicial system’s budget, undermining Mutunga’s influence and independence.

Parliament members stay in power by participating in the kleptocratic game, and have no incentive to fight the system. The GIR notes that the laws regarding public procurement are rarely enforced, and the mechanism for overseeing state-owned companies is particularly vulnerable to political interference and manipulation. Parliament responded to the growing crisis in 2007 by passing a law limiting KACC’s authority and power to investigate. This act was interpreted by Kenyans as preventing the exposure of their own wrongdoings, and was a direct cause in President Kibaki dissolving parliament in the Fall of 2007.

Finally, the government’s ancillary bodies - anti-corruption agencies, the election committee, and the police - constitute the forth lever of power. Though designed to be independent checks on power, the executive retains influence over these agencies by appointing loyal supporters and altering budgets.

Anti-corruption efforts in Kenya were formalized in 1997 with the creation of the Kenya Anti-Corruption Authority (KACA), followed by the Kenya Anti-Corruption Commission (KACC) in 2003. These institutions were delegated sufficient power and money to operate, but have proven unable to compete against the entrenched elite.

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67 “Five years on: how effective is KACC in Kenya’s fight against corruption?” Africa Centre for Open Governance. pg. 13. Web.
John Githongo, former permanent secretary for governance and ethics under President Kibaki, released a revealing report in 2006 on the Anglo-Leasing Scandal. The report was applauded by the Kenyan people and the international community, but the implicated politicians refused to resign and the KACC lacked the authority to remove them from office. Fearing his security, Githongo resigned and fled to Britain due to subsequent death threats.

The Election Commission of Kenya (ECK), despite its internationally commended performances supervising both the 2002 general election and the politically charged 2005 constitutional referendum, saw 18 new appointments to its 21 member Commissioner list in the build up to the 2007 elections. The Commissions' quick declaration of a Kibaki victory and the rapid swearing in ceremony undermined the legitimacy of the election and fuelled opposition claims of electoral fraud.

While undocumented in academic journals and news media, sources consulted by our team cited election fraud schemes involving government election officials and Somali refugees. According to two separate sources, the Kibaki Administration issued National Identity cards, necessary to travel outside the camps, for a certain fee (i.e., bribe). The Kibaki government then registered these refugees as voters, and as supporters of the administration. Because this campaign was done surreptitiously, and because of the transient nature of refugees, no hard numbers are available to know how many “voters” were registered. President Kibaki won the 2007 election by around 38,000 votes. There were over 300,000 Somali refugees in Kenya at the time, meaning that a 10% success rate could have swung the election.

The police have been previously mentioned as both a revenue source (bribe collection) and a reward for political loyalty (employment), but they also serve to monopolize violence and protect the executive’s interests. In the ensuring violence after the election, the police used water cannons and

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74 Ibid.
tear gas to disperse opposition protests. Estimates vary, but the police may have been responsible for up to 40% of the 1,000 civilian casualties.\textsuperscript{75} The ICRtoP further alleges that politicians and leaders were complicit in pre-mediated violence perpetrated by the police.

**Enablers**

In addition to the official state actors, non-governmental groups also re-enforce the network and enable corruption to flourish. These groups, ranging from local gangs to high profile international banks, are primarily interested in securing a portion of the windfall for themselves.

The Mungiki Gang, comprised of young, poor, and undereducated Kikuyu men living in one of Nairobi’s largest slums, represents the most basic reaction to the winner-take-all system. The group formed in the late 1980’s when Moi’s administration fully gained control of the state apparatus and began stoking anti-Kikuyu sentiment among the other minority tribes\textsuperscript{77}. The Mungiki sought to redistribute revenue back to the Kikuyu, usually through illegal methods such as controlling vital transportation routes, utilities distribution, and critically, “taxation” on the prolific minibus services.\textsuperscript{78} Estimates range on the gang’s size, from several thousands to nearly four million at its zenith\textsuperscript{79}. President Kibaki, a Kikuyu, co-opted the Mungiki into the state’s kleptocratic network.\textsuperscript{80} The Mungiki Gang was active in defending President Kibaki in the 2007 election, with allegations of killing and maiming opposition supporters.\textsuperscript{81}

On the opposite end of the spectrum, international banks facilitated the elite removing their newly acquired wealth from the system. President Kibaki commissioned a report by the international risk consultancy Kroll on President Moi; the Guardian reported that President Moi had moved over $1.5 billion dollars as personal wealth to European banks.\textsuperscript{82} The domestic

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financial sector, including Kulei’s CFC Bank, facilitated moving capital from Kenya to personal bank accounts abroad.\textsuperscript{83}

\textsuperscript{83} “The looting of Kenya under President Moi”. Wikileaks. Web.
Findings

Based on the analyses above, our team evaluated the relative degrees of influence each risk factor played leading up to the 2007 election crisis. These factors, when exacerbated by the effects of acute corruption, were categorized ranging from “Negligible” to “Overwhelming.” In instances where a factor played no role, we noted “not applicable” and why.

<table>
<thead>
<tr>
<th>Risk Factor</th>
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<tr>
<td>Acute, Visible Inequality</td>
<td>Overwhelming</td>
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<td>Identity Divisions</td>
<td>Overwhelming</td>
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<tr>
<td>Median Age</td>
<td>Moderate</td>
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<tr>
<td>Environmental Pressures</td>
<td>Moderate</td>
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Acute, Visible Inequality
*Overwhelming*
Kenya consistently ranks among the world’s lowest on the Human Development Index, GDP per capita, and measures of income equality (GINI). Despite the dire need for basic services, the elite capture state revenues to build vast personal wealth and secure political support.

Identity Divisions
*Overwhelming*
The highly inequitable distribution of state resources along ethnic lines has turned elections into a zero sum game. These tensions can be traced back to President Kenyatta’s land distribution and President Moi’s use of anti-Kikuyu sentiment as a source of political support.

Median Age
*Moderate*
The median age in Kenya is 18, and this young population is unemployed, poorly educated, and concentrated in urban areas. The vast wealth accumulated by the elite creates delusions of grandeur, and does not inspire demands of regime change as in other parts of the world. The Mungiki Gang, for example, understand the acute implications of elections, and are willing to act on ingrained ethnic tensions to secure their short term security.

Environmental Pressures
*Moderate*
Kenya is vulnerable to environmental crises, specifically droughts. This danger is amplified by the overall importance of land to the Kenyan economy. Natural disasters remind minority groups of Kenyatta’s
inequitable land distribution, and the lack of investment by the Kenyan government in underdeveloped regions.

**Proximity to Terrorist, Separatist, or Transnational Criminal Networks**
- *Minimal*
  Militant insurgents in Kenya’s neighborhood have resulted in large numbers of refugees entering Kenya, but minimal violence. These refugees are provided minimal resources, but were apparently used in a complex electoral fraud. The use of Kenya as a key transit point for international traffickers is an immoral revenue source, and the alliance between drug traffickers and the elite exemplifies the systemic corruption of the current system.

**Recent Economic Downturn**
- *Negligible*
  No significant deviation of GDP growth, decline in a major export, growth of a new industry, or discovery of a new resource in 2007. The distribution of resources, and not the scale of growth, is the source of longer-term discontent in Kenya.

**Impending Government Transition**
- *Not Applicable*
  The strength, pervasiveness, and role in the security crisis of the corruption network in Kenya was not influenced by the age of any of the Executives throughout the time period in consideration.
Network Mapping
BUSINESS SECTOR

Tourism
- Game park permits

Horticulture
- Ministry of Land, Housing & Urban Dev.

Coffee
- Kenyan Planters Cooperation Union

Tea
- Kenya Tea Development Agency
In 2001, Tetu Coffee Cooperative Society president Job Kareithi launched an effort to reconfigure Kenya’s coffee industry. The proposal centered around removing the auction houses that have served as official中间men between farmers and mills since passage of the 1989 Coffee Act. Working on the proposal with Kareithi was Tetu board member Alex Mureithi. Mureithi was a nephew of President Mwai Kibaki.

The Coffee Board of Kenya and the Ministry of Agriculture lobbied for the proposal, while the Kenya Planters Cooperative Union and the Ministry for Cooperative Development and Marketing opposed it. The split within the Administration was highly publicized, with Commissioner Musyimi and Minister Ndwiga issuing public statements distancing them from the Tetu proposal.

In 2005, after four years of debate, the Tetu proposal was rejected. Kareithi subsequently approached the Ugandan and Rwandan coffee markets with a similar proposal.

Read more on corruption allegations against Tetu: Official Transcript of Kenya’s National Assembly Record

On media coverage: Ministers Opposed
Financial Sector

- Banks
- CMC Holdings
- CFC Bank
Appendix

A. Experts Interviewed or Consulted
1) John Githongo, freelance Kenyan journalist
2) Chris Lewis, Graduate Student at Columbia | SIPA
3) Kennedy Opalo, PhD Candidate, Stanford University
4) Joe Lemaron Sadallah, Graduate Student at Columbia | SIPA
5) Michela Wrong, Journalist, Financial Times; author of “Its Our Turn to Eat”
6) Jennifer Widner, Professor of Politics and International Affairs, Princeton University
7) Brigitte Zimmerman, Analyst, Anti-Corruption Research Network

B. Additional risk factors considered
1) Perceived Inequality as illustrated by:
   a. Skewed unemployment rates
   b. Grassroots social movements
   c. Real estate values and distribution of land ownership
   d. Infant mortality and Life expectancy
   e. Severe gender biases
      i. Is death among female children higher?
      ii. Are women disadvantaged in certain settings? If yes, for what reasons

2) Triggering Events
   a. Violation of “elite bargain”
   b. Public health crises
   c. Natural disasters (drought)
   d. Election or other political transition

C. Expert Directory (prioritize highlighted experts)

<table>
<thead>
<tr>
<th>INTERVIEWEE</th>
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Executive Summary

Corruption has been a defining element of the al-Assad dynasty. Under Hafez al-Assad (1970 - 2000), corruption took the form of a relatively balanced tool used for both personal enrichment and cross-sectarian political co-option. Its nature changed when son Bashar al-Assad came to power. Instead, corruption came to be a highly concentrated, heavily family-centric method of wide-spread economic plundering. With the intention of transitioning to a more liberalized, open-market economy, Bashar’s reforms effectively marginalized many of the stakeholders in his father's old kleptocratic network. He concentrated economic power into a smaller inner circle while relying on the state security apparatus to suppress internal dissent. A fixation on both privatizing and capturing a wide swath of economic activities resulted in pervasive neglect of sectors that had formed the traditional support base of the ruling Ba'ath party. This included rural agrarian and peasant laborers, low level bureaucrats, and non-Alawite sectarian elements, most notably the Syrian Sunni population which comprises the majority of the states’ population base. This neglect fueled an increasing, if latent, resentment of the Bashar regime.

Although dormant for over a decade, this resentment surged to the surface in 2011. Inspired by the Arab Spring then underway in other Arab countries, youths in the rural village of Dara’a spray painted anti-regime graffiti throughout the town. They were quickly arrested and imprisoned by local police. Parents’ demands to have their children released were refused, and the resulting non-violent protests were met with increasingly violent responses from local forces. These responses were quickly disseminated through social media throughout the country and inspired further non-violent protests against the regime.

The regime’s focus was to ensure its own survival. However, survival could now largely be secured only by force, due to the prior expulsion or marginalization of elements that had once been co-opted under the kleptocratic structures of Hafez al-Assad. Despite the non-violent nature of the initial protests, which might have offered at least the possibility of a political resolution, the nature of the new kleptocratic network under Bashar al-Assad largely precluded any response other than violent repression. This was largely because the deliberately narrower base of support for the new network, one largely based along family lines, precluded the possibility of co-opting dissident elements by granting them access to the network; this self-imposed restriction left violence as the only tool available to the regime when confronted with domestic opposition.

As the regime executed increasingly violent methods, the protests progressively transformed from non-violent ones seeking regime reform, to violent uprisings demanding regime change. As of the writing of this brief, not
only has the conflict taken a devastating economic, political, and human toll on Syria and its people, it increasingly involves a number of international actors (both state and non-state). It continues to take on intractable sectarian overtures and represents a genuine threat to regional and global stability.
Overview: Politics and Corruption

The al-Assad regime was established in the wake of a military coup in 1963, one that ultimately resulted in Hafez al-Assad assuming control of the state in 1970 as a representative of the newly dominant Ba’ath Party. Demographically, Syria is an Arab state with a Sunni religious majority,\(^1\) although Shi’ites, Christians, and Alawites also have sizable communities.\(^2\) A member of the minority Alawite sect, Hafez realized the danger of allowing sectarian-based rifts to form, and adopted a platform of pan-Arabism. This political philosophy emphasized the ethnic commonality of Syria’s population in an attempt to minimize its religious differences.\(^3\)

The regime reinforced this secular, pan-Arab ideology by co-opting elites in the Sunni and non-Alawite communities through bargains that granted privileged economic access and patronage opportunities in return for loyalty to the regime.\(^4\) While concentrating power in the Executive and ensuring that the upper echelons of the state’s coercive institutions were staffed by loyal Alawites, Hafez al-Assad also broadened the coalition of support for his regime by linking this inner circle to wide swaths of both the urban middle class and rural peasantry. He did this by making government and corporate institutions accessible, though only by engagement on the part of Ba’athist Party members.\(^5\) For example, members of the urban middle class were offered secure jobs in the government that, while low-paying, gave them their own rent extraction opportunities;\(^6\) rural farmers benefitted from high state subsidies on agriculture.\(^7\)

Despite these measures, the heavily rural, Alawite backgrounds of the ruling clique proved to be a continued source of resentment for elements of the Sunni majority, which culminated in several Muslim Brotherhood-led uprisings during

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4 Ibid, p. 18
the 1980s.⁸ While these rebellions were successfully (and dramatically) suppressed, they resulted in a proliferation of internal security organizations designed to ensure, in conjunction with the previously-mentioned co-option techniques, that a cohesive opposition movement could not easily emerge.⁹ This state of affairs remained relatively unchanged until the death of Hafez al-Assad in 2000 and the ascension of his son Bashar later that year.

