Do the poor pay twice?

Impact of Corruption in the Kyrgyz Republic

A Poverty and Social Impact Analysis

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WORLD BANK GROUP

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LIST OF ACRONYMS

CAPI	Computer Assisted Personal Interviewing
CSO	Civil Society Organization
EBRD	European Bank for Reconstruction and Development
GCB	Global Corruption Barometer (Transparency International)
KIHS	Kyrgyz Republic Integrated Household Survey
LiTS	Life in Transition Survey (European Bank for Reconstruction and Development)
NSDS	National Sustainable Development Strategy
PSIA	Poverty and Social Impact Analysis

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

This study examines household perceptions and experiences with corruption in the Kyrgyz Republic. The aims of the study are two-fold: first, to assess the level of administrative corruption in public service agencies, and second, to assess the impact of corruption on different income groups. This Poverty and Social Impact Analysis (PSIA) included a nationally-representative survey covering over 1,000 households in all regions of the country and focus groups with citizens, civil society organization (CSO) representatives, media and students.

The fight against corruption is a key objective of the National Sustainable Development Strategy for 2013-17. This strategy states that the Government's goal is to be in the top 50 of the least corrupt countries on the Transparency International Corruption Perceptions Index ranking by 2017. The study demonstrates the importance of the Kyrgyz Government anti-corruption agenda by revealing the extent of corruption and its impact on the poor.

The study demonstrates the impact of petty corruption on the economic well-being of the poorest citizens. Often petty corruption represents a form of rent-seeking demanded by civil servants for access to public services, for example, healthcare, education and pensions. Inability to access these services will impact the economic wellbeing of citizens. The poorest citizens are unlikely to be able to access alternative services, such as private hospitals. These poorest citizens will also be least likely to offer bribes simply to speed up a service they might receive anyway without a bribe. The study explores the dynamics and unique impacts of such rent-seeking, if any, on different income groups.

The results of the analysis shed light on the frequency and level of informal payments to obtain public services, as well as the impact on household consumption. Main findings:

- Similar to previous studies, the survey revealed a vast majority (91%) perceive corruption as a problem in the Kyrgyz Republic. Forty nine percent of respondents question the sincerity of the government's desire and will to combat corruption and only 26% believe that the government's corruption strategies were effective.
- Nationwide, nearly one in six interactions with public service agencies are characterized by corruption. Based on interactions with 18 different public service agencies, the national level graft index (measured as the proportion of interactions with government officials in which a bribe was expected or requested) is 16%.
- Traffic police had the highest incidence of graft, followed by non-traffic police and the National Registration Office. Focus group participants named health, education, and social services such as pensions as the most corrupt.
- The majority of respondents (39%) state that most commonly, a government agent indicates or asks for a payment, while 33% offer payment on its own accord. The focus group participants also noted the role of the citizenry in perpetuating corruption.
- Examining the experiences with corruption by consumption quintile, two groups are most exposed to petty corruption: the poorest quintile and the richest. The poorest quintile experienced corruption 20% of the time while accessing public services; the richest experienced corruption 22% of the time, both above the country average of 16%. While these two groups pay more often, evidence shows they likely do so for different reasons.

- The economic impact of informal payments is substantial: for the poorest quintile, bribes accounted for 6.3% of their estimated annual household consumption. For the poorest households, this is twice the average spent on electricity for 2012.

The results of the PSIA reveal important differences in how different income groups are vulnerable to and affected by corruption in the Kyrgyz Republic. While overall corruption related attitudes do not appear particularly sensitive to household characteristics and socioeconomic descriptors, actual experiences with corruption and the costs of corruption differ across consumption groups. The findings support the hypothesis that the poorest citizens' are likely to be more vulnerable to rent-extraction through petty corruption than richer strata of society because their 'ability to pay' is the lowest.

This investigation of the differences in the dynamics of corruption between government officials and citizens of different economic groups informs the design of mechanisms for tackling corruption. For example, if the poor are particularly targeted for bribes, policy prescriptions could seek to at least indirectly minimize the status and information differentials between officials and citizens. These mechanisms include both supply and demand side interventions. On the supply side, corrective actions aiming to discourage corruption among civil servants include better training and enforcement mechanisms for corrupt behavior. On the demand side, interventions can include outreach and educating citizens about their rights, and providing clear and accountable avenues for appeal and corrective action. Focus group participants offered suggestions for reducing corruption, including enhanced training of civil service, and other actions that target the youth of the Kyrgyz Republic through outreach and media campaigns to show the negative consequences of corruption to foster change in the next generation.

1. INTRODUCTION

Corruption is a significant challenge to the social, political, and economic development of the Kyrgyz Republic and is a high priority for the current Government. In an effort to combat corruption, the Government committed to a broad medium-term anti-corruption program in 2013. The National Sustainable Development Strategy (NSDS) for 2013-17 identifies combating corruption as a key objective, and prioritizes improved governance for the country's economic development. The anti-corruption program is based on three broad priorities: elimination of corruption schemes; reform and modernization of public sector governance in order to increase transparency and accountability of the government bodies; and interaction with the civil society in order to combat corruption in public sector[1]. The NSDS commits the Kyrgyz Republic to become one of the top 50 least corrupt countries on the Transparency International Corruption Perceptions Index by 2017.

This report presents the results of a Poverty and Social Impact Analysis conducted in the Kyrgyz Republic. The objective of the study is to examine the impact of petty corruption on Kyrgyz households. The aim of the study is two-fold: first, to determine the extent of administrative (petty) corruption[2] in the Kyrgyz Republic; and second, to construct the profile of the affected households, including by socioeconomic status.

Of particular interest for this analysis is the relationship between petty corruption and the economic well-being of the poorest citizens. Often petty corruption represents a form of rent-seeking[3] that limits and increases the cost of access to government services, for example health and education services. It is important to identify the "signature" of such rent-seeking, if any, on different classes and income groups. Inability to access services impacts citizens' immediate wellbeing and their economic prospects. The poorest citizens may be least likely to offer bribes simply to speed up a service they might receive anyway without a bribe and so may be the most adversely affected by these practices. Investigation of the different dynamics of corruption between government officials and citizens of different social classes may inform the design of mechanisms for alleviating corruption.

In order to examine the extent of corruption and its impacts on household welfare, a nationally-representative survey was implemented in late 2014. The survey instrument was based on the World Bank Governance Diagnostic that has been implemented in Latin American and African countries including Peru, Zambia, and Sierra Leone. The survey included questions on perceptions of corruption and as well as experiential questions regarding interactions with public service agencies and providers. The quantitative results are supplemented by qualitative information gathered through four focus groups held in Bishkek and Osh.

The report is structured as follows: Section 2 provides background on the country context and definitions of corruption, as well as the proposed hypothesis of the study. Section 3 provides detail on the study methodology, including the survey sample and discussion of the consumption estimation. Section 4 presents an analysis of the experiences of different income and demographic groups with corruption

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[1] National Council for Sustainable Development of the Kyrgyz Republic, 2013, Ch. 2

[2] For the purpose of the survey, corruption was defined as "the abuse of public power for private gain, through dishonest or illegal behavior by government officials or service providers".

[3] Understood as "the direct use or waste of economic resources for non-economic gains" (Gallagher, 1991)

including statistics from the nationwide survey supplemented by focus group evidence. The report concludes with a discussion of the results and next steps.

2. DEFINING PETTY CORRUPTION

In the literature and in practice, corruption is seen as an aberration from a prescriptive model of public administration in the modern state, where administrative practices are rational, transparent, universally binding and accountable (e.g., Bardhan, 1997; Granovetter, 2007; Leff, 1964). Absence of real state capacity for direct management and control cultivates corruption, leaving much room for discretion for state agents, resulting in negative governance outcomes (Breen & Gillanders, 2012). Petty corruption, defined as small acts of rent-seeking by civil servants, captures only one aspect of the corruption that may take place. However, it is also the form of corruption that a majority of citizens experience directly.

Not all instances of petty corruption can be classified as "rent seeking" by government officials. While it is plausible that civil servants might withhold or delay a service they are expected to provide by law unless a bribe is provided, administrative corruption by definition also means influencing the implementation of existing laws (Knack, 2007). For example, citizens might provide bribes not only under pressure from government officials, but could do so in order to influence bureaucratic rules or decisions in their favor, to receive speedier service, or "jump the queue" by paying bribes to circumvent the rules (Bardhan, 1997). In such cases, it could be argued that corruption can improve efficiency. For instance, if paying bribes leads to outcomes sought by citizens or economic agents that would not be obtained otherwise or only with great delay (Leff, 1964).

With regards to citizens, the impacts of corruption are less ambiguous than for businesses or other stakeholders. While it is plausible that corruption may be efficient from businesses' point of view (e.g., Hellman, Jones, & Kaufmann, 2003; Leff, 1964), from the point of view of citizens it is difficult to envision a scenario where petty corruption does not represent a burden or an implicit tax on consumption. If a citizen needs to pay a bribe to access a service that is nominally free, the bribe paid is diverted from other consumption. If a citizen pays a bribe to receive a faster or preferential treatment, the bribe still represents an implicit "tax", resulting from limited government capacity to satisfy demand for services. Only in cases where citizens paying bribes do so in order to achieve an illegal or improper end (e.g. to falsify the number of years work in order to qualify for higher pensions) it is plausible to talk of corruption as "efficient" practice optimizing the well-being of participating agents (though not society as a whole).

