

Kyrgyzstan 2016



Total: 47.59

Quick facts

Population:	5.976 million
Unemployment rate:	7.5 %
GDP:	6.231 billion EMU
GDP growth rate:	3.5 %
GDP per capita:	1040 EMU

Political Freedom

Free and Fair Elections : 4.29

A change of constitution in 2010 which included measures to improve the electoral process, delivered their first results at the parliamentary elections held in October 2015. According to the OSCE ODIHR, this election demonstrated higher level of fairness and political pluralism than it before, thus it was declared as fair and competitive. However, many irregularities, such as biased media coverage, claims of bribing voters and abuse of power, did occur throughout the campaign and on the election-day. A new system of biometric registration, which was meant to stop fraud that happened during the last elections, was criticized by many NGOs or political activists, on the basis that it violated protection of the assigning the right to vote. The result was that numerous people who lived outside Kyrgyzstan failed to register. After the elections, the new parliament convocation consists of 6 political parties, out of which 4 have built the government, led by Prime Minister Temir Sarieyev.

Absence of Unconstitutional Veto Players : 3.33

Although elected government in Kyrgyzstan has a power to govern, strong influence of some veto players on the decision making processes in the country didn't fade throughout the year. Political parties in the country are rather groups of people with strong personal business interests than groups guided by political platforms. Because of that, strong relations between major political players and businesses remain a threat to the democratic procedures. Corruption is widespread in Kyrgyz society. President Almazbek Atambayev created the Anti-Corruption Service within the

State Committee of National Security in 2012, in order to tackle the issue. The unit made some progress by prosecuting corrupt officials from almost all political parties, but not from his own Social Democratic Party of Kyrgyzstan. One deviation from this pattern was made in August 2015, when Atambayev's Chief of Staff was accused of extortion.

Freedom of Press : 3.3

Kyrgyzstan has a wide range of traditional media outlets - more than 200. However, that doesn't make the whole picture of media any brighter. Press is not free and diverse opinion in this wide range of media outlets is still hard to find. Self-censorship by journalists is very common, due to continued pressure by politicians in power and by editors to report – at least on sensitive topics - in a more favorable way for the government while to avoid writing in a negative way about some officials. Passing of “False accusation” amendments in 2014 could be seen as recriminalizing libel. It raised fear of imprisonment or of large fines among journalists. Therefore it directly hurt freedom of independent and investigative journalism.

Rule of Law

Independence of the Judiciary : 3.25

Lack of independent and professional judiciary has been the biggest obstacle to reforms in other fields of public life. Political or criminal influence, corruption, nepotism, ethnic bias (especially against Uzbeks) and arbitrariness are still characteristics of the judiciary in Kyrgyzstan. Situation is either stagnant or in some aspects increasingly worrisome. Amnesty International in its 2015 report quotes local NGOs which reported on 79 cases of torture or ill treatment of detainees just during the first six months. The number of torture cases investigated is less than half the number of reported, while only handful of the latter lead to a verdict, only after several years. As Freedom House noted, “defendants’ rights, including the presumption of innocence, are not always respected.” Constitutional Chamber of the Supreme Court, which became operative in 2013, faced a few challenges. According to local portals, its senior member was, in July 2015, excluded from decision making in a case because she allegedly voiced her attitude (different from the one of the government) prior to the vote in the court. In autumn, the Venice Commission put a number of remarks to the Rules of Procedure of the Constitutional Chamber.

Corruption : 2.8

Corruption is widespread. In 2012, the Anti-Corruption Service within the State Committee of National Security was created in order to tackle the issue. The unit made some progress by prosecuting corrupt officials from almost all political parties (e.g. Mayor of Osh, who was convicted in absentia in July 2015), except from the ruling Social Democratic Party of Kyrgyzstan. An exception was made in August 2015 with the investigation against the President's Chief of Staff, on charges of extortion. Overall, the very bad situation has improved a little bit during the past year. 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 it to the place 136. In 2015, Kyrgyzstan was ranked, together with Kazakhstan and 5 other countries, as 123rd of 168, with the score 28, ahead of the comparable Tajikistan (26), Uzbekistan (19) and Turkmenistan (18).

Protection of Human Rights : 4.33

The situation is mottled. Academic freedom is not restricted, whereby some of the think-tanks are renowned region-wide. Freedom of trans-border movement is secured, amid restrictions to economic migrations within the country. Human-rights` NGOs still operate with relatively little intimidation, whereby in May 2016 a draft law "against foreign agents" (shaped upon the one in Russia) was rejected in parliament. Another law modeled over Russian practice was the "anti-propaganda law", i.e. restrictions to publications or other public appearance of the LGBT organizations. The latter law passed the second reading in parliament in June 2015, but was later rejected, only to be reintroduced into procedure in May 2016. LGBT people have no constitutional, legal or police protection against violence and discrimination, either individual or organized (by ultranationalist groups). Women are insufficiently protected against rape, bride abductions, or trafficking for forced prostitution. Initial steps are taken in fighting domestic violence. Some women have held high positions in the state, yet their overall participation in politics is still meager. Their participation in various walks of business, culture or sports sharply varies from one field to another. Inter-ethnic relations are burdened by the lack of proper investigation (or even political misuse thereof) into the Kyrgyz-Uzbek clashes as of 2010. There are restrictions to religious practice, which include raiding private homes to prevent the unregistered cults or orders from worshipping.