Bashar began an economic transformation in Syria, converting the heavily state-controlled economy setup by his father, to a quasi-market based system, dubbed a “social market system.” This system promised economic liberalization yet was essentially designed to let the ruling elites maintain power while expanding their opportunities to plunder the state via the extraction of rents from newly liberalized sectors of the economy.¹⁰ Under this system, corruption lost its politically stabilizing characteristics and, instead, became a method of private rent extraction. This extraction took place via the dispensation of licensing permits and other concessions, or by the selling of previously state-owned companies to trusted crony capitalists¹¹

This privatization push necessitated the widespread abandonment of many of the broad elements that had formed the regimes’ base of support under Hafez. For example, rural farmers saw significant reductions in state subsidies, which went instead to offset massive income tax reductions designed to benefit the newly emerging bourgeoisie.¹² Farmers were also subjected to new land allocation rules that privatized their farmland.¹³ In turn, members of the diverse urban middle class saw their access to government jobs drastically curtailed, exemplified in 2004 by the violent suppression of demonstrations by engineering students in the wake of a government decision to no longer automatically hire them.¹⁴ Bashar’s efforts to privatize and capture all manner of economic activities reduced the ability of local Ba’ath party members to dispense their own forms of patronage by cutting them off from the state, further eliminating Bashar’s non-coercive ties to outlying regions.¹⁵

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⁹ Ibid
¹¹ Ibid, p. 39
¹⁴ Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p. 54
The stakeholders in Syria’s corruption network thus shrank from a previously cross-sectarian, broad constituency to a more family-centric inner circle. This resulted in a support base for the regime largely comprised of crony capitalists drawn from the Assad family.\textsuperscript{16} Instead of benefiting (to one degree or another) Sunni and Christian elites, rural Ba’ath party members and farmers, and elements of the urban middle class, this new paradigm saw economic and political power increasingly concentrated in the Assad, Maklhouf, and Shalishe families.\textsuperscript{17,18} While this stranglehold on economic activity generated phenomenal profits for members of those 3 families, it had two deleterious effects on Syrian stability. First, it helped generate tremendous resentment among the newly marginalized regional elites,\textsuperscript{19} whose dependents now looked to various sectarian religious elements for support instead.\textsuperscript{20} Second, the insular nature of the new elites and the lack of alternate sources of leverage, promoted a paranoid, security-heavy view of regime survival.\textsuperscript{21} These characteristics played pivotal roles in how the regime chose to respond to the 2011 demonstrations.

\textsuperscript{18} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 99
\textsuperscript{19} Hokayem, Emile. Syria’s Uprising and the Fracturing of the Levant, pp. 28, 43
\textsuperscript{20} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 99
\textsuperscript{21} Hokayem, Emile. Syria’s Uprising and the Fracturing of the Levant, p. 15
Analysis

Structure

Number of Networks

Only one kleptocratic network operated in Syria in the years preceding the security event. While the transition from the regime of Hafez al-Assad to his son Bashar did briefly result in competition between an "old guard" element that wished to retain a Ba’athist / state-centric model of rent seeking and Bashar’s more private enterprise focused clique, Bashar al-Assad was largely able to marginalize previous elites and install his own, unchallenged kleptocratic network.

Vertical Integration

Despite integrating a broad swath of Syrian economic activity, the kleptocratic regime was highly vertical, narrowing at the top to include only a small number of family-based elites who ultimately exerted tremendous control over the vast majority of Syrian economic activity, especially within industries that were privatized under Bashar al-Assad.

Captured Elements of State Function

The 4 most prominent elements of state function that were captured were: (1) the state-run banking sector, (2) the military apparatus, (3) the state judiciary, and (4) the lower level bureaucracies. The first is used primarily to supply access to capital resources for network elites who are operating in the private sector, or to conversely “freeze out” non-cooperative actors. The military apparatus served largely as the enforcement arm of the network, for example cracking down on anti-regime protests or arresting troublesome elements. It also engaged in extortion, either in the form of “protection” fees or as access points for “pay-to-play” entry into such lucrative fields as oil and duty-free trade zones, as an organic revenue source

The judicial branch was used as another tool of coercion, launching “anti-corruption” campaigns or selectively enforcing laws against dissident elements. Finally, lower level bureaucrats were co-opted into the network through low salaries, which incentivized them to supplement their meager income via rent seeking activities in return for the performance of basic government functions.

**Instruments of Force**

The Syrian government maintained a plethora of internal intelligence agencies, and in conjunction with the state military, these were used to locate and root out any political opposition to the regime, or any economic activity taking place outside the purview of the kleptocratic network.

**Hollowed Out Elements of State Function**

The Legislative branch of the Syrian government stands out as a clear example of a hollowed out institution. The Syrian kleptocratic network used a variety of *ad hoc*, informal methods such as, for example, relying on patronage networks\(^23\), providing critically untrained staff to legislative institutions\(^24\), or making votes in the Legislature public (and thus turning them into a form or loyalty test)\(^25\) to essentially bypass or neutralize the Legislature. Many Ministers who held power did so not because of their government position, but rather because of their closeness to the al-Assad regime. This institutional weakness thus allowed the family-based network greater direct control over access to the kleptocracy.

**Colonized Revenue Streams**

Private sector economic activity represents the largest revenue stream the network captured, and indeed represents the very revenue source the network was designed to seize. Tobacco sales, telecommunications, healthcare, international trade, luxury construction, food processing, commercial airlines, and a host of other business sectors were under the control of the network. Other prominent revenue streams included foreign investment (primarily from Gulf states) in one of the above mentioned private sectors, foreign military aid from the Soviet Union / Russia, and foreign civil society aid, which was largely captured via the use of GONGOs.


Key Internal and External Enablers

The Assad regime was enabled primarily from four sources: (1) its covert alliance with Hezbollah in Lebanon, which bolstered its anti-Israeli credentials and gave it a pivotal role as the “middleman” between Iran and Hezbollah (2) its business and financial connections to expatriates and the larger Arab business community, which the regime leveraged into proof of anti-corruption reforms and an effective transition to open market policies (3) its “partnership” with the European Union which aimed at fostering and promoting civil society groups, which granted the regime a façade of democratic legitimacy, and (4) its historic relationship with the Soviet Union / Russian Federation, which gave Syria a prominent ally on the international stage and a method of escaping the more deleterious effects of international sanctions.

Distortion of Democratic Processes

The democratic process was near non-existent under the regime of Hafez al-Assad, with the Legislature easily bypassed and dissolved at will, key government posts being filled via Presidential appointment, and the succession process under his de facto control. The continuing irrelevancy of the Legislature, the Constitutional ban on competitive elections (only a referendum on a Regional Command selected candidate is allowed), and Bashar al-Assad’s consistent garnering of 97% of the vote all point to significantly distorted democratic institutions.

Public Attitudes towards Corruption

While corruption has historically been endemic in Syria, the exclusion of previously included groups that took place under Bashar brought corruption to the forefront of public attention. In conjunction with a dramatic shift from a framework of quasi-socialist inspired modesty to a liberal market-derived conspicuous consumption, Syrian citizens became more aware of both the vast scale of revenues captured via corruption and the much smaller group who benefitted from it.

Corruption as a Motivator for Oppositional Elements

Although the initial non-violent protests saw large-scale anger explicitly directed at Rami Makhlouf, a regime insider largely considered the “face” of corruption in Syria, the security event itself, and the oppositional groups participating therein, have exhibited a rhetorical focus that emphasizes political liberties, human rights, poverty reduction, and sectarian themes more than ones unambiguously citing / oriented around corruption.  

**Risk Factors**

**Identity Divisions**

Syria is a predominantly Arab state, with Sunnis comprising approximately 65% of the country’s population (22 million Syrians total). The remaining 35% are Kurds (10%), Alawites (10%), Christians (10%), and Shi’a (5%). Since the Ba’athist coup in 1963, the common bridge of Arabism has traditionally been relied upon to cross the religious cleavages of the Syrian population. However, in practical terms, the coup introduced a political elite that has been almost exclusively comprised of Alawite military officers who helped overthrow the government, and who largely originated from rural communities.

In addition to its political dominance, the “...most powerful, and certainly the richest...” segment of the country’s middle class is heavily dominated by Alawites, though, as a whole, the Syrian bourgeois class is more heterogeneous than its political counterpart. This class includes Sunni, Christian and Shi’a merchant elites whose access to the middle class is nonetheless largely dependent on proven loyalty to the regime or the patronage of a well-connected Alawite partner.

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30 Ibid, p. 17
31 Ibid
33 Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, p. 11
36 Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, p. 18
Finally, the military apparatus, even before the 1963 coup, counted a disproportionate amount of Alawites among its various officers’ corps, especially the Army.\(^{38}\) This trend was intensified and entrenched during the regimes of both Hafez and Bashar al-Assad. The former oversaw the proliferation of internal intelligence agencies and various “Praetorian Guard” units in the wake of the Muslim Brotherhood-led rebellions in northern cities during the 1980s.\(^{39}\) The latter installed not only Alawites, but close family connections into influential posts within these organizations.\(^{40}\)

An important caveat is required, however. While the elite faction of the state contained a large amount of Alawites, as a whole that subgrouping was not a beneficiary of economic privileges, and were largely relegated to a below-middle-class existence in order to preserve “…its survival mentality and readiness to defend the regime.”\(^{41}\) In essence, the regime leveraged the resentment directed against rich Alawite elites as a means of stoking fears of violent reprisals against all Alawites should the regime fall, thus solidifying Alawite support for the regime.\(^{42}\) The fact that many of the regimes most steadfast shock troops are still drawn from the relatively poor Alawite community is largely attributed to the success of this strategy.\(^{43}\)

The end result of these maneuvers was two-fold, and in both cases contributed towards significant levels of ethnically-based division. On one hand, the perception among Syria’s Sunni majority was one of both alienation from,\(^{44}\) and resentment towards,\(^{45}\) the Alawite community. This stemmed from their historical exclusion from political power\(^{46,47}\), largely Alawite-patronage dependent access to economic circles,\(^{48,49}\) and the greater religious freedoms (in terms of public piety displays and church building permission) afforded Alawites and

\(^{38}\) Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 96
\(^{39}\) Ibid, p. 97
\(^{40}\) Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, p. 35
\(^{41}\) Ibid, p. 33
\(^{43}\) Ibid
\(^{44}\) Ibid, p.102
\(^{45}\) Ibid, p.97
\(^{46}\) Ibid
\(^{47}\) Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 252
\(^{48}\) Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p. 51
\(^{49}\) Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 252
Christians.\textsuperscript{50} This attitude was in turn reflected by a fear among Alawites (and other minorities) that the fall of the regime would not only remove their access to state economic privileges (for the middle-class),\textsuperscript{51} but would also eliminate the institutions that shielded them, as a minority, from the increasing hostility of the majority.\textsuperscript{52}

\textsuperscript{50} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 107
\textsuperscript{51} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 252
\textsuperscript{52} Ibid
Recent Economic Downturn

During the years immediately preceding the outbreak of anti-regime violence, Syria’s economy had displayed relatively stable growth levels: as of 2007 (the last year for which it has reliable data) the World Bank estimated a GDP growth rate of approximately 5.75%.53 This rate is 1.5% higher than that provided by the IMF, which assessed Syrian GDP growth in 2007 at 4.3%.54 These growth rates are in line with the country’s previous growth rates - 4.5% in 2005, 5.1% in 2006, 5.2% in 2008 (projected), 55 4% in 2009 (projected), 56 and 5% in 2010 (projected).57

One possible reason for the country’s economic growth – even during the global financial crisis and its three-year drought – is the government’s investment in tech industries. Until the early 2000s, Syria’s economy was heavily dependent on its energy and agricultural sectors.58 However, when resource depletion and falling export prices impacted oil revenues, the Syrian economy remained healthy. Early investments made under Bashar al-Assad in the mobile phone market proved critical in mitigating the blow of weak agricultural and energy sectors.59,60

Acute, Visible Inequality

Despite Syria’s relatively stable GDP growth in the years preceding the outbreak of civil war, its economic progression can be characterized by high levels of exclusion and rural marginalization, along with minimal levels of job creation or

55 Ibid
56 International Monetary Fund Staff Representatives for the 2009 Consultation with the Syrian Arab Republic. Staff Report for the 2009 Article IV Consultation. NPC: International Monetary Fund, 2010. Online. p.4
57 Ibid, p.6
60 International Monetary Fund Staff Representatives for the 2008 Consultation with the Syrian Arab Republic. Staff Report for the 2008 Article IV Consultation. NPC: International Monetary Fund, 2009. Online. pp.3-4
poverty reduction efforts. Illustrative of this characterization is the last available GINI co-efficient from the World Bank, in which Syria scored a 35.8% in 2004; for context, this score actually indicated greater levels of equality than both the United States (40.6%) and the United Kingdom (37.6%). However, using the GPI GINI calculations to “fast forward” to 2010, the year preceding the outbreak of anti-regime demonstrations, we see Syria’s ranking drop to 42%. (For comparison, the US and UK coefficients remained similar to their 2004 levels.) Furthermore, using IMF data to conduct a cross-country examination of GDP per capita rates in Syria and its immediate neighbors yields the following results: for 2009 and 2010, Syria’s GDP/capita was estimated at $2,557 and $2,809, respectively. These levels were easily surpassed by Iraq ($3,574/$4,373), Iran ($4,926/$5,637), Lebanon ($8,274/$8,755), and Libya ($10,574/$12,357). All states listed here were dealing with significant internal disputes or the aftermath of military invasions and occupations. However, each was able to deliver noticeably higher dividends to its respective citizens than Syria.