2.1. CORRUPTION AS A KEY GOVERNANCE CHALLENGE

Corruption is a recognized problem for both government and citizens in the Kyrgyz Republic. The results of a 2015 IRI poll showed that 93% of citizens identified corruption as a big problem for the country[4]. The Kyrgyz Republic has consistently ranked below the Europe and Central Asia regional average on the World Governance Control of Corruption indicator, most recently scoring in the 11th percentile in 2013 (see

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[4]http://www.iri.org/resource/iri-kyrgyzstan-poll-kyrgyz-concerned-over-corruption-supportive-democratic-development

Figure 1). Other global indicators also show room for improvement: Kyrgyz Republic is ranked 136th out of 175 countries in the 2014 Transparency International Corruption Perceptions Index[5].

Figure 1. WGI Control of Corruption 2013 (Eastern Europe and Central Asia)
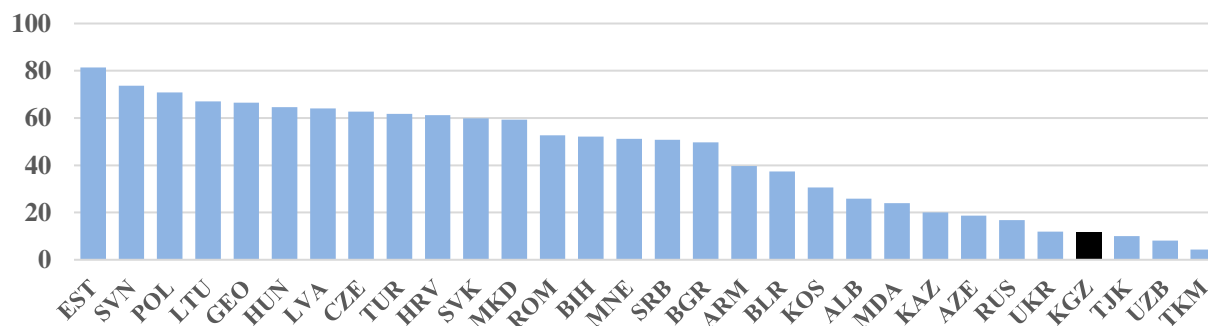
Source: World Governance Indicators, 2014

One reason for the country's poor performance on these indicators is the prevalence of petty corruption. Evidence from multiple sources reveals high incidence of corruption in key public services and institutions, with police, education, health services and the judiciary consistently listed as among the institutions perceived or experienced as most corrupt. For example, according to the Life in Transition Survey (LiTS) completed in 2006 and 2010, informal payments to obtain certain public services rose dramatically from 2006-2010 (see Figure 2). More recently, the 2013 Global Corruption Barometer (GCB) found that 45 percent of Kyrgyz respondents admitted that they paid a bribe while accessing public services. In both the LiTS and the GCB, key public services such as education and healthcare are characterized by high levels of informal payments (see Figure 3). A survey conducted by the Kyrgyz Ministry of Economy published in 2014 showed 50% of citizens and 56% of entrepreneurs reported having to make an informal payment in the last three years[6].

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[5] http://www.transparency.org/cpi2014/results

[6] CAIC consulting (2014). "Corruption in Kyrgyzstan: prevalence, causes, and potential remedies". Ministry of the Economy of the Kyrgyz Republic.

Figure 2. Frequency of Informal payments when interacting with the authorities (2006 & 2010)

Category	2006	2010
Road police	24	41
Request official documents from authorities	22	36
Civil Courts	17	32
Primary or Secondary Education	13	36
Vocational education	28	49
Public Health System	28	49
Unemployment benefits	11	28
Other social security benefits	13	32
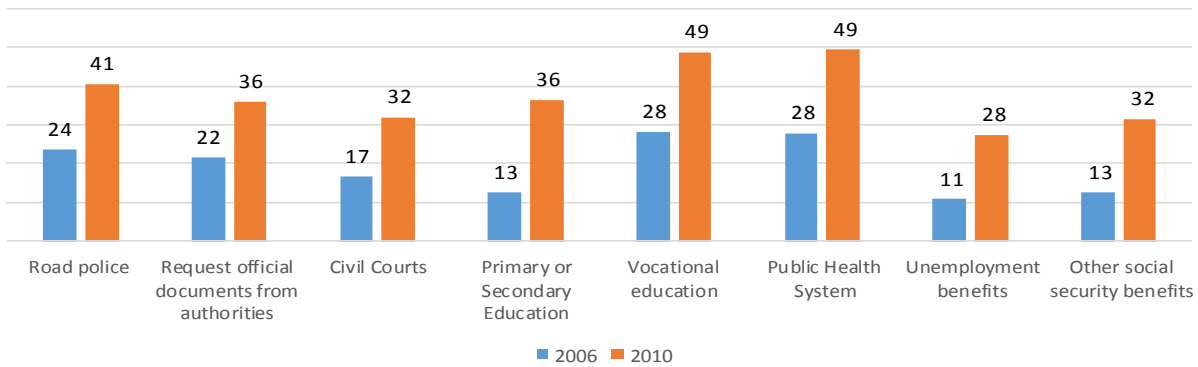
Source: EBRD Life in Transition 2006-2010

Figure 3. Percentage of Respondents who have Paid a Bribe while Accessing the Service in the Last Year (2013)

Service	Percentage
Police	61%
Judiciary	52%
Education Services	48%
Medical and Health Services	38%
Land Services	34%
Registry and Permit Services	29%
Tax Revenue	26%
Utilities	6%
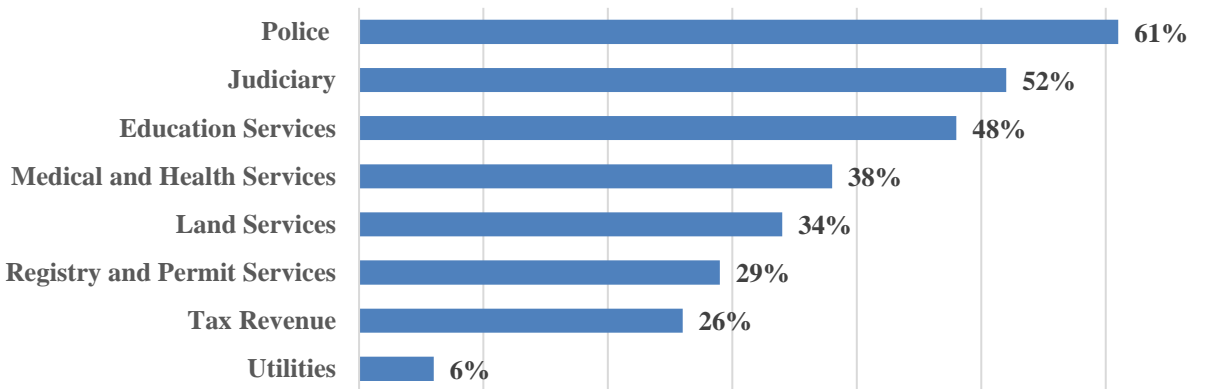
Source: Transparency International Global Corruption Barometer, 2013

The prevalence of corruption appears to be worsening despite the government's efforts. The 2013 Global Corruption Barometer showed 20% of respondents indicated corruption had "increased a lot" in the past two years.[7] This downward trend signals an implementation gap between the Government's anti-corruption program and the citizen experience with different public agencies. The 2015 IRI poll showed that 73% of respondents did not think the government was doing enough to fight corruption.[8]

The deterioration in the perceived and experienced level of corruption is not unique to Kyrgyz Republic. A recent Gallup poll showed that a majority of respondents in 108 out of 129 countries surveyed reported that corruption is pervasive in their governments, including many developed countries (Gallup,

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[7] http://www.transparency.org/gcb2013/country/?country=Kyrgyz Republic
[8] http://www.iri.org/resource/iri-kyrgyzstan-poll-kyrgyz-concerned-over-corruption-supportive-democratic-development

2015). Some of these countries also have experienced an increase in perceptions that corruption has worsened between 2012 and 2014, including Australia and Spain (Transparency International, 2015).

2.2. PETTY CORRUPTION AND POVERTY: A HYPOTHESIS

The proposed hypothesis is that the poorest citizens are more vulnerable to rent-extraction through petty corruption than richer strata of society because they are the least 'able to pay'. Corruption as rent-seeking or victimization of the lowest strata is conceptually distinguished from the dynamics of bribe-making and bribe-taking occurring in interactions between civil servants and citizens in upper income and consumption brackets. Such distinctions are likely as the configuration of social networks and social status differences between those who need favors and those in a position to provide them strongly shapes the modalities, the costs, and likelihoods of such favors being provided (Granovetter, 2007), as well as the extent to which they are perceived as corruption.

Prior studies suggest the possibility that the poorest strata are more vulnerable to bribery and corruption. In a study in Peru and Uganda, Hunt and Laszlo (2012) show that the poor households spend larger shares of their income on bribes, even though richer households use more government services and bribe more frequently. Justesen and Bjornskov (2014), studying 18 countries in Africa, find that the poor are much more likely to experience having to pay bribes. Others have found that vulnerable populations are more likely to have to pay a bribe, e.g. crime victims (e.g., Hunt, 2007), or households particularly heavily affected by an economic crisis (e.g., Ivlevs & Hinks, 2015).

In the Kyrgyz Republic, civil service wages are low and this may lead some civil servants to supplement their income through informal payments.[9] Those appointing civil servants acknowledge that wages are unrealistically low and expect some income supplementation through accepting bribes. Some appointments are the result of a bribery provided by the appointee, who in turn recoups their "investment" in securing the position by engaging in bribes (e.g., Liebert, 2014). These practices are not unique to Kyrgyz Republic, but fairly common throughout the world, including in private organizations (Jason, 1977), thus normalizing corruption (Ashforth & Anand, 2003).

