

Kyrgyzstan 2015



Total: 48.55

Political Freedom

Free and Fair Elections : 4.29

The only Central Asian republic which might be labeled “democratic” will face the biggest test in the upcoming elections in 2015. In a climate where the president tries to expand his powers, while the country has embarked onto developing closer economic ties to Russia through joining the Eurasian Economic Union (EEC), civil society still seems robust enough to demand free and fair elections. Another problem looms from the political camp. As Freedom House’s Nations in Transit report reiterates that political parties are mainly a vehicle for business interests. This might jeopardize voters’ interest when it comes to the implementation of further democratic reforms on the governmental level.

Absence of Unconstitutional Veto Players : 3.33

The impact of unconstitutional veto players on Kyrgyzstan’s domestic affairs remains strong. Organized crime is still intertwined with politics and rule of law has not been implemented as the Central Asian Analytical Network puts it. Widespread corruption in all spheres of economy and public life reflect the weakness of democracy.

Freedom of Press : 3.3

Due to tighter governmental control of the media, Kyrgyzstan dropped in its ranking more than one point. This Central Asian republic, which had embarked onto the only real “democratic experiment” after 2010, has been drawing closer to the situation of its neighbours – including in the field of press freedom. With its law on “false information relating to a crime or offense” the government introduced a “carte blanche” to punish the last remnants of independent journalism or journalists who speak up too positively for the Uzbek minority in the country.

Rule of Law

Independence of the Judiciary : 3.25

Political or criminal influence, corruption, nepotism, ethnic bias and arbitrariness are still characteristics of the judiciary in Kyrgyzstan. Situation is stagnant and in some aspects even worrisome. For instance, according to the Freedom House, the number of court cases against alleged or real religious extremism has risen dramatically, indicating rather at criminal extortion motives than at political manipulation. Lack of independent and professional judiciary has been the biggest obstacle to reforms in other fields of public life. It was only in July 2013 that the highest judicial body, the Constitutional Chamber of the Supreme Court, tasked to protect the Constitution of 2010, became operative. During 2014 it resolved several important cases regarding privatization of public property.

Corruption : 2.7

Very bad situation in Kyrgyz Republic regarding corruption has improved a little bit during the past year. As compared with the pre-2010 situation, the improvement is already visible. On the low and middle level, government authorities try to suppress corruption, especially if it involves organized criminals. In the ranking by the Transparency International's Corruption Perception Index, Kyrgyzstan is moving upwards. In 2014, its score was 27 (in 2013 it was 24), which put them on the place 136, well ahead of the comparable Tajikistan, Uzbekistan and Turkmenistan. The main limitation factor is the ad hoc nature of the anti-corruption struggle, i.e. lack of comprehensive strategy and sector action plans. Another problem is occasional political bias at the top, which was last time demonstrated in August 2014 through the acquittal of the former Mayor of Bishkek, who had been accused of corruption. Many perceived it as a pardon granted by President Atambayev to his close aide from the ruling party SDPK.

Protection of Human Rights : 4.35

Since 2014, Russian influence is increasingly felt in Kyrgyzstan. With it, there arise numerous initiatives to adopt human-rights' restrictive legislation similar to the one in the Russian Federation. Restrictions on freedom of association and assembly are mounting. NGOs, until recently the important collaborators of government in promoting reforms, maintaining dialogue with citizens, monitoring security forces, etc, are ever more worried. The "foreign-agents bill", i.e. the law restricting foreign donations to civil society organizations, modeled over Russian law as of 2012, was first proposed in 2013, but soon withdrawn. In October 2014 it re-entered parliamentary procedure and in June 2015 it passed the first reading. Since President Atambayev is opposing it, it is unclear whether or not he would sign it even if it was finally adopted. Another law modeled over Russian practice was the "anti-propaganda law", i.e. restrictions to publications or other public appearance of the LGBT organizations on the grounds of protecting minors from the "propaganda of non-traditional sexual relations". The latter law passed the second reading in parliament (by 90:2) in June 2015 and is not far from being adopted. On the positive side, one should mention the action plan against torture, adopted by the government in October 2014.