The switch from a centralized economy to a quasi-market-based one contributed to the increase in inequality. First, this transition prioritized capital accumulation and economic growth, while sideling questions of how best to divide or distribute that wealth. With no associated political liberalization, the private sector was quickly monopolized by a select elite who had strong ties to the state apparatus. Second, the move to a more market-based economy saw a large reduction in the two traditional economic roles played by the government: as a source of employment, and dispensation of needed subsidies, especially those in

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63 Ibid
64 Ibid
67 IMF Data Set (Full website address in Appendix due to length)
68 Ibid
agriculture.\textsuperscript{72} The cuts in subsidies, on which many families had relied, were used to balance state revenue reductions from large scale income tax reductions that largely benefitted the rich.\textsuperscript{73} Responsibility for job creation was theoretically transferred to the private sector, but a combination of massive, demographically-driven employment supply (Syria had an estimated average of 300,000 new job seekers entering the market per year) and hiring practices that were strongly based on family and clan associations\textsuperscript{74} resulted in high levels of employment. By 2009, it is estimated 11% of the Syrian workforce was unemployed.\textsuperscript{75}

Exacerbating these trends was the gradual change in the perception of corruption in Syria. Bashar al-Assad’s decision to engage in economic liberalization of the Syrian economy had widespread ramifications on how corruption was viewed by Syrian citizens. Alan George, a journalist covering Syria, and author of the book “Syria: Neither Bread nor Freedom,” explains that the change in culture under Hafez al-Assad to the one under his son was characterized as a shift from a Soviet-inspired, quasi-socialist mentality that shunned excessive, ostentatious displays of ill-derived wealth, to a more Western, liberal market outlook, where wealth was flaunted as a sign of business savvy and personal success.\textsuperscript{76} Other scholars concur:

“The process of economic liberalization, and the attendant rise in conspicuous consumption that followed, provoked resentment against both the regime and its associated ethnic group (the Alawites).”\textsuperscript{77}

- Naomi Weinberger, Professor of Middle East conflicts, Columbia University’s School of International Affairs

“The conspicuous consumption of the new urban rich was often at odds with Syrian traditions and alienated those in the...deprived suburbs.”\textsuperscript{78}

- Raymond Hinnebusch, Professor in International Relations, University of St. Andrews

\textsuperscript{72} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, pp. 53-54
\textsuperscript{73} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 102
\textsuperscript{74} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p.54
\textsuperscript{75} International Monetary Fund Staff Representatives for the 2009 Consultation with the Syrian Arab Republic. Staff Report for the 2009 Article IV Consultation, p. 4
\textsuperscript{76} Interview with Alan George, conducted March 25th, 2015
\textsuperscript{77} Interview with Naomi Weinberger, conducted February 26th, 2015
\textsuperscript{78} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 102
“Syria’s entry into a deregulated economy has aggravated socioeconomic imbalances and deepened the cleavages between, on the one hand, a privileged group from the upper middle classes and the bourgeoisie and on the other hand a large part of the population excluded from new patterns of predation and redistribution, including the lower middle class.”

- Caroline Donati, Author, The Economics of Authoritarian Upgrading in Syria

Capturing the downshift in public perception, rankings offered by Transparency International show that in 2008, Syria ranked 147th on the index of perceived corruption, out of 180 countries. This put the country only ahead of Iraq within the Middle East neighborhood.

The trend towards conspicuous consumption is well-illustrated by the case of Rami Makhlouf. Makhlouf is Bashar al-Assad’s cousin and the man who was considered to be Syria’s primary private investor. Highly emblematic of the association between the state and corrupt private sector actors, his most prominent company, Syriatel (a cell phone company with a near monopoly of the industry) was a focal point of the initial anti-regime protests. It was widely believed that the Makhlouf family served as financial managers for al-Assad’s wealth, in addition to financing pro-regime demonstrations and facilitating the wiretapping of its customers’ phone lines. The fact that a private commercial entity was one of the primary targets of anti-regime protests is suggestive of the growing public consciousness of the crony capitalist nature of the regime.

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84 Ibid
Related to the perceptual change described above was the growing belief among many Syrians that the ruling elites had abandoned the traditional rural base of the Ba’athist party and that Bashar was now focused on the urban and private sectors.\textsuperscript{88} For example, the city of Homs, whose governor was a well-known friend of al-Assad’s, attracted large amounts of foreign investment and government spending. Despite this inflow of resources, however, “…the perception…was of rapacious urban engineering and a land grab by regime figures” that did not benefit middle class Syrians, or farmers.\textsuperscript{89}

Essentially, the regime of Bashar al-Assad can be characterized as a form of crony capitalism among a select clique\textsuperscript{90,91} that inspired both considerable loyalty towards the regime from its beneficiaries\textsuperscript{92,93} and growing anger from those it excluded, especially as this new paradigm involved the exclusion of many formerly co-opted elements. Under Bashar, old patronage networks were reallocated to favor private sector actors, and not the rural constituents that formed the traditional backbone of the Ba’ath Party.\textsuperscript{94,95} Naomi Weinberger posits that the neglect directed towards rural Ba’ath Party members was done deliberately to undermine their ability to mass mobilize the rural population.\textsuperscript{96}

This “sweeping away” of the old patronage networks in essence moved old (mostly rural) clientist networks, which had previously been integrated into the regime structure, to its peripheries.\textsuperscript{97,98} Rural elites, now starved of access to patronage dispensation, saw their power wane and in turn were increasingly replaced by rising Islamist, Kurdish, tribal, or sectarian regional elites.\textsuperscript{99} These actors would later form pivotal roles in the violent response to the Assad crackdown in 2011. An example of this effect is the largely rural province of Hauran, which under Bashar al-Assad had lost its previous access to “…public

\textsuperscript{88} Hokayem, Emile. \textit{Syria’s Uprising and the Fracturing of the Levant}, pp. 28, 43
\textsuperscript{89} Ibid, p.44
\textsuperscript{90} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 101
\textsuperscript{91} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 254
\textsuperscript{92} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, pp. 107-108
\textsuperscript{93} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 231
\textsuperscript{94} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p.53
\textsuperscript{95} Hinnebusch, Raymond, “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, pp. 98-99
\textsuperscript{96} Interview with Naomi Weinberger, conducted February 26th, 2015
\textsuperscript{97} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 99
\textsuperscript{98} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks, p.53
services, social promotion, and political resources through the Ba’ath Party that it enjoyed during the tenure of Hafiz al-Asad.”

Hauran was one of the first to experience widespread anti-Assad demonstrations in 2011.

**Environmental Pressures**

The drought of 2006-2009 had a devastating effect on Syria. It is estimated that between 160 and 220 rural villages were effectively abandoned, and that approximately 300,000 families were driven into the urban peripheries of major cities. Although these effects had multiple, non-corruption related causes, two of them, namely long-term mismanagement and the dismantling of the agricultural industry and its related support structures, were widely perceived to be connected to corruption and the enrichment of regime elites.

To illustrate, the New Agrarian Relations Law 56, introduced in 2004, allowed landowners to terminate existing tenant contracts and expel current residents. This led to rampant land speculation and exorbitant prices for newly available plots. Additionally, land reform undertaken in the midst of the drought, ostensibly in order to return productivity and profitability to the affected farmland, ultimately saw large transfers of state-owned land into the hands of large, private holders.

It has been argued that the effects of the drought were exacerbated as a result of historic, corruption-based mismanagement. More specifically, in order to maximize profitable returns, agricultural and irrigation techniques that would have allowed long-term sustainability were sacrificed in favor of those that amplified economic returns. The most notable example of this was the increase of illegal

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100 Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks, p.53
102 Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, p. 19
105 Ibid
106 Ibid, p.215
107 Ibid, pp. 202-203
private wells that tapped into groundwater sources.\textsuperscript{108} Although declared illegal in 2005 due to their role in producing significant groundwater depletion, prosecution for continued usage of these wells was never executed, with the end result being the consumption, in 2007, of 3.5 billion cubic meters of water in excess of what was naturally replenishable.\textsuperscript{109}

**Median Age**

Syria is an extremely young country, reflected in 45\% of the population being under 15 years of age in 2001\textsuperscript{110}, and a 2011 median age of only 23.3 years for the entire population; taken alone, males had an even lower median age of 22.9 years.\textsuperscript{111} These demographic trends have meant an average of 200,000 to 250,000 new entrants into the job market per year since 2001, far more than the (optimistically) estimated yearly creation of 80,000 new jobs.\textsuperscript{112} Although estimates vary, this youth bulge is believed to have produced unemployment rates of anywhere from 19\%\textsuperscript{113} to 30\%.\textsuperscript{114} The implications for these demographics on political unrest have largely focused on economic dissatisfaction\textsuperscript{115,116,117}, though it has been argued that, initially, Bashar's relative youth upon assuming office may have resonated among the younger elements of the Syrian population and, as a resulted, may have engendered greater support\textsuperscript{118}.

**Violation of Elite Bargain**

\textsuperscript{108} Interview with Shahrzad Mohtadi, conducted March 27\textsuperscript{th}, 2015
\textsuperscript{112} Perthes, V. “The Political Economy of the Syrian Succession” in *Survival: Global Politics and Strategy* Vol. 43 No. 1. p. 144
\textsuperscript{114} George, Alan. *Syria: Neither Bread nor Freedom*. p. 27
\textsuperscript{115} Ibid, p. 163
\textsuperscript{117} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 112
The Syrian regime did not have an elite bargain scheme. While local or sectarian elites were co-opted into the kleptocratic network, these “bargains” in no way represent a deal among equals. The ease and assurance in which Bashar al-Assad’s regime withdrew or expelled many of these local elites from the kleptocratic network illustrates how one-sided these bargains were. Additionally, there was no pattern of power-sharing among Bashar’s Ba’athists or any other political group.

**Impending Government Transition**

President Bashar al-Assad was 46 years old when the Syrian uprising broke out. As the main pillar in the Syrian government, upon whom the political elite depended, it is unsurprising that the government mobilized to protect Bashar, especially considering his relatively young age; if the Assad regime endures this crisis, it will likely operate for decades more under Bashar’s indebted leadership. Had protests erupted under his father, Hafez, who passed away at age 70 in 2000, it is questionable if his political allies would have rallied so quickly and strongly.

**Proximity to Terrorist, Separatist, or Transnational Criminal Networks**

“If the grievances were there, they had previously inspired lethargy, so what had changed?”\(^{119}\) As this question implies, the Syrian people are quite familiar with both corruption and oppressive regimes. Multiple academic sources\(^{120,121,122}\) have argued that proximity to the Arab Spring helped spur oppositional sentiment that, due to repeated historical failures to challenge the regime, was weak in the time immediately preceding the Arab Spring uprisings in Tunisia and Egypt.\(^{123}\)

The effect of the Arab Spring movement on the outbreak of demonstrations in Syria may be attributed to the pan-Arab national identity encouraged by the regime, which essentially welded “…the Arab states in a single ‘public space’ (and) magnified the ‘demonstration effect’ of the Arab Spring that had started in

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\(^{120}\) Ibid


\(^{122}\) Erlich, Reese. *Inside Syria: The Backstory of Their Civil War and What the World Can Expect*. pp.21-22

Tunisia.” This mass change in perceptions was enabled by Syrians who could easily follow the protests in Tunisia (and then Europe) thanks to ubiquitous social media access and satellite television. They could more easily identify with their “fellow Arabs” and the conditions they were protesting against: poverty, unemployment, economic monopolization, government corruption, and arbitrary jailing or torture. Additionally, the success displayed by these proximate movements gave new life to the idea that mass protest movements could have significant political power, helping to counter the previously mentioned cynicism and defeatism that typified Syrian oppositional elements.

It is important to note here that Syrians’ identification with the Arab Spring movement spurred non-violent demonstrations. While these protests pushed the regime to respond violently, they did not, in and of themselves, represent a legitimate security event. While it has been argued that NATO intervention in Libya, which was in response to perceived regime violence against rebel forces, encouraged Syrian dissidents to switch from non-violence to more aggressive measures in the hopes of drawing similar assistance, this argument grows tenuous when one considers two factors: first, the vastly different rhetoric being directed at Assad from the US as late as March 26th, 2011 when he was still being characterized as a “reformer” by then Secretary of State Clinton and the fact that official US calls for the removal of Assad only came about in August of that same year, well after the Daraa repression helped begin to shift the format of the Syrian opposition.

The second factor concerns the qualitative lessons the Syrian opposition drew from Libya. Marc Lynch has argued that Syrians hoped the Libya example would restrain the Assad regime from employing further violence a belief that

126 Erlich, Reese. Inside Syria: The Backstory of Their Civil War and What the World Can Expect. p.82
129 Erlich, Reese. Inside Syria: The Backstory of Their Civil War and What the World Can Expect. p. 83
would seem to point away from the idea that non-violent protesters would escalate the situation. At worst, they attempted to “…emulate the Libyan model (by) highlighting regime atrocities…” and Lynch is explicit in his rejection of the idea that protesters attempted to encourage this sort violence, an argument that would again undermine the argument that force was adopted as a way of “recreating” the Libyan experience in Syria.

**State Response to Civil Unrest**

Research into the Syrian civil war revealed a potential new factor useful for evaluating a state’s stability: the approach taken by a government in responding to civil unrest. Alan George posits that a more politically astute actor like Hafez al-Assad, for example, would likely have gone in person to Dara’a, made a public show regret, and fired or disciplined some elements of the police and local government apparatus. He also notes that Syria had a history of violent repression. However, the violent response from the government in 2011 must have differed in some key characteristics to previous repressive techniques that went unchallenged to elicit such a furious riposte from civilians.