Rent seeking behavior may be influenced by social conditions. Most government officials occupy at least middling positions in the distribution of income and social capital in Kyrgyz society. As a result they are likely to interact with citizens below, at, and higher than their class position. Bribe dynamics are likely to be influenced by the relative social status of the protagonists as suggested by the sociological literature (e.g., Lomnitz 1988, Lin 2001). In some contexts the acceptance of a bribe is considered an acknowledgement of social inferiority (Lomnitz, 1988, pp., in her studies in Chile)[10]. Accordingly, the extent to which bribery is widespread in a society is partially a reflection of the status differences between government officials and private economic actors. Specifically, when there is a status difference between the briber and the government official bribes may be more common than if they are of equal status.

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[9] It is empirically established that low civil service wages are correlated with higher degree of corruption (e.g., Van Rijckeghem & Weder, 2001). Further, substantial increases in wages in general would be required to reduce corruption exclusively by means of wages (ibid.)

[10] "Material payment in return for favors is graft. It means the absence of any possibility of personal relationship or having friends in common. Accepting a bribe is an acknowledgment of social inferiority, like accepting a tip or gratuity" (Lomnitz, 1988:44, cited in Granovetter, 2007).

However, the mechanism of bribery might be different in cases where the briber is of higher status or higher income, when compared with situations when the person providing the bribe is of lower status or income. When the bribe giver is from a higher status or income group, the bribe may be simply an expedient way to receive a service, to reduce waiting time, or even to influence a government decision so that is it more favorable to the person paying the bribe. In these circumstances, those with higher incomes are less likely to perceive corruption as a serious problem. When the bride giver is from a lower status or income group, the motivation for bribery is likely very different. Since the poorest households would not pay a bribe unless absolutely necessary (i.e. they would be less likely to pay simply to speed up a service), it is likely that when they pay, this is the result of some degree of pressure coming from the government officials to do so. In this context, bribery entails rent extraction by government officials and so corruption is likely to be perceived as a serious problem by lower status and lower income households. The prevalence of corruption is likely to be the lowest when government officials interact with citizens of roughly the same social status as themselves - given the similarity in status, bribery would go against the grain of normal social interaction and thus is more ambiguous and requires more extensive management, buffering, and skill than simple monetary payments (Granovetter, 2007).

3. STUDY METHODOLOGY

The study employed a mixed-method approach of a quantitative survey and qualitative data collected via focus groups. In November of 2014, a nationally–representative survey was administered to 1,080 heads of households in seven oblasts including Bishkek and Osh cities of Kyrgyz Republic[11]. The survey results are supplemented by qualitative information gathered from four focus groups. The focus groups were held in the cities of Bishkek and Osh to gather qualitative information about causes of corruption, corruption practices and coping mechanisms when faced with corruption.[12]

3.1. SURVEY INSTRUMENT AND SAMPLING

The survey instrument was designed to capture data on a number of topics including social protection, heating and consumption in addition to corruption. The corruption module of the survey questionnaire was patterned after the World Bank Governance Diagnostic. The survey includes questions on perceptions of corruption and corruption reporting mechanisms, as well as experiential questions regarding interactions with 18 different public service agencies. The agencies were chosen based on the Governance Diagnostic, and were modified to reflect the Kyrgyz context. The survey was piloted and revised before being launched nationwide. The interviews were conducted using Computer Assisted Personal Interviewing (CAPI).

The survey sample was designed to be nationally representative, using a sample frame based on data from the 2009 census. The sample was stratified by urban/rural area and Bishkek City. The

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[11] The survey data was collected between November-December 2014.
[12] See Annex for focus group questionnaire.

distribution of respondents by strata is shown in Table 1[13]. All households in the data set are assigned sampling weights reflecting their actual distribution within the population, and all data reported below are weighted accordingly.

Table 1. Geographic distribution of Respondents

Region	Total	Urban	Rural
Batken	72	36	36
Djalal-Abad	168	84	84
Issyk-Kul	84	48	36
Naryn	36	12	24
Osh Region	108	24	84
Talas	36	12	24
Chui	120	48	72
Osh city	96	96	0
Bishkek	360	360	0
Kyrgyz Republic	1080	720	360

3.2. MEASURING CONSUMPTION

In order to measure the impact of corruption on different income groups, the survey also included a consumption module to estimate the level of welfare of the household. While the survey did not include questions on income, the questions on consumption were carefully selected as proxy variables in which to model estimates of household income. The variables used for the statistical models were based on data collected by the Kyrgyz Republic's Integrated Household Survey (KIHS) for 2009-12. The data from the 2014 survey was then entered into the model to estimate consumption levels of the household (see Annex). The statistical models from the 2014 survey were compared to the results of the KIHS, and were found to be statistically similar. The model was then used to assign households into welfare quintiles, allowing for comparison of results across levels of consumption.

The imputed per capita daily consumption estimates allow the tabulation of respondents by consumption percentile. For the purposes of this analysis, the sample is divided into quintiles. As would be expected, the characteristics of the households vary across consumption quintiles. Table 2 provides an illustration of selected socio-demographic characteristics estimated for the different quintiles.

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[13] Given the sensitivity of the corruption related questions and others, there was a higher level of non-response and refusals noted by enumerators in Chui and Issyk-Kul Oblasts, as well as Bishkek city.

Table 2. Model Sample Demographics by Consumption Quintile

	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile	TOTAL
Household size (mean)	5.6	4.4	3.7	2.9	2.1	3.7
Years of education (mean)	10.8	11.4	11.8	12	12.4	11.7
Number of children up to 6 (mean)	1.1	0.7	0.5	0.3	0.1	0.5
Number of children ages 7-14 (mean)	1	0.7	0.5	0.3	0.1	0.5
Number of adults ages 15-65 (mean)	3.2	2.9	2.6	2.1	1.7	2.5
Number of elderly 65 +, (mean)	0.2	0.2	0.2	0.2	0.1	0.2
Number of employed adults (mean)	1.5	1.6	1.6	1.4	1.3	1.5
% of respondents residing in Bishkek	9%	16%	23%	29%	31%	22%
% of respondents - other urban areas	15%	19%	21%	21%	18%	19%
% residing in rural areas	75%	64%	56%	50%	52%	59%
% households with male head	61%	61%	62%	61%	61%	61%
% of married household heads	79%	76%	71%	60%	41%	65%
% of employed household heads	33%	44%	51%	56%	66%	50%
% of households with higher degree	15%	25%	34%	39%	46%	28%
% of households reporting paying taxes	74%	75%	74%	72%	72%	74%

The household characteristics are relevant to the discussion on public services, as household structure may influence what services are accessed, for example, education for children or pensions for the elderly. Poorer households differ from their counterparts in a number of ways. Households in the first quintile, the poorest 20% are larger with more children, with a mean household size of 5.6 persons compared to 2.9 in the richest quintile. They are also more likely to reside in rural areas (75%) compared to Bishkek (9%) or other urban areas (15%). Household heads in the first quintile on average have fewer years of formal education, and are less likely to have a higher education degree (15% compared with 46% of the highest quintile) and be employed. Only 34% of household heads in the first, poorest quintile are employed, compared to 66% of the fifth, richest quintile.

4. SUMMARY OF RESULTS

The **results of the survey reveal specific weaknesses and entry points for improvements in service delivery to promote transparency, accountability and integrity**. The results of this survey are consistent with other corruption related surveys, particularly in terms of perceptions of corruption. The survey results identify key sectors and specific services that are more prone to corruption. In addition, the survey reveals a correlation between perceptions of corruption in public service delivery and households' experiences with corruption. The survey findings are supplemented by qualitative data from the focus groups where appropriate.

4.1. PERCEPTIONS OF CORRUPTION IN KYRGYZ REPUBLIC

Overall, corruption remains a significant issue, with 91% of households agreeing that corruption is a "very serious **problem" or a "somewhat serious problem" in Kyrgyz Republic.** The percentage is somewhat lower in Bishkek – 85% of respondents agreed with this view, compared to 92% and 93% in rural and urban areas respectively. While there is no significant difference in the basic perceptions by consu**mption** quintile, there is a **difference** in the perceptions of the severity of the problem. Specifically, 77% of the lowest income quintile rated corruption is a "very serious problem" compared to only 65% of the highest income quintile. The relationship is reversed in the shares of the neighboring answer option – "a somewhat serious problem", which gradually increases from 12% in the lowest quintile to 25% in the highest quintile. See Figure 4.