Economic Freedom

Security of Property Rights : 4.77

Private property is not adequately secured in Kyrgyzstan. The courts are neither partial nor independent in their dealings, with corruptive practices being present. Political influence of government and their associate groups can make courts serve as executors of political will. Legal processes are long, costly and ineffective, especially in the appealing process. Long procedures, even when unblemished, can considerably damage property rights. The political elite can use government prerogatives in appropriation for their own personal political or economic gains, which creates strong uncertainty. Although private owners are reimbursed, the sum offered usually substantially differs from perceived fair market price. There are no official limits on foreign control, but in certain specific areas regulation stipulate a high percentage of local workforce or a minimum number of board seats for local nationals. Privatization procedures are not transparent and pose a serious possibility for high level corruption and political dealings. As an illustration, the biggest investment in mining sector, at Kumtor mine, has already been renegotiated three times, and

further resolution is pending. Land possession is limited, excluding foreign nationals from owning any agricultural land.

Size of Government: Expenditures, Taxes, and Enterprises :

7.5

Government consumption in Kyrgyzstan is reaching 40% of GDP, comparable to many more developed transitional countries in Europe, or even higher. Government expenditures have risen in the wake of the crisis from the pre-crisis level of 29%. Weak tax base which have also been eroded by government action (for example, VAT exemption for some foodstuff) coupled with increased spending have led to considerable growth of public debt which stood at 68% of GDP in 2015 and continues to climb. The situation calls for an urgent fiscal consolidation, which will put deficit under control and curb public debt. Economic growth prospects are sluggish due to recession in main partner economies (mainly the Russian Federation), which significantly limited inflow of remittances. The ambitious public infrastructure investment plan needs to be revised in order to include only the most profitable and necessary public investments in infrastructure. State owned enterprises (SOEs) in the country are numerous, the most important of which operate in the field of banking, mining, electricity, natural gas and transportation. These companies are mostly inefficient and operate with financial losses which are covered by the government via subsidies or taking over of their debts, and they continue to pose a risk for public finances. Some of these SOEs are envisaged to be privatized, such as the national telecommunications operator MegaCom. Energy is heavily subsidized by the government, making these subsidies a fiscal burden, and an inefficient social measure because it is not targeted only towards the poor.

Regulation of Credit, Labour, and Business :

6.52

The business environment in the country is more business oriented than in some countries in the region, but overall many improvements are necessary. Starting a business are easy, quick and cheap, but administrative requirements, especially in the SME sector, are perceived as a significant burden. Registering a property is one of strong sides of the regulatory framework, Kyrgyz Republic being one of global leaders. The process of licensing and providing permits is not transparent and is can be easily manipulated. The biggest problems for private enterprise are located in the field of corruption, which is omnipresent, as well as policy instability and inefficient bureaucracy, which is complicated, and plagued with inconsistent regulations. Dealing with construction permits is cheap but lengthy. However, getting electricity is inefficiently slow and expensive, mostly due to Severelektro public company. Tax regulations pose a problem, with high number of payments, and complicated procedures. Their actual implementation are also problematic, due to low quality of the tax authorities. Banking regulation is not in line with international standards, and the central bank is perceived not to be independent from the government. Labour regulations are mostly flexible: fixed term contract are not allowed for permanent tasks, but maximum level of fixed term contract is relatively long. The mandated minimum wage is relatively low. Envisaged Labour Code reforms that would introduce further liberalization were put aside due to public dissatisfaction.

Freedom to Trade Internationally :

7.5

The Kyrgyz Republic remains the most open and trade friendly country in the region. Kyrgyzstan was the first Commonwealth of Independent States (CIS) to join the World Trade Organization (WTO) in 1998, which substantially lowered tariffs which remain low compared to other countries

in the region, standing at 3,9 for trade weighted average. However, obtaining customs certificates for import or export operations remain a lengthy and complicated procedure. Kyrgyz Republic has been involved in the negotiations under the WTO framework for accession to Government Procurement Agreement (GPA), which is envisaged to liberalize procurement procedures and open them to more competition from international actors. Standardization requirements prove to be complicated and expensive due to underdeveloped or incomplete technical regulation. Inconsistent enforcement and interpretation of regulations and weak enforcement of rules in the custom bodies create room for corruption in order to obtain necessary documents. The poor state of transportation infrastructure further aggravates the situation, considerably inflating costs and serving as an impediment to international trade. Accession of Kyrgyz Republic to Eurasian Economic Union (EEU) in 2015 (consisting of the Russian Federation, Kazakhstan, Tajikistan, Belarus and Armenia) is expected to further facilitate trade with EEU countries. However, this has also led to new increased regulatory burden Kyrgyz entrepreneurs have to adopt.