This characterization is reaffirmed in academic literature:

> “By refusing to allow for any meaningful and gradual reform, the regime missed the window of opportunity to in which it could…have placated the demonstrators.”

> “The demonstrations were nonviolent and secular…Assad cracked down mercilessly on peaceful protestors…(and) thinking it occupied a position of strength, the regime offered the occasional olive branch…steps that would have been hailed as tremendously progressive a few years prior had no impact in 2011.”

> “There is no doubt that the outbreak of the civil war owes much to the regime’s uncompromising crackdown and complacent political response to the initial protests.”

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134 Ibid
135 Ibid
136 Interview with Alan George, conducted March 25th, 2015
137 Ibid
139 Erlich, Reese. *Inside Syria: The Backstory of Their Civil War and What the World Can Expect*. p. 83
140 Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, p. 40
These analyses highlight the interactive nature of the violent crackdown and the politically irrelevant concessions offered by the regime. Essentially, the opposition was looking for a good faith signal from the regime that serious reform would be undertaken. Instead, it not only received yet another set of meaningless gestures, but also met a brutal crackdown in response to its initial non-violence. This combination of the complete and utter brushing aside of their demands for reform in conjunction with a coercive attempt to silence further dissent pushed the opposition into adopting more violent means of change.

While there exists a rough consensus on the faulty nature of the regime’s response, a strong argument can be made that corruption played a large role in limiting the regimes’ response options to the initially peaceful demonstrations. Raymond Hinnebusch has argued that Bashar’s regime focused on over-concentrating power and patronage abilities to a very restricted, family-based inner clique, dismantling the clientist networks that had “connected the regime to society.”

Similarly, this increased concentration of power within the family-based clique meant that any attempt to substantively respond to calls for reform would likely “…implicate some of the president’s aides and family members…” and would therefore almost certainly be impossible to meet. In other words, Assad’s fixation on maintaining a family-based paradigm of the kleptocratic network limited its ability to integrate formerly co-opted local elites, while simultaneously ensuring that calls for reform, should they be pursued, would have direct and severe consequences for close family members. Thus, while an alternate response to the initial demonstrations may have averted the outbreak of a security event, the regimes’ deeply personal connection to the kleptocratic network seems to have made any response other than the one enacted highly unlikely: acquiescing to any substantive reforms would have severe consequences for members of the al-Assad family, either implicating them in corrupt activities or undercutting their access to kleptocratic revenue. Conversely, co-opting elites into the kleptocratic would undermine the ability of the al-Assad family to control it, and by extension would increase the influence of the “old guard” whose marginalization had been a critical goal of the Bashar regime.

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Corruption in Syria

Revenue Streams

The two largest documented revenue streams for the regime include capture of oil revenue and, later, almost complete control and capture of private sector revenue in the wake of economic liberalization in 2000. In terms of the former, oil was the key public sector resource controlled and exploited by the regime until it began heavily investing in the tech sector. It is estimated that, at its peak capture point, the regime was seizing approximately 85% of all oil-related revenue.

Lebanon also served as a source of revenue – through military-related rents – for Syrian military forces stationed there until their expulsion in 2005. This expulsion came at the same time as falling global oil prices. This combination of events pushed the regime towards finding new sources of revenue. In addition, the ejection from Lebanon had the beneficial effect of displacing a wide variety of private sector economic activity from Beirut to Damascus, effectively providing an expanded private sector for ruling elites to capture. Exploiting this new opportunity saw increased elite control of major trade unions, the creation of a Chamber of Industry to siphon business, revenue, and patronage power away from an "old guard"-controlled Chamber of Commerce, and the expansion of political and military elites into the "...commanding heights of the Syrian economy, including...duty-free areas, pharmaceuticals, satellite dish and cellular phone contracts..." This realignment allowed for the capture of tremendous

143 Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 239
144 Ibid
149 Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 244
amounts of private sector revenue, highlighted by $20 billion dollars of Gulf capital investment in such sectors as luxury housing and hotel construction.\textsuperscript{152}

Finally, the role of international aid as a revenue source, while not as prominent as either oil or private sector rents is notable. Foreign aid, which reached $1.6 billion in 2006 from Arab states alone\textsuperscript{153} and $20 billion dollars from Gulf investors for luxury housing and hotels\textsuperscript{154} allowed the regime to “…be more interested in retaining powerful coercive mechanisms…”\textsuperscript{155} at the expense of opening up access to wealth generating opportunities for the majority of Syrians.\textsuperscript{156} Economist V. Perthes suggests this inflow of international “rent” allowed elites to offset the massive poverty that would naturally result from such a corrupt environment by using international funds to plug economic shortfalls, but only to the extent of making these shortfalls tolerable.\textsuperscript{157} Thus, the Syrian regime would use these rents to pursue complementary paths of control: on one hand, it would offset a poor economy only to the level required to ensure a quiescent populace, while on the other hand using the bulk of rents on coercive measures that could be employed when its minimal investment in the public economy failed to placate elements of the Syrian public.

\textbf{Elements of State Function}

In general, there exist four separate levels of state function that define how power is wielded by the regime, both as a means of self-enrichment and as a means of maintaining control over the kleptocratic network. The most powerful element, the President’s cabinet, is largely comprised of individuals who hold significant power in both the political and economic spheres, and are connected to the regime primarily by familial relations.\textsuperscript{158} The most prominent member of this stratum is undoubtedly Rami Makhlouf, Bashar al-Assad’s cousin, who was considered Syria’s primary private investor.\textsuperscript{159} He has an estimated net worth of $5 billion dollars.\textsuperscript{160} His father, Mohammed Makhlouf, controlled several state-

\begin{itemize}
\item \textsuperscript{152} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 101
\item \textsuperscript{154} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 101
\item \textsuperscript{155} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 239
\item \textsuperscript{156} Ibid
\item \textsuperscript{157} Perthes, V. “The Political Economy of the Syrian Succession”, p. 145
\item \textsuperscript{158} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 239
\item \textsuperscript{159} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, pp.38-39
\item \textsuperscript{160} Erlich, Reese. Inside Syria: The Backstory of Their Civil War and What the World Can Expect, p.73
\end{itemize}
owned companies from a diverse assortment of industries including management of oil resources, control of the National Tobacco Board, and oversight of the National Land Bank during the Hafiz al-Assad regime.\textsuperscript{161} Leveraging these resources, Rami effectively monopolized media outlets, mobile communications, duty free imports, air transportation, real estate, and tourism, while employing his deep connections to the security apparatus. His brother Hafez headed the Damascus branch of the internally-focused General Security Directorate.\textsuperscript{162} Such arrangements ensured that the Makhlouf monopoly remained unchallenged.\textsuperscript{163}

The second state function implicated in the Assad regime is the state’s security apparatus.\textsuperscript{164} Although their coercive role is described in more detail under the \textit{Enforcement Mechanisms} section, what is worth noting here is that military and security elites often use their power as a means of wealth generation, primarily through “renting” out their services to regime elites for protection or intimidation tasks.\textsuperscript{165} These close working relationships enabled many high-ranking military members to penetrate the private sector during the last decade, further solidifying ties between private businesses and the state military.\textsuperscript{166} Additionally, the security sector has served as an important source of patronage, with promotion, benefits, and other favors used as a means of cultivating and rewarding loyalty to the regime.\textsuperscript{167}

The third function consists of the upper echelon / elite levels of the administrative/bureaucratic system.\textsuperscript{168} This layer represents a variety of public sector employees, including civil servants, cabinet members, labor and union presidents, and high-ranking Ba’athist with no official government post.\textsuperscript{169} Dispensation of patronage from regime elites ensures not only loyalty, but the promise of increasing riches in return for increased loyalty. Prominent examples include the General Federation of Trade Unions, whose mission is to advocate for labor rights, but instead, serves as a tool of the kleptocratic elite and state-owned enterprises. Its 2012 President, ‘Izz al-Din Nasir, was considered one of

\textsuperscript{162} Hokayem, Emile. \textit{Syria’s Uprising and the Fracturing of the Levant}, p.25
\textsuperscript{164} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p. 239
\textsuperscript{165} Ibid, p. 240
\textsuperscript{166} Ibid
\textsuperscript{167} Hokayem, Emile. \textit{Syria’s Uprising and the Fracturing of the Levant}, p.34
\textsuperscript{168} Haddad, Bassam. “Syria’s State Bourgeoisie: An Organic Backbone for the Regime”, p.239
\textsuperscript{169} Ibid, p. 241
the wealthiest men in Syria thanks to his extensive business deals and connections to various elements of the state security apparatus. Another example would be the granting of official state recognition to *al-Qubaysiat* and appointment of its leader, Shaykh Muhammad Habbash, to parliament. *Al-Qubaysiat* is a form of Islam characterized by its focus on personal piety, a rejection of violence, and a focus on non-political issues. The organization’s promotion was seen as a means of countering both more radical derivatives of Islam, on one hand, and more vocal forms of secular, political opposition on the other. Similarly, the Ministry of *Waqfs* (Religious Endowments) was primarily a tool of dispensing greater religious freedoms (such as permission for public displays of piety, or permits for church or mosque construction) to local elites who “bought-in” to the regime.

On a more macro level, this layer also encompasses a hollowed-out Legislature and a co-opted Judiciary. After the Ba’athist revolution, the new Legislature was designed to be a “…toothless and subservient institution…on the margins of political life…” a trend Bashar al-Asad exacerbated when he engineered what amounted to a wholesale revision of the Legislature in an attempt to marginalize an “old guard” that largely relied on, and thus protected, the old patronage networks that Bashar wished to replace with his own private sector based network. Similarly, the Judiciary was used not only as an enforcement mechanism (see Enforcement Mechanisms), but also served to defend the rights of local investors (i.e. members of the kleptocratic regime) over foreign challengers and as a barrier to non-sanctioned domestic entry into financial affairs.

Finally, the fourth stratum consists of the mid-level, front-line bureaucrats, whose reliance on the state as both a source of employment and of low-level patronage, such as food, medical, and education subsidies, was used to ensure a statist focus. Public-sector employment was used to buy loyalty among local elites by

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170 Ibid, p. 244
172 Ibid
173 Ibid, pp. 104-105
175 George, Alan. *Syria: Neither Bread nor Freedom*. p. 83
177 George, Alan. *Syria: Neither Bread nor Freedom*. p. 119
providing access to the kleptocratic network, employment opportunities, and rudimentary privileges.

Another element of state function that supports the kleptocratic network is the state’s deep integration into the economic sphere. Control over large private companies is well illustrated by the two state-created holding companies of al-Cham and al-Sourya.\textsuperscript{179} When joining these state-protected holding companies, Assad created new opportunities for elites, including ministerial appointments, the awarding of contracts, access to (or protection from) military-based enforcement mechanisms, a portion of proceeds from expansion into new economic markets, and contact with the offspring of higher level elites with direct ties to the Assad regime, including Rami Makhlouf (the head of al-Cham).\textsuperscript{180} In return, elites were expected to leverage their capital, networks, and political connections as means of solidifying the regimes’ power.\textsuperscript{181}

Government Operated NGOs, or GONGO, are another notable element of state function. Not only do Syria’s GONGO act as a source of legitimization for the regime (see Enablers section on pg. 39), they also constitute an excellent source of elite “reproduction” and clientelization of social and business networks; they are largely staffed by the sons of prominent elites.\textsuperscript{182}

**Enablers**

Prior to the civil war, the Assad regime’s drew support from four sources: (1) its covert alliance with Hezbollah in Lebanon,\textsuperscript{183} (2) its business and financial connections to expatriates and a larger Arab business community,\textsuperscript{184} (3) foreign aid, highlighted by both its “partnership” with the European Union aimed at fostering and promoting civil society groups within Syria,\textsuperscript{185} and (4) its strategic relationship with the Russian Federation.\textsuperscript{186} Additionally, there is evidence that

\textsuperscript{179} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p.41
\textsuperscript{180} Ibid
\textsuperscript{181} Ibid, pp. 41-42
\textsuperscript{182} Ibid, p. 47
\textsuperscript{183} Hinnebusch, Raymond. “Syria: From ‘Authoritarian Upgrading’ to Revolution?”, p. 103
\textsuperscript{184} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p. 42
\textsuperscript{185} Donati, Caroline. “The Economics of Authoritarian Upgrading in Syria: Liberalization and the Reconfiguration of Economic Networks”, p. 46
key members of the kleptocratic regime made use of off-shore banking institutions as a means of safeguarding extracted revenues.

While a full account of Syria’s role in supporting Hezbollah is beyond the purview of this brief, the critical component of this relationship lies in Hezbollah’s opposition to Israel. Specifically, Syria facilitated Hezbollah’s resurgence in the wake of the 2006 Israeli invasion. Hezbollah’s effectiveness was waning and Syria attached itself to the organization because of its proven resilience against Israeli troops, which sent a strong political message to other Arab countries.