Figure 4. Perceptions of Corruption as a Problem by Consumption
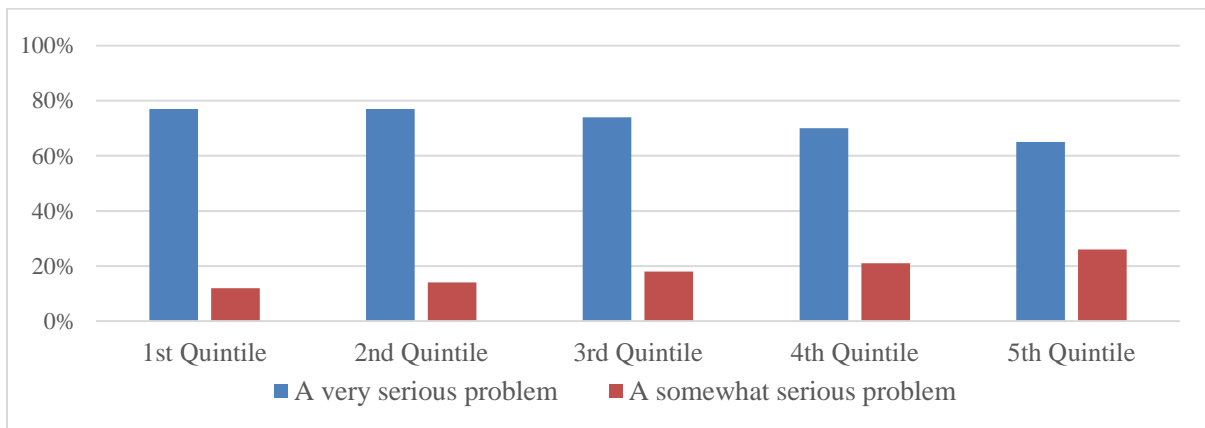
This pattern provides indirect evidence of the prevalence of corruption impacting the welfare of households. If bribes account for a large proportion of the household consumption, then such a direct consequence is more likely to produce a heightened perception of severity in the poorer quintiles. Accordingly, while richer households still view corruption as a problem, they may be more likely to perceive it as a nuisance. A greater percentage of households in the upper quintiles were more likely to state corruption was a "somewhat serious problem" compared to their poorer counterparts, which may be due to higher incomes softening the direct negative economic impacts of corruption on consumption.

While the government has been actively strengthening its anti-corruption program, the results show **that respondents question the sincerity of the government's desire and will to combat corruption.** When asked, 49% of respondents agreed there was "no sincere desire and will on behalf of Government to combat corruption". The largest percentage of such respondents resides in Bishkek (58%), while slightly less than half the households in other urban and rural areas stated the same: 47% and 45% respectively. Only 26% agreed that the government's corruption strategies were effective. These results are supported by the focus group participants, who noted that while there was more talk about corruption and increased visibility and awareness, overall the campaign has been ineffective. Common criticisms were that the

government's approach was selective and not systematic, was inconsistent and did not target the top levels of government[14].

4.2. PERCEPTIONS OF COMMONALITY OF INFORMAL PAYMENTS

A significant majority of households stated it was common to make informal payments to "get things done". When asked to respond to the statement, "when thinking about government officials, it is common for citizens to have to pay some irregular "additional payments" to get things done", 73% of respondents stated this was "always" or "mostly" the case. Again, the highest percentage of respondents sharing this perception were in Bishkek City (79%), compared to 72% and 71% in rural and other urban areas respectively.

Perceptions regarding frequency of informal payments for specific tasks suggest a lower bribe incidence than implied **by the general question on prevalence of bribes**. Respondents were asked how frequently households like theirs find themselves obliged to make unofficial payments to public officials associated with four activities: to obtain basic public services, to obtain licenses or permits, to update or revise their tax status and to speed up legal proceedings in the judicial branch.[15] Overall, 24% of respondents indicated that they have to pay "mostly" or "always" in order to obtain public services. For other tasks, informal payments are less common. See Figure 5.

Figure 5. Perceived Frequency of Bribes for Different Types of Interactions with Government[16]
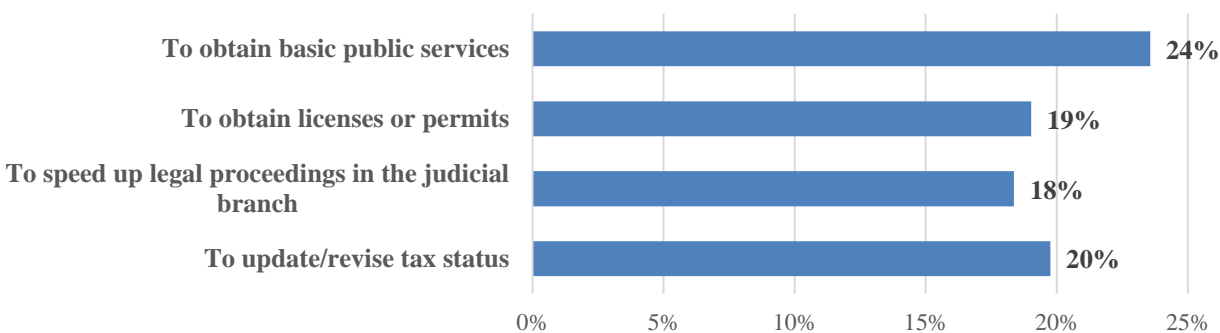
Households in Bishkek and urban areas are more likely to state that informal payments are necessary to obtain public services. Thirty-eight percent of respondents in Bishkek stated it was mostly or always necessary to make informal payments to obtain services, compared to 21% in other urban areas and 19% of rural households. Perceptions in rural areas are more positive: 63% of respondents in rural areas indicated they "never" find themselves obliged to make unofficial payments to access public services.

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[14] Focus group discussions June 2014.

[15] Demographic data is collected on heads of households, while the questions about using certain government services are asked about all members of the household.

[16] How frequently do households like yours find themselves obliged to make unofficial payment to public official associated with the following? The chart provides the share of respondents answering "Most times" or "Always"

Box 1. Causes of Corruption in the Kyrgyz Republic

Low salaries and economic circumstances of public servants were commonly cited by citizens as the primary cause of corruption. When asked about the causes of corruption, focus group participants identified a range of contributing factors from economics to cultural norms. Participants voiced that the civil servant salaries and salaries of doctors and teachers were low, indeed often too low to support a family and so civil servants may ask for bribes to supplement their income.

Cultural norms also play a role. Several participants noted that citizens contribute to the problem by paying bribes. The citizen's role in perpetuating corruption was also noted in the survey results: 40% of respondents indicated that corruption is perpetuated mostly by citizens (see Figure B1 below). Focus group participants noted that citizens in Kyrgyz Republic want things done quickly, so they pay bribes for more efficient service: "if we want to obtain a certificate from a government service, we prefer to pay a bribe and get it quickly rather than wait and go through the procedures". Others noted that "people are used to the system, it is a habit acquired from parents". This perpetuates the cycle across generations. Another participant noted, "children witness corrupt practices and learn the wrong lessons", they added that to beat corruption, "we need to start teaching good lessons to children".

Figure B1: Corruption is Perpetuated Mostly by…
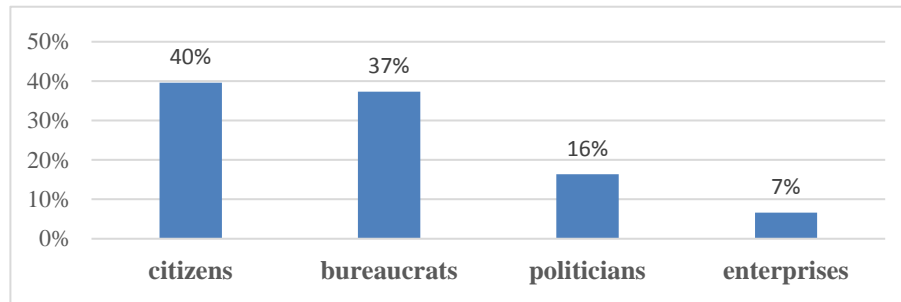
Limited voice and lack of legal awareness were also often cited. Participants noted that citizens don't know their rights and therefore are more likely to pay. One stated, "Citizens must know their rights and national laws and use existing mechanisms and channels". While reporting mechanisms exist, citizens are not likely to report corruption out of fear of judgment and repercussions. As one noted, the same individuals are at the service desk, and without alternative service channels citizens are wary to report corrupt activity if only to retain access to the service.

Source: Focus Group Discussions

However, perceptions of corruption are not supported by actual observation of corrupt acts by officials. While respondents state informal payments are frequently needed, only 13% indicated they had observed a corrupt act by a public official in the last two years. However, when asked if anyone in the household had reported a corrupt act to an appropriate authority in the last two years, only 2% of respondents indicated yes. This may be a function of lack of awareness of reporting mechanisms: only 22% of survey respondents said they knew the process to follow to report a corrupt act by a public official. Without an understanding of formal mechanisms and channels for reporting corruption, there is less likelihood that citizens will voice their concerns or report behavior.

4.3. EXPERIENCES WITH CORRUPTION

The survey not only captured data on perceptions of corruption but also households' direct experiences with different service providers. Respondents were asked if during the past year, any member of the household had attempted to obtain one or more of 18 individual public services. (See annex for a full list of services, and service-level measures). Further, if the household had tried to obtain the service, whether in those interactions they were asked for a bribe, and if so, how much was paid. From this data, a graft index[17] is calculated that represents the share of interactions with government agencies during which an informal payment or gift was expected.

The Graft Index across all services shows that corruption took place in approximately one in six interactions between citizens with service agencies.[18] The graft index of the national-level sample 16% across all services. See Table 3. The graft index based on specific citizen experiences is lower than the perceived commonality of informal payments to obtain public services discussed above (24%).

Table 3. Graft Index by Strata

	Graft Index
Kyrgyz Republic National Average	16%
By Strata:	
Bishkek City	15%
Urban	18%
Rural	16%

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[17] The graft index is a measure frequently used to assess the incidence of graft based on actual firm or individual experience. The graft index simply represents the share of interactions with government agencies during which an informal payment or gift was expected. Accordingly, it is computed by taking the ratio of the interactions in which gift or payment was expected to the total number of reported interactions.

[18] Don't know/not sure" answers to the question if a bribe was paid are excluded from this computation.