Economic Freedom

Security of Property Rights : 5.01

Private property is not adequately secured in Kyrgyzstan. The courts are neither partial nor independent, and corruption within the judiciary is evident. Political influence of the elite can be an important factor in court rulings. Legal processes are long, costly and ineffective, especially in the appealing process. Long procedures, even when unblemished, can considerably damage property rights. Wide authority of the state in nationalization or appropriation of private property for public interest can be used by the political elite for their personal political or economic gains. Furthermore, weak implementation of laws through rule-of-law institutions provides room for widespread clientele system and informal patronage connections between economic and political agents, contributing to the high level of corruption.

Size of Government: Expenditures, Taxes, and Enterprises : 7.34

The government in Kyrgyzstan consumes 38% of GDP, lower than in Europe welfare states but still above more successful transition economies. This is a strong increase compared to the pre-crisis level of 29%. The government consumption spiked in order to boost the economy in the wake of the crisis, which led to sizeable budget deficits and growing public debt. The implemented austerity measures in 2013 and robust economic growth have partially slowed down public debt growth, however due to another push of government financing out of the economic decline it is considered to further increase. However, these developments were reversed due to negative economic development in the Russian Federation, which is the main source of migrant workers' remittances and an important foreign market for Kyrgyz products. In order to tackle imminent economic downturn, the government has initiated an ambitious public infrastructure investment plan. This stopped the fiscal consolidation, which will have to be continued if fiscal targets are to be met and public finance checked. There are still many state-owned enterprises (SOEs) in the country, the most important of which operate in the field of electricity, natural gas and transportation. These companies are mostly inefficient and operate with financial losses which are covered by the government via subsidies or by taking over their debts. Those companies continue to pose a financial risk for public finance. Energy is heavily subsidized by the government, making those subsidies a fiscal burden and an inefficient social measure, because it is not targeted only towards the poor.

Regulation of Credit, Labour, and Business : 6.96

The business environment in the country is more business-oriented than in other countries in the region. However, there are still many areas in which improvements are necessary in order to describe the current business climate as favourable. Administrative requirements lay a heavy

burden on companies, especially in the SME sector. The process of licensing and providing permits is not transparent and can be easily manipulated. Bureaucracy is complicated, with many inconsistent regulations, which leads to high risks of corruption, which to its part induces significant costs. The regulations in starting a business, however low and cheap, are quite contrary to the conduct of regular business operations. Dealing with construction permits is cheap but lengthy. At the same time, getting electricity is slow and very expensive. Further reforms in the tax system are envisaged to make paying taxes more easily, however reorganization of tax authorities is an ambitious reform that will take some time to give results. Banking regulation is not in line with international standards. The central bank is perceived as one not being independent from the government. There are restrictions on property ownership of agricultural land by foreign nationals, but land can be leased for a period of up to 99 years. Labour regulations are not overly stringent: fixed term contracts are not allowed for permanent tasks, but maximum level of fixed-term contract is relatively long. Mandatory military conscription poses significant burden, while bribing one's way out of the military service has become widespread. The minimum wage is low and is not a strong obstacle to economic development.

Freedom to Trade Internationally : 8.02

Kyrgyzstan was the first Commonwealth of Independent States (CIS) to join the World Trade Organization (WTO) in 1998, which substantially lowered tariffs. Those remained low, as compared to other countries in the region. However, obtaining customs' certificates for import or export operations is lengthy (more than 2 months on average) and complicated, providing high trade barriers. Standardization requirements prove to be complicated and expensive due to underdeveloped or incomplete technical regulation. This state of affairs is further aggravated by the weak enforcement of rules in the custom bodies, inconsistent enforcement and interpretation of regulations, complemented by informal payments and bribes in order to obtain necessary documents. The poor state of transportation infrastructure further aggravates the situation, considerably inflating costs of international trade. However, the Kyrgyz Republic remains the most open and trade-friendly country in the region. Kyrgyz Republic has become a member of Eurasian Economic Union (EEU) in May 2015, joining the Russian Federation, Kazakhstan, Tajikistan, Belarus and Armenia. This is expected to facilitate cross border trade with those countries that are its main economic partners, alongside the European Union, especially with Kazakhstan where problems with international freight were detected.