The business and financial connections to Syrian expatriates living abroad and the larger Arab business community, largely went through one of Syria’s two largest state organized holding companies, al-Sourya. A network of 280 Syrian businessmen, this holding company allowed the sons of prominent Syrian elites to foster economic ties with Arab businesses in Turkey and Iran. It also allows them to leverage these connections in furtherance of the “pan-Arab” narrative that the regime used to smooth over religious tensions under Hafez al-Assad. 187

Foreign aid, in addition to being a source of rents for the regime has also allowed the proliferation of Syrian “GONGOs” (Government Operated NGOs), whose activities are then used to generate domestic support for the regime. For example, the activities of the Fund for Rural Development of Syria (FIRDOS) were used to grant microcredit and training programs to rural farmers, and were portrayed as a form of renewed commitment on behalf of the Assad administration towards its highly neglected rural constituency. 188 However, it was a largely opaque organization. It succeeded in establishing a clientist relationship between the regime and farmers by making them reliant on its credit disbursements, 189 in essence replacing repealed government farming subsidies with FIRDOS microcredit loans. 75% of FIRDOS funding originated in European Union aid granted under the auspices of its civil society development program. 190

Finally, Russian support has historically been a significant source of both international legitimacy for the Assad regime 191, as well as a source of billions of

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188 Ibid, p. 45
189 Ibid, pp. 45-46
190 Ibid, p. 46
191 Erlich, Reese. Inside Syria: The Backstory of Their Civil War and What the World Can Expect, pp. 61, 65
dollars of military assistance\textsuperscript{192}. Syria has been Russia’s primary Middle Eastern ally for more than 40 years,\textsuperscript{193} and the Russian government has frequently characterized the Syrian people as “friends” and “allies” in public statements.\textsuperscript{194} This long-standing alliance with Russia was used to further solidify the regime’s anti-American, anti-Israeli credentials among the Syrian populace.\textsuperscript{195} Reinforcing these generous statements has been more than $13 billion dollars in largely military loans, approximately $10 billion of which was subsequently forgiven by the Russian government.\textsuperscript{196}

Finally, while regime officials have heavy investments in Syrian public banks, luxury construction companies, and real estate ventures, evidence has surfaced that extraction of the proceeds from these and other kleptocratic ventures has been facilitated through a variety of means, including the US Virgin Islands\textsuperscript{197}, Dubai\textsuperscript{198}, and HSBC’s Swiss branch\textsuperscript{199}.

\textbf{Enforcement Mechanisms}

The military and myriad internal security forces form the essential elements of the regimes’ enforcement mechanisms.\textsuperscript{200} Nearly from the moment he was selected as the successor to his father, Bashar began ensuring that key positions in both the military and the intelligence organizations were staffed by loyal officers.\textsuperscript{201} For example, the Deputy Chief of Military Intelligence, Assef Shawket, was Bashar’s brother-in-law,\textsuperscript{202} the head of the Damascus branch of the General Security

\textsuperscript{192} Erlich, Reese. \textit{Inside Syria: The Backstory of Their Civil War and What the World Can Expect}, p.228
\textsuperscript{194} Ibid
\textsuperscript{195} Erlich, Reese. \textit{Inside Syria: The Backstory of Their Civil War and What the World Can Expect}, p.228
\textsuperscript{196} Ibid
\textsuperscript{197} Bar, Shmuel. \textit{Bashar’s Syria: The Regime and its Strategic Worldview}. Herzliya, Israel : The Interdisciplinary Center Herzliya Lauder School of Government, 2006. Online. p. 395
\textsuperscript{200} Hokayem, Emile. \textit{Syria’s Uprising and the Fracturing of the Levant}, p.33
Directorate was his cousin, Hafez Makhlouf, and his brother Maher was commander of the Republican Guard.

Organized primarily to ensure the survival of the regime, security organizations had wide-ranging powers, including special courts, broad search and seizure authorities, arbitrary arrests, and torture. This role was most prominently on display during the regime’s battle against the Muslim Brotherhood in the 1980s. During this crackdown, over 600 suspected Brotherhood prisoners at Tadmur Prison were executed. There was also a 27-day-long assault and retaking of Hama, a stronghold of the Muslim Brotherhood. This siege resulted in 10,000 casualties. In day-to-day affairs, the various security organizations and the military were used to immediately quash any perceived threats to the regime.

In addition to this domestic pacification role, the multi-headed security apparatus was designed to keep check on itself. It centered on an informal command structure intended to safeguard against the rise of a powerful Sunni commander by placing “non-Sunni” (and almost certainly Alawite) political officers in control. Competition for resources and political favor was also encouraged. Indeed, so pervasive was the oppressive nature of the security apparatus, and so close was its perceived connection to the regime, that some of the first demands of the initial protests were the lifting of the 40 year old Emergency Law and the scaling back on the powers of the police and military.

Finally, the Judiciary has evolved to serve as a more ostensibly “legitimate” form of state coercion. Under the elder al-Assad, internal security agents would simply make dissident elements “disappear” in the middle of the night whereas under Bashar the Judiciary adopted the façade of rule of law: a citizen would be arrested using formal criminal procedures, would receive legal representation, and would be put on trial. However, the judge was likely to allow fabricated

203 Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, p.25
204 Ibid, p.35
205 Ibid, p.33
206 Erlich, Reese. *Inside Syria: The Backstory of Their Civil War and What the World Can Expect*, p.75
207 Ibid
208 Ibid, p.70
209 Erlich, Reese. *Inside Syria: The Backstory of Their Civil War and What the World Can Expect*, p.71
210 Hokayem, Emile. *Syria’s Uprising and the Fracturing of the Levant*, pp.33-35
211 Ibid
212 Ibid, p.33
evidence and to issue a pre-determined guilty verdict\textsuperscript{214}; the near certainty of imprisonment thus served as a form of punishing elements that attempted to challenge or defect from the regime. This function of the judiciary was most prominently on display during Bashar’s first re-organization of his cabinet, when long-time (and old guard) Prime Minister Mahmud al-Zu’bi was indicted on corruption charges in order to remove him and make way for the installation of Bashar loyalist Mustafa Miru\textsuperscript{215}.

\textsuperscript{214} Ibid
\textsuperscript{215} Leverett, Flynt. \textit{Inheriting Syria: Bashar’s Trial by Fire}. p. 65
Findings

Based on the analyses above, our team evaluated the relative degrees of influence each risk factor played leading up to the 2011 anti-regime violence. These factors, when exacerbated by the effects of acute corruption, were categorized ranging from “Negligible” to “Overwhelming.” In instances where a factor played no role, we noted “not applicable” and why.

State Response to Civil Unrest

Overwhelming

Despite the tensions generated by sectarian divisions, economic inequality, and environmental pressures, the fact remains that all of these issues were present long before the outbreak of open hostilities, and their limited influence on the security event was reflected in the initially non-violent nature of the demonstrations. The protests adopted violence only in the wake of political non-responsiveness and escalating coercive repression from the regime.

Identity Divisions

Significant

The importance of corruption’s effects on identity division are illustrated in the dramatic shift this variable took under Bashar al-Assad. While the effect of identity divisions were largely mitigated by patronage under Hafez al-Assad, the more blatant and exclusive nature of the corruption-based enrichment of the Alawite minority under Bashar served to significantly exacerbate sectarian-based resentment among the Sunni majority and (to a lesser extent) other minorities.

Acute, Visible Inequality

Significant

While Syria has a history of significant economic inequality between the elites and the remaining populace, it was largely the greater perception of inequality under Bashar’s regime that impacted the ranking of this indicator. The widespread dismantling of patronage networks and the encouragement of a more liberal economic mindset (and overt displays of wealth) in conjunction with the well-known crony capitalist nature of the regime combined to make inequality a more tangible element for Syrians.
Environmental Pressures
*Moderate*
Environmental Pressures interacted with corruption to exacerbate the devastating effects of the 2006 drought. Both the historic proliferation of illegal private wells that helped secure profitability at the expense of severely depleting the Syrian water table (and thus leaving it essentially unavailable to combat the drought), and the rush to privatize and capture farmable land that resulted in lowered subsidies and ineffective aid during the drought, contributed towards a swelling of the urban poor and increased animosity towards the regime.

Proximity to Terrorist, Separatist, or Transnational Criminal Networks
*Moderate*
Proximity to the Arab Spring, served as one of the catalysts for the mobilization of non-violent demonstrations that, in and of themselves, did not necessarily represent a significant threat of mass violence. However, it also provided vivid examples of the possible success of mass protests (or at a minimum that rebels wouldn’t be immediately pacified) which played a role in shifting the populations’ response to the regimes’ coercive instruments.

Impending Government Transition
*Not Applicable*
Bashar al-Assad’s comparatively young age to his father’s may have given the Assad regime more incentive to rally around the young leader thinking they would have many more years to reap the benefits of his kleptocratic leadership versus an older ruler who may have proven less beneficial. However, there is no documented evidence supporting this theory, so its importance in this conflict assessment is limited.

Violation of Elite Bargain
*Not Applicable*
Corruption in Syria involved rigid control of the network by a small cadre of familial-connected elites, and not a bargain among rival, equal elites and their respective supporters.

Recent Economic Downturn
*Not Applicable*
On the macro level, the Syrian economy did not experience a significant shock, either positive or negative, so this factor does not apply.
Network Map
Appendix

A. Experts Interviewed or Consulted
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Anna Borshchevskaya, Middle East Analyst, Washington Institute
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B. Additional risk factors considered
Age of Ruler – Considered in the context of the political pliability of a young ruler. We considered the possibility that a younger ruler may be more susceptible to manipulation by kleptocratic actors within the government.

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Tajikistan’s Kleptocratic Network

Qualitative Research Brief
May 15, 2015
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Tajikistan and its Neighborhood
Executive Summary

Tajikistan, is a relatively small and landlocked nation in the heart of Asia, whose historic living conditions, education statistics, and economic development were consistently below the other Soviet Republics. After the collapse of Soviet Union, the post of the president of Tajikistan changed hands several times due to the political uncertainly, social unrest, and violence that characterized the Civil War. Minority ethnic groups protested their exclusion from power. The 1997 UN-mediated resolution to the conflict was hailed as a major diplomatic success, and guaranteed opposition groups a voice in the Tajikistan Government. Since 1994, Emomali Rahmon has held the position of the presidency. Rahmon won presidential elections in 1994, 1999, 2006, and 2013. Presidential elections in Tajikistan have been criticized by international observers as unfair and favoring the ruling party.

Opposition frustration over Rahmon’s consolidation of power, corrupt practices, lack of development and repression of the media continues to cause unrest. Tajikistan remains one of the poorest former Soviet states, as the economy continues to face major challenges, including heavy dependence on remittances from Russia, pervasive corruption, and narco-trafficking. Agriculture accounts for just 21% of GDP but 47% of the labor force, as corruption hampers efficiency while destructive environmental practices limit production.

In Eastern Tajikistan, the Gorno-Badakhshan Autonomous Oblast is a vast, under populated region from which Islamic militancy challenges the viability of the state. Regional political unrest, including Kyrgyzstan’s 2005 Tulip Revolution, China’s troubled Xinjiang province, Afghanistan’s continuing instability and opium production, and the Arab Spring, all threaten further violence and political upheaval. Corruption and nepotism weaken local institutions, make foreign aid meaningless, and leave local populations more vulnerable to these security threats.

When looking for corruption in Tajikistan, attention must be focused on the Rakhmon clan’s domination. The inner circle includes Emomali Rakhmon’s immediate relatives and family members, while the larger, or outer, circle includes both people from the Dangara region of Khatlon, Rakhmon’s original birthplace and, in fewer numbers, those personally loyal to Rakhmon.
The majority of Tajikistan’s state agencies are headed by, and heavily staffed with, Dangara natives. This clan's net entangles the entire Tajik economy, imposing a sophisticated system of bribes designed to extract the maximum amount of benefits for the clan.
Methodology

In investigating Tajikistan’s kleptocratic networks, we sought to identify the actors, mechanisms and processes used to benefit those in power. To make such a determination, our team first needed to define the meaning of “corruption.” To keep cross-country evaluations consistent, we adopted the definition of the Carnegie Endowment for International Peace (CEIP), which describes corruption as a product of a functioning kleptocratic system in which ruling networks use selected government mechanisms to capture specific revenue streams.

Another often-cited definition, offered by Transparency International (TI), describes corruption as “the abuse of entrusted power for private gain.”¹ TI notes that there are varying degrees of corruption based on the nature and scale of the abuse: grand, petty, and political. For our purposes, these distinctions were unnecessary; the essence of a kleptocratic network, as posited by CEIP, can be identified by its systemic nature – especially among the highest offices – and by the extraordinary sums diverted from state coffers.

To identify the nature, structure, and effect of Tajikistan’s corruption networks, we used three tracks of research:

1) Analysis of corruption-related material from trade journals, news media, think tanks, and non-governmental organizations;

2) Evaluation of reputable online indices measuring perceptions of corruption, inequality, and national wealth; and

3) In-depth interviews with experts on Tajikistani politics, culture, and history

Using these three tracks of research, our team sought to identify and evaluate what economic, political, social, and geographical/ environmental factors contributed to Tajikistan’s post-election security crisis. The eight composite risk factors shared by CEIP formed the baseline for our research, with additional factors added after discussions with CEIP and

¹ “What is the Corruption Perceptions Index?” Transparency International. Web.
through the course of the research. (A complete list of factors researched can be found in the Appendix and in the Research Rubric.)

Based on this research, our team assessed the presence and relative importance of each factor as a contributor to the 2010-2012 crisis. Attention was paid to illustrative examples that demonstrated how certain factors played into the violence, and helped contextualize the presence of other less-significant factors. The degree to which each factor played a role in the security crisis was determined through evaluation of the factor in relation to the others, as well as to the historical context of Tajikistan’s political and economic development.