Figure 6. Graft Index by Service [19]
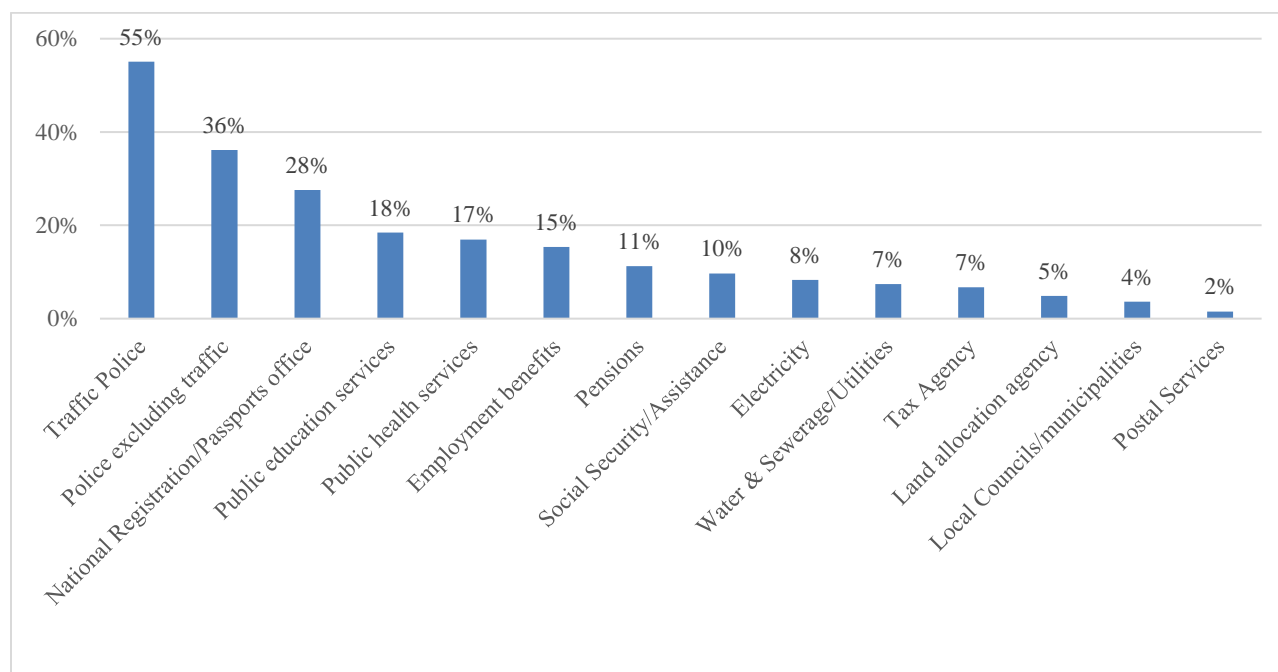
Disaggregated results by service show that interactions with the traffic police have the highest graft index at 55%. Two types of interactions with police are distinguished: one with traffic police, and other interactions with police (excluding traffic). This result is similar to other studies such as the 2013 GCB which also showed interactions with the traffic police as the most prone to corruption[20][21]. Households also report a high incidence of corruption when dealing with the National Registration Office (28%). The National Registration office is particularly important as this entity issues passports and drivers' licenses among other services.

Health services, electricity and education services were the top services most accessed by the survey respondents. Respondents in Bishkek accessed these services more frequently than their urban and rural counterparts (see Annex). While the graft index shows no significant difference across strata, results by individual service show dramatic differences in certain services including education and electricity. Examining data on education services, 30% of those in Bishkek City reported accessing the service, compared to 27% of urban and 23% of rural counterparts. However, 26% of respondents in Bishkek City reported a bribe was expected or requested, compared to 14% in rural areas and 16% in other urban areas. A similar discrepancy is seen in electricity where 16% of Bishkek respondents reported a bribe was expected, compared to 5% in other urban areas and 6% in rural areas. The converse is seen in national registration office services: while the greatest percentage of those accessing the service reside in other urban

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[19] The graph only represents services with greater than 25 interactions. Less than 25 respondents interacted with judges/courts, company registration, customs, and border control.

[20] These results are similar to those of the 2013 GCB index which showed that 61% of citizens stated they paid a bribe to the police in the last twelve months.

[21] http://www.transparency.org/gcb2013/country/?country=Kyrgyz Republic

and rural areas (15% each) compared to Bishkek City (9%), rural respondents were more likely to be asked for a bribe (38%) compared to other urban areas (17%) or Bishkek City (13%).

Although the survey results showed education services and health services ranking at 4ᵗʰ and 5ᵗʰ respectively, the focus group participants consistently identified these sectors as the most corrupt. Focus group informants reported payment of bribes at each level of education services, from kindergarten enrollment, paying for grades and for entry to higher education institutions. In the health sector, focus group participants admitted paying for services and bribing doctors. A common perception was that some patients do not receive proper medical attention because they do not have enough money. One participant voiced that she "could not haggle with doctors" and paid the bribe fearing that she would receive poor quality service if she did not pay.

When bribes are requested or expected, citizens typically pay the bribe. Respondents report that a bribe was paid in 64% of those instances when a bribe was requested[22]. This result is consistent with prior studies on corruption in Asian countries (Quah, 2011). However, the "pay rate" varies across strata and consumption quintiles (see next section). It is highest in rural areas (68%), followed by other urban areas at 62% and is lowest in Bishkek (57%).
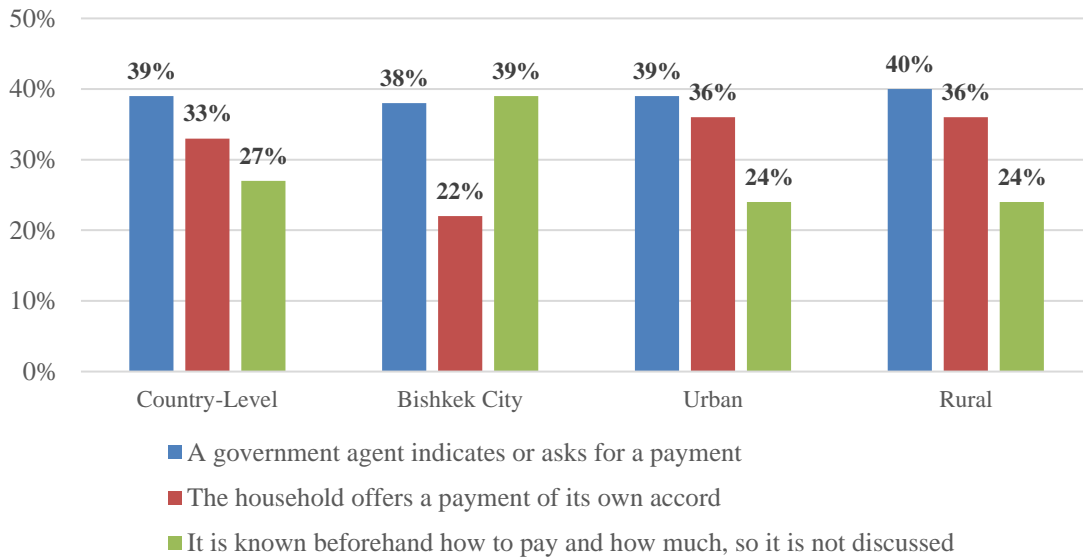
The average amount of the informal payment varies significantly across services. While pensions ranked 7ᵗʰ on the graft index at 11%, pensions had the highest average amount of informal payment at 10,036 KGS. The focus groups corroborated this finding, stating that social services, particularly pensions were fertile areas for corruption. One anecdote puts this in perspective: in order to get a larger pension, the citizen was asked for a bribe, and in return additional years would be added to the citizens' work history thereby resulting in a larger pension amount. Employment benefits also had a high average informal payment of 4,696 KGS. In contrast, while traffic police had the highest graft index, it also had the lowest average informal payment (836KGS or about 5 dollars).

Box 2. Corruption Mechanisms: Who Initiates the Transaction?

A key question is how informal payments are solicited: are they offered by the citizen or requested by the service provider? According to the survey results, 39% of respondents stated that the government agent indicates or asks for the bribe. Nationwide, 33% of respondents stated that the household offers the payment on its own accord, while 27% stated that the amount and how to pay is known beforehand, so it is not discussed. The patterns change when examining different strata, for example, in Bishkek, respondents are more likely to know the "rules of the game" than those in other urban and rural areas. Other urban and rural households are more likely to offer bribes on their own accord (See also Box 1). This result suggests institutional differences exist between Bishkek and the rest of the country. Specifically, that households in Bishkek are more likely to simply follow unwritten rules about how much and when to pay suggests that corruption may be institutionalized to a higher degree than in the rest of the country.

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[22] This variable is computed as the ratio of the number of instances in which the bribe was paid to the number of bribe requests, computed at the individual household level and averaged.

Figure   B2.   Who   initiates   an   informal   payment/request   for   bribe?

- ▮ A government agent indicates or asks for a payment
- ▮ The household offers a payment of its own accord
- ▮ It is known beforehand how to pay and how much, so it is not discussed

There is nothing to indicate that public officials are more or less likely to request payments in urban versus rural areas or in Bishkek city. However, examining the results by consumption quintile reveals a notable distinction in *how* the payments are implemented and how different quintiles experience the process. Public officials are more likely to request payments when interacting with households from the lowest quintile and the likelihood that public official requests a bribe diminishes as income increases. Forty fiver percent of respondents in the poorest quintile stated the government agent initiates the transaction, while only 31% of the highest quintile said the same. In contrast, 40% of the respondents in the highest quintile indicated that they knew how to pay and how much to pay beforehand, so it is not discussed, compared with only 18% of the poorest households. This suggests that poorer households lack the informal knowledge of how to take advantage of services through corruption or the tacit knowledge about how to approach such interactions.