The degrees of relative importance assigned to each risk factor are unique to Tajikistan’s post-2010 election crisis. These rankings – that categorize the risk factors on a scale of “Negligible” to “Overwhelming” – were reached only after analyzing the crisis, identifying the root causes, and evaluating the role corruption played in exacerbating each. These rankings alone should not be interpreted as a universally applicable threshold by which other countries may be evaluated in future years. Instead, these findings are part of a toolkit that researchers can use to identify potential risk factors, and the dynamic relationships between them, and between them and corruption, in the lead up to a national security crisis.
Overview: Politics and Corruption

Tajikistan faced multiple challenging variables as a new state in 1991: the economy traditionally underperformed; insufficient infrastructure limited growth and the dispersion of goods and services; unsafe farming practices threatened agricultural production; local and regional alliances were far more important to the people than the new national identity. Within this context, the ensuing fight for control of the state by various regional groups following independence was unsurprising. The 1997 Agreement ended Tajikistan’s Civil War and attempted to unify the country to address these core concerns together. Central tenants of this agreement included: demobilization of Tajik Opposition fighters or their reinstatement into the governmental structures, return of refugees and improvement of democratic processes.²

Tajikistan’s government, still under President Rahmon since his first election in 1994, has largely failed to deliver on these concessions. Rahmon has amended the constitution to allow him to remain in power³ while benefiting from systematic electoral fraud.⁴ The political opposition is frustrated with its disenfranchisement, and the anti-government sentiment is bolstered by the continuation of widespread poverty and underdevelopment. Frustrations boiled over after the 2010 Presidential election.⁵ President Rahmon was re-elected, his party won 50 of the 63 seats in Parliament, and the main opposition party, the Islamic Renaissance Party (IRP), won only 2 seats in Parliament.⁶ Within the next six months, General Abdullo Nazarov was killed and the Prosecutor of Gorno-Badakhshan Autonomous Region Nafasbek Dilshod barely survived an assassination attempt. The IRP insisted that they seek a democratic, secular state in line with the 1997 agreement,⁷ but the violence threatened to return Tajikistan to civil war.

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² Conciliation Resources. “Key elements of the Tajikistan peace agreement”. Web
Major government initiatives under Rahmon have been marred by corruption:

1. In 1996, President Rahmon attempted to re-start the Sangtuda Dam projects by raising public funds. While some Tajiks voluntarily purchased stock of power plant within the frame of infrastructure project, critical to their countries future, many were coerced to buy shares or make direct donations both of which they could not afford. In 2012 “Rogunskaya GES” raised about 136 million USD from the issuance of stock. According to the Institute of War and Peace Reporting, Rogun Project is being held up by contractual issues. The chairman of the Governmental Committee on Investment had announced that the first turbines will be launched in 2018 and project still requires 2 billion USD of investments. Important information, necessary for evaluation of present or future value of the project is not disclosed.

2. In 2007, the National Bank failed to disclose $310 Million USD being used as collateral by AgroInvestBank to finance cotton investors. Similarly, in 2008, the IMF demanded the Republic of Tajikistan to repay of over $47.4 million USD after the Tajik National Bank determined to be misleading donors about the country’s cotton sector, size of international reserves and its net domestic assets.

3. In 2008, Tajikistan settled its litigation against the Tajik Aluminum Company regarding the profits of $500 million, which Tajik Aluminum Company generated between 2005 and 2007. The case against Azar Nazarov, a UK national and senior partner, was tried in England, and cost the government approximately $150 Million USD, (5% of Tajikistan’s GDP). According to trading data issued by the Tajikistan National Bank, in 2006, suggested value of aluminum is $2,568 per ton. But the IMF report indicates that Talco received just $410 per ton - just 16% - with total receipts for the year of $168 million. Difference between Talco’s receipts and the declared value of the exported aluminum - $882 million - wound up with the offshore companies engaged by Rahmon to handle the trade. Subtracting what they paid

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10 Regnum Media Agency “Announcement of the Head of Governmental Committee on Investments about launching “Rogunskaya GES”. 27 January 2015. Web
for feedstock to produce the metal, plus the cost of transportation in and out of Tajikistan, reveals a windfall profit for the year of almost half a billion dollars. The Talco aluminum smelter accounts for more than half of Tajikistan’s export revenues and uses 40% of the country’s electricity, and reports directly to Rahmon.

4. In 2009, Tajikistan was hit with successive financial corruption scandals with a combined scope of $1.07 Billion USD. The National Bank misappropriated $850 Million USD in state funds designated for cotton production projects.

15 Kaminska, Izabella.
Analysis

Network Structure

*Number of Networks*

In Tajikistan there is corruption on the local level and on the governmental (higher) level. In general there is one main corruption network, which is operated by the President, his family and those close to them.

*Vertical Integration*

The Kleptocratic network is vertically integrated with members of the President’s family in senior positions controlling key revenue streams.

*Captured Elements of State Function*

All elements of state function are subverted to serve this kleptocracy. Key ministries, the Central Bank, and State Committees such as the Anticorruption agency have been captured by the network. Additionally, the judicial system of Tajikistan represents one of the most corrupt systems in the country.

*Instruments of Force*

After independence, a Soviet-era KGB system remained within newly created intelligence agencies operated by the Ministry of Security. The Ministry of the Interior oversees the police while the Ministry of Defence administers the armed forces, the strongest and most professional of which is the Presidential National Guard, which serves as the Presidents’ personal bodyguards. In contrast, the Tajik Army is weak. Local police have a negative reputation among the population for serving the interests of the political elites and criminal groups rather than the citizenry.

*Hollowed Out Elements of State Function*
The Tajik Army is one of the prime examples of an agency being hollowed out by corruption. The defense budget in 2005 was only USD 50.3 million while military spending in 2007 was a startling USD 532 million. The difference between these two amounts raises questions about how military contracts are being awarded and funded, although there has been no clear evidence as to how the military complex is involved the government’s kleptocratic network. The Army, which in 2006 had 7,600 troops, was poorly funded and maintained. Monthly allowance per soldier was low, varying between USD 100-150. In contrast, the Minister of Defense at the time, Sherali Khayrulloev (who was Minister for 18 years and removed in November 2013) is on the list of the richest and most influential Tajiks (generated by Tajikistan media).

**Colonized Revenue Streams**

*Aluminum*

In 2008, Tajikistan settled its litigation against the Tajik Aluminum Company regarding profits of $500 million, which the Company generated between 2005 and 2007. The case against Azar Nazarov, a UK national and senior partner, was tried in England, and cost the government approximately $150 Million USD, or 5% of its GDP. The Talco aluminum smelter accounts for more than half of Tajikistan’s export revenues in 2008.

*Cotton*

In 2009, Tajikistan was hit with successive financial corruption scandals. The National Bank misappropriated $850 Million USD in state funds designated for cotton production projects.

*Drug trafficking*

While there are no strong supportive data available, interviewees confirmed that elites connected to President’s Family are involved in drug

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18 [http://www.globalsecurity.org/military/world/spending.htm](http://www.globalsecurity.org/military/world/spending.htm). Web

trafficking, benefiting from rewards for removing barriers preventing drug trafficking.

Foreign Aid

In 2008 the IMF demanded repayment of a $47.4 Million USD after Tajikistan mislead donors about its financial reserves, cotton sector and net assets.

Key Internal and External Enablers

Over time, Rahmon’s regime reinforced its capacity for self-preservation. This was achieved by the use of appointments of loyal people to key positions within the executive branch and by balancing regional elites against each other in order to preserve the dominant status of Rahmon’s own clan, which is sometimes referred to as his “extended family.” Externally, the main enabler for the Rahmon regime is political support from Russia.

Distortion of Democratic Processes

Rahmon has amended the constitution to allow him to remain in power while systematically rigging elections.

Constitutional rights of people for the impartial courts is also compromised. The appointment of judges is the responsibility of the President. The nomination and vetting process is not transparent, which makes judiciary system vulnerable to influence. According to a UNDP report, 60% of Tajik respondents avoid going to court because the illegal fees charged by judges for case settlement are too prohibitive.

Public Attitudes towards Corruption

Approximately 60.4% of the people in Tajikistan believe that courts are too expensive for an average individual to register a legal complaint to demand justice (Hdr.undp.org). According to a recent survey, more than 79.6% of

people are directly involved in some form of corrupt activity, including offering or accepting a bribe, or facilitating corruption in some other manner, including illegal commissions. On the other hand, people who are willing to offer a bribe represent 67.6% of the total population.

**Corruption as a Motivator for Oppositional Elements**

Several opposition leaders have historically pointed out the corrupt nature of the current President’s regime. However, Rahmon was able to get rid of them by leveraging corruption charges against them: some of them have been jailed, while others have been killed, with the assassination of Umarali Kuvvatov (the leader and founder of Group 24) in March 2015, being, perhaps, the latest example. Prior to being expelled from the country, Kuvvatov was a business partner of one of the President’s family members.

**Risk Factors**

**Identity Divisions**

In the 2000 census, 79.9% of Tajikistan’s population identifying as ethnically Tajik and 15.3% as Uzbek. Russian and Kyrgyz minorities both account for roughly 1.1 percent of the population. Census data on Tajikistan’s religious breakdown also showed that 85% of the population identified as Sunni Muslim, 5% Shia Muslim, and 10% other. A 2010 US State department memo, however, estimated that 97% of the population is Muslim (93% Sunni, 4% Shia).

Despite this relative ethnic and religious homogeneity, Tajikistan suffers from regional (sub-national) rift. Loyalties to family and clan are deeply engrained in Tajik culture, and the central government has not yet effectively replaced local allegiances with nationalism. The global rise of Islamic Extremism has proven attractive to the under-developed, and

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under-represented, segments of Tajik’s population, particularly in the East.26

**Recent Economic Downturn**

Tajikistan’s weak economy is a primary source of domestic instability. High transit costs due to vastly insufficient infrastructure, particularly a lack of rail lines to Tajikistan’s remote provinces, hamper economic growth. The capital formerly relied on a train route through Uzbekistan (already a strained relationship) to reach the northern province of Sughd, until a train crash involving Tajik military recruits in 2011 closed that route.27 Transit costs multiply the prices of basic commodities, which the population already struggles to afford. The Civil War destroyed the majority of usable manufacturing equipment left over from USSR, as industry, primarily small and medium enterprises, accounts for just 23% of GDP.28 While the other central Asian republics to the west (particularly Turkmenistan) enjoy incomes from vast natural resources, Tajikistan’s deposits of gold, silver, uranium, and tungsten are relatively negligible.

Agriculture accounts for almost 50% of Tajikistan’s employment, but just 21.1% of GDP.29 Rahmon’s government continued the Soviet policy of mandating cotton production, primarily because of the “cotton investment firms” owned by the well-connected elite. These firms controlled both the supply of farm materials and the rights to consolidate and sell the harvest (1/5 of Tajikistan’s total exports).30 A 2009 US Cable referred to cotton production as: “a money-losing proposition for Tajikistan”.31 Local farmers suffer under this system, but generally lack the resources to bring their cotton to the international market directly or to bribe an official to be allowed to grow another product. Numerous scandals surrounding financing for the cotton industry forced Rahmon to loosen agricultural restrictions, but despite the freedom-to-farm decree in 2009, Cotton remains the primary source of income for most farming households.

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28 CIA World FactBook
29 CIA World FactBook
Tajikistan has an impressively high literacy rate due to universal primary education, but only a small percentage of the population has the opportunity to continue their education. Many workers seek better employment opportunities abroad, and while international remittances support a large number of Tajik households, the drain impairs an already weak domestic labor market. Almost 90% of these workers are in Russia, but the persecution of similar Georgian workers in 2008 - eliminating remittance flows and mass deportations\(^3\) - highlights the fragility of this arrangement.\(^3\)

Hydro-electric power, in the form of the Sangtuda dams, offers rare economic potential for Tajikistan. Construction on the dams started in the 1980’s under the USSR, but were delayed indefinitely though the civil war in the 1990’s. In the mid 2000’s, Tajikistan signed agreements with Russia and Iran to partner and complete Sangtuda I and Sangtuda II, respectively.\(^3\) The construction provided valuable employment, while the electricity generated would decrease rolling blackouts in the cold winter months and could be exported in the summer. Mismanagement and corruption have disrupted operations, and threaten to undermine the potential for additional international funding for more dams.

**Acute, Visible Inequality**

Tajikistan’s 2010 GDP per capita of $739 (current dollars) was the lowest of the 15 former Soviet Republics.\(^3\) Despite concerted efforts to reduce poverty, 35.6% of the population were still below the poverty line in 2013. The World Bank applauds Tajikistan’s anti-poverty efforts (top 10% globally in terms of reducing monetary poverty within the last 15 years), but non-monetary poverty remains acute.\(^3\) Access to secondary and tertiary education is tied directly to income, and is only accessible for a small percentage of citizens. Basic services such as heating and sanitation are only available in wealthy, well populated areas, and 70% of the population lives in rural areas.\(^3\) Tajikistan’s 2013 HDI score of 0.607 (ranked 133 of

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\(^3\) Jeffrey Mankoff. “Russian Foreign Policy”.
\(^3\) UNDP: HDR.
\(^3\) World Bank Databank.
\(^3\) CIA World FactBook
\(^3\) World Bank. Country Profile: “Tajikistan”.

187 countries) decreased by 0.02% annually since 1990.\textsuperscript{38} The 2007 GINI coefficient of 32.2 was also moderate, though hardly encouraging given the extremely low GDP per capita.\textsuperscript{39}

**Environmental Pressures**

Tajikistan’s mountainous terrain and tough environment are not well suited to farming, and less than 7% of Tajikistan’s land is arable.\textsuperscript{40} Despite the inefficient cotton production and its harmful nature to environment, the Tajikistan government with the financial support from World Bank, by any means tries to maintain cotton monoculture. Approximately 50% of the agricultural lands are devoted towards cotton production\textsuperscript{41} - even though the irrigation methods required for cotton further threatened Tajikistan’s limited available land. Despite the freedom-to-farm decree, the government strongly encourages cotton production,\textsuperscript{42} and Tajikistan imports over half of its food consumption.

Tajikistan’s already weak agricultural sector is highly vulnerable to climate change, and unregulated farming behaviors are destroying the minimally usable land. In addition to poor water management practices, excessive tree-cutting and over-grazing are accelerating deforestation and desertification in Tajikistan.\textsuperscript{43} The wood is needed as a fuel source during the winter in areas without electricity, but the trees are necessary to prevent soil erosion and landslides. Recent droughts have exposed the fragility of Tajikistan’s agricultural industry, and reduced output has created famine conditions.\textsuperscript{44}

Poor regulation of pesticides and the negative impact on air quality presents another environmental challenge in Tajikistan. Increased agricultural productivity requires investment by the government to research and devise responses to domestic land and climate developments. In addition to failing to provide this funding, the government does not regulate the use of potentially harmful chemicals in populated areas.\textsuperscript{45}

\textsuperscript{38} UNDP: HDR
\textsuperscript{39} World Bank Databank
\textsuperscript{40} USAID. “Tajikistan: Property Rights and Resource Governance”. Web.
\textsuperscript{41} Freedomhouse. “Tajikistan”.
\textsuperscript{42} Freedomhouse. “Tajikistan”.
\textsuperscript{44} UNDP: HDR.
\textsuperscript{45} World Bank. Country Profile: “Tajikistan”.

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The official registration of over 90 non-governmental organizations (NGOs) focused on environmental protection has failed to have the desired impact. Many of these licenses were acquired through bribery, and these organizations often do not address environmental hazards created by illegal activities. Awareness of environmental impacts among decision-makers and the public is relatively low, even as serious problems fester.\textsuperscript{46}

**Impending Government Transition**

President Rahmon is 62. In 2013, he was elected to a fourth term as President. There is no evidence found indicating that his age contributed to raise of the corruption in the country, that significantly contributed towards the outbreak of anti-regime violence. However, this may change if the current President passes away, as his death could trigger a contest over power between competing elites and the President’s family.

**Proximity to Terrorist, Separatist, or Transnational Criminal Networks**

In order to curb the migration of Islamic extremists Tajiks to Syria, the government of Tajikistan has incorporated a new clause in the criminal code of the constitution. The code states that Tajiks taking part in military action abroad will be held accountable under the court of law for participating in terrorism activities.\textsuperscript{47} The punishment as a result of this criminal prosecution will be equal to similar crimes within the area of military operation. This new penal code is designed to target the several hundred Tajiks fighting in Syria. One of the concerns of President Rahmon is about the threat of extremism in Tajikistan.

The government has taken a similarly hard stance against drug trafficking, but Tajikistan remains a major transit country for the transit of opiates from Afghanistan to Russia. Despite similar climates and agricultural struggles to those in Afghanistan, Tajikistan produces minimal illicit opium poppy. Tajikistan is third in the world in opiate seizures, and accounts for an impressive 80% of all opiate seizures in Central Asia.\textsuperscript{48} Despite the large

\textsuperscript{46} Sutton, William.
\textsuperscript{47} RadioFreeEurope. “OSCE Says Tajik Elections Failed Democratic Standards”.
\textsuperscript{48} CIA World Factbook
volume, experts allege that only those who do not pay the bribes have their shipments seized.\textsuperscript{49} Accusations of drug trafficking are a common method of slander in Tajikistan.\textsuperscript{50}

\textbf{Violation of Elite Bargain}

The elite bargain refers to the exclusionary authority of a closed and selected group of elites able to access various privileged economic sectors\textsuperscript{51}. Following the 1997 Peace Agreement, the government empowered local elites and powerful rebel leaders as a means of co-opting their support for the new state. While the opposition’s official voice in the Parliament waned, the government created backroom bargains to facilitate illegal trade with Afghanistan for opposition\textsuperscript{52}. The elites who paid the bribes to Rahmon were allowed to stay in power, by maintaining further their business activities or saving influential positions within the government,\textsuperscript{53} while those who refused or tried to spread awareness of these activities were imprisoned or killed.\textsuperscript{54}

\textbf{State Response to Civil Unrest}

President Rahmon has failed to develop Tajikistan as an Islamic State and has also proven unsuccessful in implementing modernization even in the wake of economic prosperity\textsuperscript{55}. For this reason, the Islamic Renaissance Party has started to gain both popularity and strength over the last few years. On the other hand, in September 2011, the first suicide bombing was experienced by the civilians of Tajikistan\textsuperscript{56}. The government blamed Muslim extremists and jihadists for the suicide bombing, which increased the rift between the Islamic Renaissance Party and the government. In order to suppress the expansion of the Islamic Renaissance Party, the government pressured the judiciary to ban the party on the basis of its

\textsuperscript{50} Eurasianet.org. “Tajikistan: Islamic Party under Pressure”.
\textsuperscript{51} Oleg Salimov
\textsuperscript{53} Diplomaticourier. “Tajikistan: the insurgency that didn’t happen”.
\textsuperscript{54} Walder, Andrew G. “Elite opportunity in transitional economies.”
\textsuperscript{55} OpenDemocracy. “Goodbye Lenin: Tajikistan’s new historical narrative”.
\textsuperscript{56} OpenDemocracy. “Goodbye Lenin: Tajikistan’s new historical narrative”. 
extremist activities and the threat it posed for political instability. The Islamic Renaissance party was subsequently banned and its leader, Umarali Kuvvatov had to flee to Istanbul, where he was assassinated in 2015. This is in line with the hostile approach of the current Tajik government towards opposition elements, an approach designed towards maintaining the regimes’ power within the region.

Open military conflict broke out in 2010 with the Islamic militants in eastern Tajikistan, a conflict which later came to be known as the Tajikistan Insurgency. A military convoy was attacked by Islamic militants while on a search operation for Uzbek members of the Islamic movement. This resulted in the deaths of several Tajik soldiers, with the insurgent forces suffering no casualties. Accordingly, in 2011, a secret military operation attacked a village in Samsolid, where Mullah Abdullah, the commander in chief of the opposition, was killed along with many of his Islamic militants. This was followed by another operation in 2012 which caused more than 30 combined deaths among Tajik and Islamic forces.

Conflict stopped after Tolib Ayombekov (former Civil War opposition commander) surrendered on August 12, 2012. Despite worry of analysts that Ayombekov’s initial defiance of the government would lead to an insurgency, this event did not lead to violence or further conflicts.

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Corruption in Tajikistan

Corruption is a key factor preventing economic development in Tajikistan. According to UNDP Report 80% of Tajiks readily admitting to being directly involved in some form of corrupt activity (offering, accepting or facilitating illicit payment for services)\(^6\). 67% of respondents were willing to offer a bribe.\(^1\)

Land regulatory authorities work with local elites to illegally manipulate land ownership and to inflate the total price of acquiring land.\(^2\) This system prevents low income families from buying their own properties and potentially opting to grow crops other than cotton. Inspection raids on privately owned properties can result in illegal seizures or forced transfers of property rights for citizens who challenge the system.\(^3\) Jobs in land regulatory authorities are in high demand, and securing these positions requires connections and bribes. Positions such as traffic police are in even higher demand due to the regular collection of small bribes. Many government officials try to transfer to traffic enforcement, but these positions are not acquired cheaply.

**Revenue Streams**

One of the major sources of income for corrupt officials in Tajikistan includes, for the lack of a better term, state raiding practices. This means that a government official or authorized agency ravages a business venture with the purpose of transferring ownership from one individual or legal entity to another. The Tajik Anticorruption agency, ironically, is notorious for its raiding practices, with the agency recently initiating legal proceedings against the property of several businessmen, as well as the political opponents of the current President, all of which have resulted in the nullification or loss of ownership of numerous enterprises. Prominent victims include Ukrainian businessman Dmitry Firtash, Tajik businessman

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\(^6\) CIA World Factbook  
\(^1\) World Bank DataBank  
\(^2\) UNDP: HDR  
\(^3\) World Bank. Country Profile: “Tajikistan”.
and politician Zaid Saidov, and Mukhiddin Kabiri, leader of the oppositional Islamic Renaissance Party of Tajikistan.

Considering the importance and effectiveness of the Anticorruption agency, Emomali Rakhmon appointed his son Rustam to head the agency in March 2015. Unsurprisingly, the Rakhmon’s clan is expected to be the primary beneficiary of this appointment. Additionally, one of Rahmon’s daughters, Takhmina, is infamous for her tendency to raid and appropriate successful businesses, such as shopping centers, markets and construction.

When looking for corrupt income in Tajikistan, attention must be focused on the Rahmon clan’s domination. The inner circle includes Emomali Rahmon’s immediate relatives and family members, while the larger, or outer, circle includes both people from the Dangara region of Khatlon, Rahmon’s original birthplace and, in fewer numbers, those personally loyal to Rahmon.

The majority of Tajikistan’s state agencies are headed by, and heavily staffed with, Dangara natives. This clan net entangles the entire Tajik economy, imposing a sophisticated system of bribes designed to extract the maximum amount of benefits for the clan. Some of the more prominent clan appointees from Dangara include: Shodmon Shokirov and Asvat Assoev, First Deputy Director and Associate Director of the Tajik Statistics Agency, respectively; Umedjon Rakhmonzoda, Head of the Republican Forensic Inquiry; Abdusalom Kurbonov, Minister of Finance; Nuriddin Said, Minister of Education, Gul Sherali, Minister of Energetics and Industry; and Safialo Devonaev, Head of Immigration Services. Additionally, Emomali Rahmon practices regular appointee shuffling among the various agencies and ministries, in order to create an illusion of power sharing. By 2006, the power-sharing provision of the 1997 accord was dismantled. The last remaining member of the UTO in a senior government position (Emergency Situation Minister Mirzo Zioyev) was dismissed in 2006. In 2009, he was reportedly killed in a gunfight between security forces and narcotics trafficking gangs along the Tajik-Afghan border.

64 Eurasianews.info. Web
65 Sumie Nakaya
In regards to Rakhmon’s family, his oldest daughter Ozoda is the First Deputy Minister of Foreign Affairs, while her husband Jamoliddin Nuraliev is the First Deputy Minister of Finance. Khassan Assadulozoda, Rakhmon’s brother-in-law, is the chairman of “Orienbank” the country’s largest bank.

The kleptocratic network in Tajikistan has multiple methods of generating revenue. The most common is traffic violations, representing approximately 53.6% of reported corruption incidents.66 Nearly every government service and project in Tajikistan is associated with some form of corrupt activity or illicit practice67.

Acquiring land, either residential or commercial, is a complicated and expensive process in Tajikistan. Those who do not pay the bribes to facilitate transactions and paperwork end up embroiled in court cases that can take years to resolve, and have no guarantee of impartiality. According to a survey conducted by a team from the United Nations Development Program, 53.3% of cases involving land transfers and ownership changes are influenced by corruption.68

The educational sector of Tajikistan is another area of public administration strongly influenced by corruption. Admission to universities, which are typically underfunded and lack independent endowments, requires bribes in addition to any official fees. This undermines the quality of the students able to access the highest levels of education, and further weakens Tajikistan’s already under-trained labor force.69 Another prominent sector is the health care industry, which similarly generates illicit revenues: for example, securing a bed in a government hospitals often requires a bribe.70 Employees at hospitals and Universities rely on these bribes to augment their salaries, which limits the availability of quality health care and education to citizens with connections and contributes to Tajikistan’s

66 World Bank DataBank
67 UNDP: HDR
68 UNDP: HDR
70 UNDP: HDR
daunting non-monetary poverty statistics, conditions which in turn could fuel social unrest. 71

Tajikistan’s economy does not provide many attractive employment opportunities, and government jobs are highly coveted. Appointment to political office or civil service positions must either be earned through loyalty or, more commonly, simply purchased. Positions that provide direct services are expected to collect bribes, with monthly rents directed upwards to superiors. 72

The situation in Afghanistan following the American invasion has presented a unique opportunity for revenue collection. First, the Afghan government lacks the capacity, and willingness, to patrol the border. Tajikistan’s government can therefore regulate what goes in and out of the conflict zone. 73 Second, Afghanistan already generates significant illicit revenue from the transportation of opiates, while the Americans injected significant capital and resources to the war torn country. The government of Tajikistan has been able to negotiate deals with groups seeking to move weapons, fighters, or other products across international lines; border patrols would allow those with protection to pass, and either demand bribes, delay crossings or, if possible, confiscate goods from other travelers. 74 The border with Afghanistan also creates revenue opportunities for local elites to enforce these side deals. Those elites pay a portion of their illicit earnings as bribes in order to use the supply routes through Tajikistan to Afghanistan. 75 These deals are never recorded, so the government can easily turn on, and prosecute, suppliers who step out of line.

Drug trafficking remains the most profitable illegal business in Tajikistan. Tajikistan holds second place in transit of Afghan heroin through its territory after Iran. The longest border with Afghanistan among its neighbors, around 1300 kilometers, favors the continuous growth of drug trafficking. While President Rahmon regularly voices his concern regarding drug trafficking problem, it only creates an illusion of worry.

72 Globalsecurity.org, Web
Rahmon’s relative Rustam Khukumov, son of Amonullo Khukumov the head of Tajik Railroad, was arrested by Drug Enforcement Agency in Moscow, Russia in 2008 with 9 kilograms of heroin. As a retaliation Rahmon ordered an arrest of Russian cargo plane with two Russian pilots transiting through Tajikistan. Later, Khukumov’s case was dismissed in Russia following the release of Russian pilots in Tajikistan.76

Amonullo Khukumov is an excellent example of highly corrupt Tajik official. Being related to president Rahmon and feeling his invincibility Amonullo Khukumov was able to manipulate the justice system in his favor multiple times. Thus, besides a dismissed heroin case against his older son Rustam, he was able to acquit him once again when Rustam attacked a policemen at a checkpoint in October 2014. Also, Amonullo Khukumov’s youngest son Rasul was found not guilty in a car accident resulted in the death of three. At that time, Rasul’s mother was fined an equivalent of $20 for failure to properly educate her son the road traffic rules.