4.4.   WHO IS MOST VULNERABLE TO CORRUPTION?

While the national level results show informal payments are expected in one in six interactions between households and service providers, these expectations are not evenly distributed across consumption groups. Examining the results of the graft index by consumption quintile, two primary groups emerge as somewhat more vulnerable to corruption: the lowest quintile and the highest. The first quintile, the poorest households, have a marginally higher incidence of corruption than the national average: 20% compared to 16%. The highest quintile, the richest households in the sample, report the highest proportion if interactions being accompanied with a bribe request (22%). The middle quintiles form a separate group with a somewhat lower and approximately equal share of transactions accompanied with bribe requests. See Figure 7.

Figure 7. Percentage of Interactions with Government Agencies in which a Bribe was Requested (by Consumption Level)
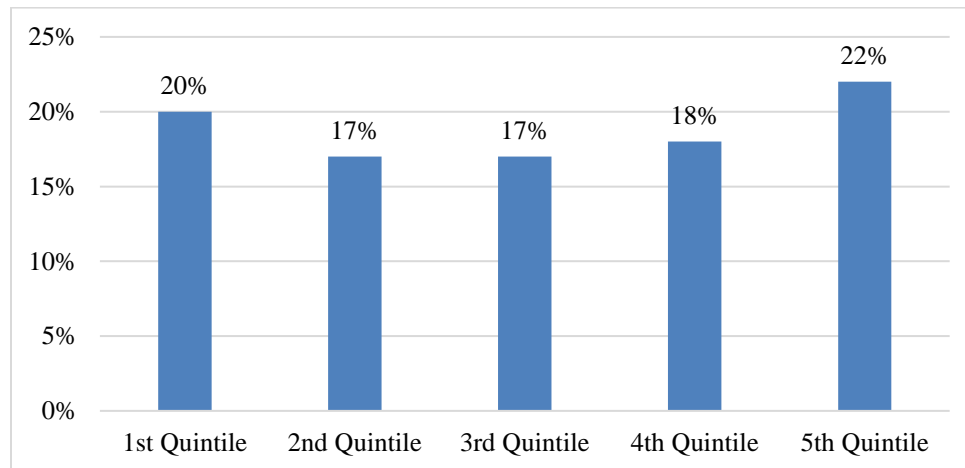

The shallow U-pattern shown in the figure above is consistent with the proposed hypothesis: both those in the lowest and the highest quintile are somewhat more likely to pay bribes than those in the middle. The focus group data support this hypothesis: participants noted that those with low-income background or less social protections such as single mothers and ethnic minorities are more adversely affected by corruption. The lack of connections was also noted as a reason why poorer families are more likely to pay. On the other hand, those of higher status than the civil servants might simply find it expedient to procure better treatment through bribes.

In other words, the poorest might pay bribes because they have to, while the well-off pay bribes because they can. Focus group participants also noted this phenomenon, that "well off citizens have connections that they use to get services". While connections do not necessarily negate the need, or the utility of, paying a bribe, they are useful in locating and connecting with the individuals most likely to help.

When examining the "pay rate", the proportion of instances when a bribe was requested or expected, the poorest quintile is more likely to pay the bribe than others. Seventy three percent of these respondents report that the bribe was paid. Other quintiles are just above or below the national average of 64%. Again there is a shallow U- pattern, with the lowest and the higher quintiles more frequently engaged in corruption in their interactions with officials than the middle three quintiles. This further supports the hypothesis that the poorest are relatively more victimized in interactions with government agencies. See Figure 8.

Figure 8. Bribe Pay Rate: Percentage who Paid a Bribe when Requested
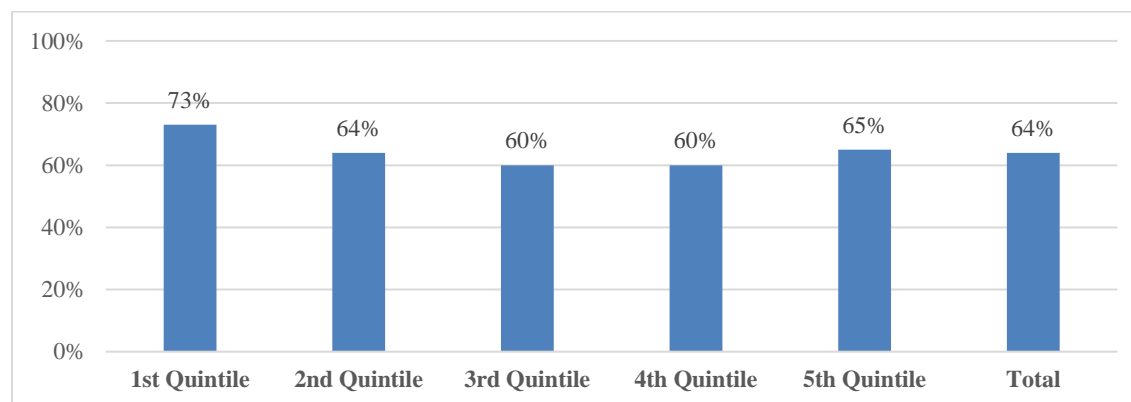
One question is whether these groups are more vulnerable because of their frequency of interactions with public services. Since citizen experience with corruption appears related to socioeconomic status, it is important to examine utilization of government services and experience with corruption by consumption. The average number of services that members of households attempted to obtain within the last year is consistent across quintiles. The lowest quintile attempted to obtain an average of 1.8 services over the last year, but was expected to pay a bribe 20 percent of the time. Conversely, households in the upper quintile accessed a marginally higher number of services (2.5) and were also expected to pay 22% of the time. The number of services sought appears more tightly linked to income rather than on place of residence. Residents of Bishkek city report the highest number of services sought (2.4), followed by rural residents (2.2) and other urban areas (2.0 services). In other words, the poorest respondents tend to seek less services than rural residents in general, even though poverty is more widespread in rural areas.

A second question is whether the particular service accessed by these vulnerable groups are simply those with higher graft index values. The distribution of service utilization by quintile (including of those services with the highest graft index such as police, national registrations office, education services) does not support this argument. The poorest quintiles, in addition to using less services overall, were less likely to interact with traffic police and the national registration office (two of the services with highest bribe incidence), as well as with judges/courts, pensions, company registration (three of the services with highest mean bribes) than their richer counterparts. See Table A2 in the Annex. Out of 18 services included in the survey, the poorest quintile only accessed border control services[23] more than other quintiles, perhaps related to the fact that some of the poorest households might be more likely to supplement income through migrant labor. Interactions with registration/passport offices (the service with the third highest graft index) are more uniformly distributed across quintiles (e.g. 11% report such interactions in the bottom quintile, growing to 17% in the top).

The polarization in "vulnerability to bribes" may also be the result of two simultaneous processes: the greater wealth of the uppermost quintile may facilitate provision of bribes, and the poorest residents may lack access to service alternatives. It is also possible that poor and/or rural residents may

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[23] The number of households indicating they attempted to access this service over the past 12 months was under 25, therefore it is not included in the discussion of the graft index in the previous section.

be more vulnerable to exploitation due to lack of service delivery even after paying a bribe. Results showed that 21% of all respondents remained "extremely uncertain" that a service would be provided if a bribe is offered. In rural areas this percentage is 25%, while in urban areas and Bishkek city it is 12% and 18% respectively. This shows that even with an informal payment, service delivery is not guaranteed.

There is no major variation in the level of certainty that a service would be provided after a bribe is paid across quintiles, with one notable exception: while 22% of the respondents in the poorest quintile reported that they are "completely certain" that a service would be provided, this proportion drops with every upper quintile and is only 12% in the highest quintile. This appears consistent with the mechanism of bribe-giving across quintiles. For the lower quintiles it is more likely that the government agent requests the bribe as a condition to provide the service. In contrast, for the upper quintiles the bribe is more often initiated by the client.

4.5. COSTS OF CORRUPTION

As shown above, the poorest quintiles are more vulnerable to corrupt activity and also are most likely to pay when informal payments are requested. The question remains, what is the cost of petty corruption for these households? The results of the analysis show that the average reported sums of bribes at the household level do not show drastic variation across quintiles. In fact, in this case, the 4th quintile paid the largest sum of 4,026 KGS. However, the poorest quintile reports paying the most per transaction (1441 KGS), while the richest pays the least (1257 KGS). See Table 4. Simply stated, the poor are more vulnerable in terms of both to bribe incidence and bribe size.

Table 4. Costs of Corruption by Consumption Quintile

	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile	Total
Average sum of bribes paid (in KGS); *only households reporting a non-zero payment*	3,563	3,453	3,798	4,026	3,711	3,683
Average bribe per transaction – *only households reporting a non-zero payment* (in KGS)	1,441	1,289	1,262	1,317	1,257	1,302

Similar to the results on the graft index and vulnerability analysis, the discrepancy in cost per transaction is not accounted for by types of services the poor are more likely to access, nor geographic location. The poor utilize the least number of services, and they are less likely to access virtually all of the 18 services included in the survey. Examining the cost per transaction across the strata shows that the average bribes sum reported by rural residents – 1,024 KGS - is significantly lower than those reported by urban and Bishkek city residents - 1,532 and 1,820 KGS respectively. Taken together, the evidence suggests that the poor are more likely to pay higher bribes for their socio-economic status rather than simply the difference in governance contexts between urban and rural areas.

Comparison of the cost of corruption with household consumption shows that the poorest quintile spends 6.3% of its annual consumption on informal payments. Figure 9 below presents the average estimated consumption by quintile with sum of bribes paid. The bribes reported are compared with the total estimated annual household consumption. Assessing the share of bribes of household consumption, the variance across quintiles is less dramatic, however, the poorest quintile reports paying the highest share of income as bribes. See Table 5.

Figure 9. Bribes as a Percentage of Annual Household Consumption
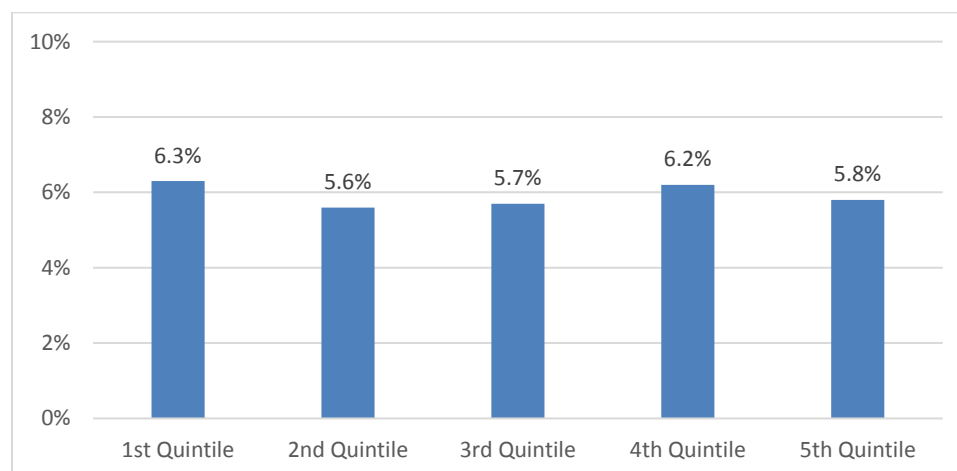
Table 5. Consumption Estimates and Bribes as a Share of Consumption[24]

	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
Annual household consumption (KGS)	56,491	70,231	77,543	80,335	84,619
Average bribes as % of annual household consumption – respondents paying bribes only	6.3%	5.6%	5.7%	6.2%	5.8%
Average bribes as % of annual household consumption – all respondents using services	1.4%	1.0%	1.1%	1.3%	1.5%

The results of the analysis show the broader impact of corruption on household welfare: on average, six percent of household consumption is lost to informal payments. This amount is approximately twice the annual percentage of consumption spent on electricity by households in 2012 (3%)[25]. While this is only

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[24] Consumption and bribes paid estimates are computed at the level of the individual household, and then averaged for each quintile. The consumption data applies to all households, while the bribes sum data is derived from the survey responses of the subset of respondents reporting using government services, being asked to pay a bribe, or both.

[25] KIHS 2012

attributable to those households making payments, overall, when examining the level for all respondents accessing services, this percentage is still 1.4% for the lowest quintile.

The perceptions of corruption of the poorest households are supported by the data on their interactions with public services. Taken together, the data on expected payments, the pay rate, and average percentage of household income lost to informal payments show that the impact of corruption is highest for the poorest households. As shown in the previous section, the poorest quintile reported being expected to pay a bribe in 20% of interactions (above the national average of 16%), and paid it in 73% of cases where it was expected. This pay rate was the highest of all income groups and exceeds the national average of 64%. The average bribe paid per transaction was also the highest in the lowest quintile.

5. DISCUSSION AND CONCLUSIONS

The results of the PSIA reveal important differences in how different income groups are vulnerable to and affected by corruption in the Kyrgyz Republic. Attitudes on corruption do not appear particularly sensitive to household characteristics and socioeconomic descriptors, but actual experiences with corruption and the costs of corruption differ across consumption groups. In particular, the analysis showed that the lowest and highest income groups experienced similar a frequency of corrupt activity, although the dynamics of bribe paying may be different for the higher and the lower strata.

Consistent with prior studies[26], the findings support the hypothesis that the poorest citizens' are more vulnerable to rent-extraction than richer strata of society. The analysis showed that the poorest households experienced a higher than average graft index, had the highest pay rate and faced higher amounts of informal payments per transaction than other income groups. A greater percentage of this group (45%) stated that government agents were more likely to request payments, compared to 31% of the highest quintile.

The results also support the hypothesis that the potential difference in status of the civil servant vis-a-vis[27] that of citizens seeking to obtain services may impact how corruption manifests in public service delivery. The poorer quintiles were more likely to state that service providers requested bribes. While the higher quintiles also faced an above average graft index, the cost and mechanisms differed from their poorer counterparts. The cost per transaction was lower, and the majority of this group (42%) indicated that the amount to pay and means of payment were known ahead of time, so were not discussed. Therefore, while bribes were not explicitly requested, they were still accepted. Understanding the "rules of the game"

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[26] E.g., Hunt (2007), Justesen and Bornskov (2014), Hunt and Laszlo (2012)

[27] For the purpose of this hypothesis it was assumed that the civil servants citizens typically interact with are most likely to be somewhere in the middle three quintiles, rather than in the lowest or the highest. While government salaries in the Kyrgyz republic are very low, it is unlikely that typical civil servants are mostly from the lowest quintile, and it is also unlikely that an average pubic official is a member of the highest quintile. Studies of Kyrgyz civil servants (e.g. Liebert, 2014) also support this assumption, by pointing that although government wages are usually low, they are often supplemented through bribery; further, except for low/entry level positions, appointments to government jobs are typically based on pre-existing informal connections and social capital and economic influence – including providing bribes to secure the appointment (Liebert, 2014). The assumption is also theoretically and empirically supported in other studies (e.g., Grannoveter, 2007), suggesting that bribery is the least likely to occur among those of equal status.

may be one of the reasons for the overall lower cost per transaction for richer households, though this did not lead to a higher likelihood that the service will be provided.

The propensity to pay when a bribe is expected and the amounts paid raise questions about the decision calculus of households. In the abstract, a person providing a bribe to a public official assumes that the official makes some decision or provides a service or takes an action that improves the "briber's" welfare (Husted & y de Estudios, 1999). If one accepts such a formulation, the implication is an efficient market for corrupt services, where individuals and households independently decide if it is worth it to provide the bribes.

However, in the context of government services, this cannot be assumed as eventually interaction with most of them is not optional (e.g. education, health, police, and registration services). In this context, it is not clear what will determine the "propensity to pay" for corrupt services. Per the results of this survey, wealth does not appear to be a key determinant, and indeed the results suggest the opposite: if a bribe was expected, respondents from the lowest quintile were more likely to pay it (73%) than any of the other quintiles (~60%), and more than the national average (64%). Since the lowest quintile also accesses the least number of government services, this most likely means that the poorest Kyrgyz citizens to some extent attempt to limit their interaction with government institutions to non-optional services and this may explain why they are more likely to pay when a bribe is demanded.

The heterogeneity in bribe incidence between services such as electricity, education, and registration offices may suggest that bribe-seeking might be partially the result of demand. For example, in Bishkek, being the most urbanized area in the country, demand for new electrical services might exceed capacity, resulting in a higher rate of bribe extraction compared to environment where the demand might be lower, e.g. in rural areas. Conversely, in the case of passport/registration offices, Bishkek residents are more likely to be already correctly registered, and may not be in need of visa services as often as rural residents who may be migrant workers.

The widespread use informal payments reveals that citizens are exposed to corruption in their everyday lives, be it interacting with the traffic police, sending their child to school or seeing a doctor. More effective mechanisms are needed to reduce the propensity for corruption as well as to reduce the differential impact on citizens. Steps are needed to enhance the effectiveness of government to provide quality services in a transparent and accountable way that reduces opportunities and incentives for corrupt behavior.

Ultimately, the differences in corruption experiences and consequences provide may inform anti-corruption **strategies aiming to minimize impact on the economically most vulnerable part of the population.** However, such strategies cannot be a substitute for comprehensive strategies aiming to enforce universal rules and codes of conduct protecting both the poorer and the richer households. The current analysis utilized a quintile distribution of households by per capita consumption, and in this classification the upper quintile (especially in a developing economy such as the Kyrgyz Republic), can hardly be conceptualized as a rich and privileged class: while it may experience a marginally better adjustment to corrupt practices, and a somewhat better ability to absorb the attendant costs, it nevertheless shares the frustration and the negative attitudes of the rest of the population and thus cannot be neglected in any anti-corruption efforts.

Box 3. How to Combat Corruption: Results of the Focus Groups

The focus groups included a variety of stakeholders from ordinary citizens, students, and representatives from women's groups, other civil society organizations, and media. The focus groups were held in the cities of Osh and Bishkek, and focused on topics regarding the prevalence of corruption, mechanisms for corruption, and coping mechanisms. Focus group participants offered a number of suggestions on how to curb corruption in the Kyrgyz Republic, summarized below.

Changing *cultural norms and fostering demand for good governance:* Participants of the focus groups (as well as survey **respondents**) attributed some blame to the citizens themselves, and acknowledged that acceptance of corrupt practices is part of the general mentality. Changing this mindset will take effort to foster demand for better governance, and CSOs and media can play a prominent role to monitor and report on corrupt activities.

Increase outreach efforts and media coverage on the negative aspects of corruption: The focus groups suggested providing more visibility to the negative consequences of corruption to youth through films, social media, public service announcements and other outreach campaigns. As one participant stated, the youth are learning poor habits by witnessing these transactions and they will have to be the generation to change the status quo.

Increase citizens' understanding of the law and their rights: Participants noted citizens' lack of awareness of proper government conduct and of their rights. Several options were offered including improving outreach to citizens and publishing of information on services such as how to apply and standard costs for services (i.e. service standards or citizen service charter). Publicizing this information will promote transparency and could reduce potential for corruption.