Drug trafficking is another reason of tensions between Kulobis and Pamiris. Khatlon (Kulobis) and Badakhshan (Pamiris) regions share extensive border with Afghanistan. Drugs enter the country through these two regions. Badakhshan’s border is less protected due to rigid mountainous terrain. Drugs as well as Islamic militants pour into the country though Badakhshan when the weather and terrain conditions allow. Khatlon’s border is easier to cross due to mostly flat terrain yet it was protected better when Russian border patrol was controlling the Tajik-Afghan border. With the removal of Russian servicemen which was emphatically requested by Emomali Rahmon in 2005, the control over the border went to Tajik forces and the drug trafficking intensified on Khatlon’s part of the border leaving Badakhshan mostly out of business. Thus, Badakhshan became the major transiting point for Islamic militants who can enter or leave the country though mostly open border.

One of the last high-profile arrests related to drug trafficking in Tajikistan were made in January 2012 when a group of people employed in GKNB (State Committee on National Security, former KGB) and Department of Drug Enforcement of Ministry of Internal Affairs were arrested by Anticorruption agency with large amount of heroin and opium. Notably, the people who should prevent drug trafficking are in fact drug traffickers. Also, considering the unofficial purpose of Anticorruption agency, which was discussed earlier, the arrests are the results of power struggle in drug

76 Oleg Salimov
trafficking business which is controlled and sheltered in Tajikistan by the current governing elite.  

**Elements of State Function**
The most powerful element of State Function is the President’s Office. President Rahmon was able to suppress opposition using different tools. One of the latest examples could be opposition movement Group 24. Its leader Umarali Kuvvatov, used to publicly criticize the wrongdoings and corruption of both the President and his son. In order to counter this, one of the courts under the influence of President Rahmon legally banned Group 24. The court claimed that the activities of Group 24 were illegal and that they were inclined towards extremist activities that provoked civilians towards rebellions other activities aimed at overthrowing the government. Umarali Kuvvatov had to flee the country due to an arrest warrant that was issued against him, and soon after his migration to Istanbul, he was assassinated. Moreover, one of the ministers of the Tajik government, who established a political party after leaving the People’s Democratic Party of President Rahmon, was arrested, prosecuted and put in jail for 26 years.

President Rahmon recently appointed his eldest son, Rustam Emomali, to replace Abdufattokh Goib as the director of Tajikistan’s anti-corruption agency. Goib, who was also the head of the customs agency, had been implicated in multiple scandals Rustam, at the age of 20, won an election to serve on Dushanbe’s city council. However, without the unconditional support of the government and his father, this would not have been possible. The customs and municipal department, along with the anti-corruption agency of Tajikistan, are considered the two most corrupt offices, respectively, at the provincial and federal level. Moreover, Rustam has been involved in various state affairs for the last few years,

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77 Oleg Salimov
78 The Economist. “Shaken and Stirred”.
79 Ubiria, Grigol.
80 The Economist. “Shaken and Stirred”.
81 The Economist. “Shaken and Stirred”.
83 The Economist. “Shaken and Stirred”.
84 Marat, Erica.
and has been guiding several state offices, including customs. The president’s son is also the founder of the Tajikistan Football Federation, and has his own national team for football. The unlimited amount of resources and perks granted to an individual of such a young age reveals the intentions of President Rahmon, who is preparing a successor to take the reins of Tajikistan after his departure.\textsuperscript{85} This means another few decades of continued economic and political corruption within the region. Tajikistan’s Anti-Corruption Law received a perfect 100, tempered by an effectiveness score of only 72. A lack of anti-corruption mechanisms and political will to fight corruption, weak law implementation and absence of transparency and accountability are the primary reasons for the lack of overall effectiveness. Citizens can legally form anti-corruption NGOs, and the government does not interfere, but these organizations rarely engage in the political process.\textsuperscript{86}

Second powerful element is Tajikistan’s government, which effectively manipulates auxiliary state functions – including the judicial system, public administration, and the Ministries of Education, Urban Development, Finance, Health, and Home Affairs – to control the kleptocratic network and collect its various revenue streams. The Ministry of Finance has been involved in one of the largest corruption scandals in the history of Tajikistan. Various scandals have cost more than $300 million being diverted from funds received as financial aid from foreign sources. Additionally, in 2009, an internal audit of the National Bank of Tajikistan revealed that more than $1 billion of funds could not be accounted for, dating from its time of being headed by Murodali Amlimardon; he is one of the closest friends of President Rahmon and was accordingly not prosecuted.

The Judicial system of Tajikistan represents one of the most corrupt systems in the country. Approximately 60.4\% of the people in Tajikistan believe that courts are too expensive for an average individual to register a legal complaint.\textsuperscript{87} The GIR rates the checks and balances on the judiciary at a remarkably low 37, and Citizen Access to Justice at a comparatively

\textsuperscript{85} Marat, Erica.
\textsuperscript{86} Global Integrity Report
\textsuperscript{87} UNDP: HDR
These low scores reflect the fact that average citizens cannot afford the costs of bringing a case to court, and are unlikely to receive a fair hearing in the event that they do.

Additionally, the educational system of Tajikistan is used both to manipulate people and as a revenue stream for the government. Students are forced to give bribes to management officers and provide evidence of sponsorship to educational institutions in order to gain admission. The difficulty of acquiring a quality education is significant, as both public and private sectors of education are thoroughly penetrated by corrupt actors. Lastly, the Ministry of Health fails to provide quality health care services to the public. This is primarily because of the high rate of corruption prevalent in the health care sector, which is influenced by the top most government officials. This deprives poor people from getting access to hospital beds on time, undergoing surgeries for emergency situations, and receiving treatment for emergency situations such as cardiac arrests. Similarly, the Ministry of Internal Affairs, which controls the traffic system of Tajikistan, fails to curb the ongoing and ever increasing corruption within its various departments. The traffic police represent the most corrupt department of the state. Also, the urban development sector, represented by the land regulatory authorities, pose a threat to the financial well-being of the people of Tajikistan: corrupt land inspection officers and other government officials force people to give bribes in response to raids on their land holdings.

**Enablers**

In order to encourage financial aid from foreign sources, the government of Tajikistan has focused on developing the market economy of the country. This has resulted in a considerable increase in foreign financial support over the years. The totals from foreign financial support in 2007 exceeded $270 million, more than double the $100 million received in 1997. Foreign aid crossed the benchmark of $500 million in 2009.\(^8^9\) Despite these large amounts, foreign sources had little impact on the economy of Tajikistan. According to the 2013 Foreign Aid Report prepared by the State Committee on Investments, volume of foreign aid in 2010-2012 decreased for 15%. However, China increased its financial aid after 2007, and until

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\(^{88}\) Global Integrity Report

\(^{89}\) Amcu.gki.tj
2013, contributed $996,991 towards Tajikistan’s economy. Most of the aid donated by China was focused on the development of infrastructure and within the energy sector. Moreover, much of the foreign aid provided to Tajikistan was in the form of joint investments in different local projects; financial aid of this sort rose to US $1,842,237.

The level of corruption in Tajikistan can be used to highlight the concept of intergovernmental graft when a government officials from another country (e.g. China) give bribe in a form of non-repayable grant to Tajikistan in order to execute projects satisfying interests of the country (beneficial for China), conflicting with interests of local population in Tajikistan in terms of creating jobs. In Tajikistan the concept unfolded in September 2014 when China’s Xi Jinping ensured Emomali Rahmon’s agreement for lax export credit, which implied that Tajikistan would borrow money from China in order to import Chinese goods, by providing Rahmon’s government with non-repayable grant first. While Tajikistan needed investments for increasing and restoring its production capacities, Rahmon agreed to this unjustifiable consumer loan. Since it is impossible to find sufficient information on the movement of financial funds within Tajikistan due to a lack of transparency on the part of the Tajik government, there is little clarity on the actual allocation of China’s non-repayable grant. Moreover, this agreement looks even more questionable in light of Tajik National Bank chairman Abdujabbor Shirinov’s earlier statement (April 2013) on the legal validity of all money transfers from Tajikistan to offshore zones. At the same time, Shirinov provided no details on the amount of such transfers, the origin of cash assets, or the legal basis for such transfers. This example illustrates corruption on a global scale. China was allowed to build the roads in Tajikistan but the jobs, which could be created for local Tajiks, actually were given out to Chinese. And the toll roads introduced after completion of the project operated by a company belonging to one of the members of the President’s family. Toll road fees are very high and unaffordable for vulnerable population and there is no alternative road exists.

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90 Amcu.gki.tj
91 Oleg Salimov
92 Oleg Salimov
Findings
Based on the analyses above, our team evaluated the relative degrees of influence each risk factor can play to lead up to the security crisis. These factors, when exacerbated by the effects of acute corruption, were categorized ranging from “Negligible” to “Overwhelming.” In instances where a factor played no role, we noted “not applicable”.

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<th>Negligible</th>
<th>Minimal</th>
<th>Moderate</th>
<th>Significant</th>
<th>Overwhelming</th>
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**Acute, Visible Inequality**
*Significant*
Tajikistan does not have enough state revenues to excessively reward a large segment of the population, but those close to the President have benefitted from corrupt deals. The Sangtuda Dams offered limited hope of providing basic services (electricity) to the rural populations and eventually generating some state revenue, but were derailed by corrupt mismanagement. However, vulnerable populations migrate abroad in search of jobs instead of protesting at home.

**Environmental Pressures**
*Significant*
Almost half of Tajikistan’s population works in agriculture, but the government has selectively allocated land to its cronies, forced those with land to grow cotton, and failed to protect the country from deforestation and desertification. Tajikistan’s miniscule 7% arable land will continue to shrink, and an already vulnerable population will become even more susceptible to drought and famine.
Recent Economic Downturn

Significant

Tajikistan’s weak economy is a primary source of domestic instability. High transit costs due to vastly insufficient infrastructure, particularly a lack of rail lines to Tajikistan’s remote provinces, hamper economic growth. On the other hand, the national poverty rate fell from 96 percent in 1999, to 47 percent in 2009, and to an estimated 36 percent in 2013. Tajikistan’s record of poverty reduction in the past 15 years has been among the top 10 percent in the world. In 2012, personal remittances received contributed to 47.5 % of GDP. Real GDP growth in Tajikistan has moderated to 6.7 percent in 2014, and a deep recession in Russia could significantly undermine growth and poverty-reduction prospects in Tajikistan. Inflows from Russia are the main source of remittances to the region, which exacerbates Tajikistan’s vulnerability to any such shock.

State Response to Civil Unrest

Moderate

Rahmon’s regime has failed to take any accountability for the failure to deliver on the promises of the 1997 agreement, and promotes each successive fraudulent election as further evidence of their legitimacy. The army never stopped persecuting “rebel suspects” while the government has banished opposition groups seeking their constitutionally guaranteed representation. The population still remembers the violence of civil war and this is the one of the reasons why they do not protest.

Proximity to Terrorist, Separatist, or Transnational Criminal Networks

Moderate

While the Arab Spring has accelerated the appeal of Islamic Extremism, Tajikistan did not follow other states in the region by falling prey to another civil war. However, rebel factions have legitimate complaints about exclusion from government and a lack of economic development.

Violation of Elite Bargain

Moderate

The Government was willing to form bargains with former elites in order to secure their support for the new government. The government then reneged on these promises to diffuse political power. Family of The President operates corruption in Tajikistan with elites linked to the Family.
Situation can change if current President will pass away without securing power and control over the country for his son.

**Impending Government Transition**
*Moderate*
President Rahmon is 62. In 2013, he was elected to a fourth term as President. According to Sumie Nakaya, the situation in Tajikistan is relatively stable. This may change, however, if the current President passed away, which could lead to a fight for power between elites and the President’s family.

**Median Age**
*Minimal*
The median age is 23.5 years as of 2014. However, it is necessary to take into account that the majority of males who considered to be at the age when they more likely revolt, work abroad in the neighboring countries like Russia and Kazakhstan.

**Identity Divisions**
*Minimal*
Tajikistan is composed almost entirely of Sunni Muslims, with an ethnic majority of Tajiks and minority of Uzbek. The conflict is primarily fought along regional, and not sectarian or ethnic, lines.
Network Map
Appendix

A. Experts Interviewed or Consulted
   a. Sumie Nakaya
   b. George Gavrillis
   c. Oleg Salimov

B. Additional risk factors considered
   a. Inequality
      i. Health Care
      ii. Education
   b. Trigger Events
      i. Natural disasters such as drought
      ii. Disruption in previous political agreement (1997)
      iii. Corruption Scandals

C. Expert Directory

Experts Approached

<table>
<thead>
<tr>
<th>INTERVIEWEE</th>
<th>ORGANIZATION</th>
<th>TITLE</th>
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<tbody>
<tr>
<td>Sumie Nakaya</td>
<td>UN (US)</td>
<td>Political Affairs Officer</td>
</tr>
<tr>
<td>Rafis Abazov</td>
<td>Columbia University (US)</td>
<td>Professor</td>
</tr>
<tr>
<td>George Gavrilis</td>
<td>Council on Foreign Relations</td>
<td>Professor, Author</td>
</tr>
<tr>
<td>Sofia Wickberg</td>
<td>Transparency International</td>
<td>Expert</td>
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<tr>
<td>Hojimuhammad Umarov</td>
<td>Tajikistan University</td>
<td>Tajik economist</td>
</tr>
<tr>
<td>Tanya Khavanska</td>
<td>OECD Anti-Corruption Division</td>
<td>Analyst</td>
</tr>
<tr>
<td>Oynihol Bobonazarova</td>
<td>Democratic Party of Tajikistan</td>
<td>Founder, Professor</td>
</tr>
<tr>
<td>Martha Brill Olcott</td>
<td>Russia and Eurasia Program</td>
<td>Senior Associate</td>
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<tr>
<td>Luydmila Lapshina</td>
<td>Permanent Mission to UN</td>
<td>Advisor</td>
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<tr>
<td>Dilshod Karimova</td>
<td>World Bank</td>
<td>Expert</td>
</tr>
<tr>
<td>Oleg Salimov</td>
<td>CACI</td>
<td>Analyst</td>
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