Increase independence of anti-corruption agencies and strengthen enforcement of anti-corruption laws: participants indicated most people accused of corruption are not punished. Further they noted that some efforts against corruption appeared to be politically motivated: used to punish political opponents and maintain their hold on power.

Introducing anonymous reporting systems and whistleblower protections: while the reasons for non-reporting vary, one commonly cited was a fear of retribution. This may be more common in rural areas, where there is only one or two staff providing services. As noted by the focus group participants, there is a social capital cost implied: if the citizen complained everyone would hear about it, resulting in a social pressure to comply. Citizens need to know the process to report corrupt behavior to proper authorities and be assured of confidentiality.*Source: Focus Group Discussions*

The graft index data on each service may inform specific sector or institutional reforms that can translate into an actionable policy agenda. The data show that key sectors such as health, education, and electricity are the services most accessed by Kyrgyz households. These are also characterized by relatively high levels of graft. Targeting specific sectors for tailored anti-corruption activities may result in focused improvements over time. Specific actions may include implementing reforms on school enrollment, piloting results-based financing for education or health, or implementing citizen feedback mechanisms where citizens can report corruption anonymously without fear of retribution by teachers, doctors, or administrative officials. Collecting and monitoring this data can improve the government's awareness on corruption issues, and foster their ability to better target interventions.

To achieve the goal outlined in the NSDS, for Kyrgyz Republic to become one of the top 50 least corrupt countries by 2017, the country needs to accelerate the pace of public sector reforms that focus on curbing **corruption.** Administrative and petty corruption can be addressed through preventative

measures. These include greater transparency in service delivery through application of service standards, outreach campaigns to inform citizens of their rights and methods of recourse, and training civil servants on customer-centric service provision. Some of these mechanisms are in the current anti-corruption plan. While the government continues on its reform path, the results of these efforts may be captured by future iterations of the survey.

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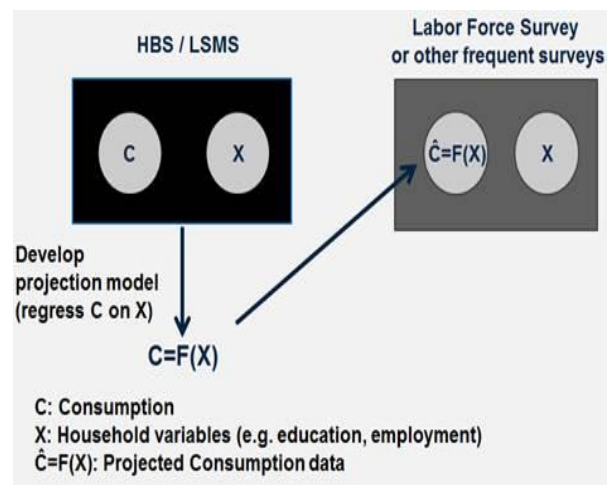
ANNEX

ANNEX 1: SURVEY TO SURVEY IMPUTATION

Traditional estimates of household welfare (approximated as daily per capita consumption) rely on survey data with a complex consumption module containing large set of detailed questions on prices and quantities of goods and services consumed. Given its complexity the collection and analysis of that data involves significant investment of time, money and analytical efforts. On the other hand, the scope of many projects is rather segmented to specific area or too small to justify collection of detailed consumption and income data. In this context the most effective alternative is imputation of welfare and consumption data based on another household survey.

The World Bank's poverty group has developed a technique that allows imputation of welfare variables based on the consumption model created using data from another nationally representative household survey (HBS). The conceptual framework of the survey to survey imputation can be represented in the following way:

For the purposes of the current study the consumption model was developed based on the Kyrgyz Republic's Integrated Household Survey (KIHS) data for 2009-12. The model included variables related to: household demographics (e.g. age and gender of household members), household characteristics (education, labor activity, etc.), household head's characteristics (age, gender, labor, education, marital status and others) and household assets holding (both livestock and durables). Based on that model the simulated values of consumption (at household level) were imputed for the households in the corruption survey. The sample was then divided into quintiles for analysis of key indicators.

Source: World Bank Staff

ANNEX 2: SERVICE LEVEL MEASURES

Table A1: Graft Index by Type of Service

	Number of reported transactions	Number of reported bribes	Graft index	% of users reporting bribe was expected	Mean bribe amount (KGS)
Traffic Police	158	87	55%	60%	836
Police excluding traffic	36	13	36%	38%	2707
Judges/Court officials	19	6	32%	32%	9626
National Registration office/ Passports office	145	40	28%	30%	1386
Company Registration	21	5	24%	20%	6480
Customs	21	5	24%	38%	NA
Public education services	266	49	18%	17%	4593
Public health services	519	88	17%	16%	3761
Employment benefits	65	10	15%	25%	4696
Pensions	133	15	11%	10%	10036
Social Security/Assistance	62	6	10%	13%	NA
Electricity	338	28	8%	8%	2699
Tax Agency	193	13	7%	8%	3654
Water & Sewerage/Utilities	148	11	7%	8%	1933
Land allocation agency	41	2	5%	8%	4931
Local Councils/municipalities	111	4	4%	6%	417
Postal Services	65	1	2%	2%	NA
Border control	22	0	0%	3%	NA

Table A2. Service utilization by consumption quintile (% respondents reporting they or a member of their household attempted to obtain service)

Service utilization by quintile	1st quintile	2nd quintile	3rd quintile	4th quintile	5th quintile	TOTAL
Public health services	46.3	52.5	52.7	49.3	44.1	49
Public education services	22.4	28.6	28.1	24.6	22.1	25
National Registration office/ Passports office	10.9	12.5	13.4	14.8	17.4	14
Traffic Police	9.3	15.1	16.6	16.8	17.8	15
Police excluding traffic	2.3	2.5	3.2	3.6	5.3	3
Company Registration	0.6	0.8	1.5	2.9	4.5	2
Customs	1.2	1.4	1.9	2.5	3.1	2
Tax Agency	14.1	19.2	20.1	19.3	18.9	18
Judges/Court officials	1.7	1.2	1.2	1.2	3.7	2
Water & Sewerage/Utilities	9.6	12.0	13.9	15.7	19.7	14
Electricity	22.4	30.9	33.4	36.7	36.3	32
Employment benefits	5.3	5.8	5.3	4.8	9.3	6
Postal Services	4.3	4.6	5.6	7.0	9.2	6
Pensions	10.7	12.4	12.2	12.8	14.5	13
Social Security/Assistance	5.3	6.4	6.1	6.0	5.4	6
Local Councils/municipalities	10.1	10.9	10.8	9.2	11.4	10
Land allocation agency	4.4	3.9	3.2	2.6	5.6	4
Border control	5.6	4.4	3.7	2.9	2.1	2

Table A3. Service utilization by strata (% respondents reporting they or a member of their household attempted to obtain service)

	Urban	Rural	Bishkek	total
Traffic Police	19.9%	13.8%	14.5%	15%
Police excluding traffic	4.9%	3.6%	1.4%	3.4%
Judges/Court officials	4.1%	1.7%	0%	1.8%
National Registration office/ Passports office	14.8%	15.3%	8.8%	13.8%
Company Registration	1.7%	1.6%	3.7%	2%
Customs	2.1%	2.5%	0.6%	2%
Public education services	26.7%	22.8%	30.3%	25.2%
Public health services	49.3%	43.9%	62.7%	49%
Employment benefits	3.8%	8.8%	0.8%	6%
Pensions	9.7%	10.9%	19%	12.5%
Social Security/Assistance	3.1%	7.7%	3%	5.8%
Electricity	19.7%	28%	53.1%	31.9%
Tax Agency	13.1%	20.7%	16%	18.3%
Water & Sewerage/Utilities	12.4%	13.3%	18%	14%
Land allocation agency	3.2%	5.5%	0.3%	3.9%
Local Councils/municipalities	5.1%	15%	2.5%	10.5%
Postal Services	8.6%	5.4%	6.2%	6.2%
Border control	2.8%	2.6%	0%	2%

KYRGYZ POVERTY AND CORRUPTION PSIA
DRAFT CONSULTATION QUESTIONS

CAUSES OF CORRUPTION

1) In your understanding, what is corruption?
2) What are the main causes of corruption in the Kyrgyz Republic?

MANIFESTATIONS OF CORRUPTION

1) In April 2010, Kyrgyz Republic witnessed a popular revolution. The new authorities that came to power had promised to curb corruption significantly. How would you compare the level of corruption between now and before 2010? (Has there been change in average size of bribes?) What explains changes?
2) Where do community members encounter corruption the most? Where do they encounter corruption the least? Why do you think this is the case?
3) How common is corruption when citizens try to access public services such as national IDs, accessing health or education services?
    a. Why are bribes paid – to speed up services, for access, for information, other reasons?
4) Does corruption affect groups such as the poor or women in different ways? Or are there differences in your experiences? What might explain any differences?

COMBATTING CORRUPTION

5) What coping strategies do citizens use when faced with unfair or improper treatment?
    a. Probe: Can they seek redress from an upper level?
    b. Do family or community network provide support?
6) How effective are the government's measures to stem corruption in government agencies/sectors which are most affected by corruption?
7) What work have you been doing with your organization to tackle corruption? Have you found strategies that have worked? What has been the impact of this work? Please explain your experiences.
8) What have been the major barriers your organization has faced in the fight against corruption? What can be done to overcome these?
9) what can/should be done to encourage corrupt individuals or organizations to end their corrupt practices? What actions/punishments would you advocate to discourage corruption?
10) Which individuals or organizations do you think should take the lead in fighting corruption? Whose responsibility is it?