

Kyrgyzstan 2018



Total: 47.43

Political Freedom

Free and Fair Elections : 3.21

Turbulent political year is behind Kyrgyzstan. Often perceived as the only democracy in Central Asia, the country experienced regression, resulting in decline of the free and fair elections section of the Freedom Barometer 2018 Index. Electoral process abound with irregularities, vote buying, or intimidation of candidates, while abuse of power and partisan media coverage undermined fairness of the electoral race. Government often abused legal tools to confront critical opposition, charging them on criminal bases, which was widely perceived as politically motivated. During the observed period several opposition politicians were sentenced to jail. Prime Minister Sooronbai Jeenbekov resigned in order to compete at the presidential elections in October 2017, where after Sapar Isakov, also from the ruling Social Democratic Party of Kyrgyzstan (SDPK), was appointed as the new PM. Although seen as pluralistic, presidential race was reduced to two names – Sooronbai Jeenbekov as the ruling party candidate and the opposition candidate Omurbek Babanov. In an unfair process, Jeenbekov was elected as the new president of Kyrgyzstan, by winning 54,7% of votes. Although the process resulted in democratic shift of government, international observers reported many instances of vote buying, violence and pressure on voters, as well as of abuse of state resources. Former president Almazbek Atambayev showed open support to Jeenbekov during the campaign, also undermining fairness. After elections, Babanov was charged of alleged criminal activities and ordered to terminate the work of an (allegedly his) media outlet, resulting in his resignation as an MP and leaving the country. A no-confidence motion against the government was triggered by the opposition in April 2018. Unexpectedly, it was supported by the ruling party, who then replaced PM Isakov and his government, appointing Mukhammedkalyi Abylgaziev for the new Prime Minister of Kyrgyzstan.

Absence of Unconstitutional Veto Players : 3.33

Elected officials in Kyrgyzstan are able to govern without interference from unconstitutional veto players. However, constitutional players coming from the state are those often undermining democracy and rule of law. The executive holds the control over legislative and judicial branch. Constraints put on critical voices in politics and society make such control easier, besides serving to promote personal economic gains of the ruling elite. Several opposition politicians who openly criticized government were arrested, sentenced or charged throughout the year. All cases showed political bias and abuse of state resources. Former president Atambayev is still perceived as the dominant figure in political life of Kyrgyzstan, although he doesn't hold any official position. Corruption among high level officials is widespread, with politicians having close relations with

businesses.

Freedom of Press : 3.3

Freedom of the press in Kyrgyzstan deteriorated further throughout the observed period, due to alleged abuse of legal tools to suppress critical reporting on the ruling elite. Although defamation is decriminalized, journalists and media outlets can be charged for “false accusations”, with huge financial fines and seizure of the property. In all such cases during the last year media was found guilty for false accusation of president Atambayev. Also, a travel ban was imposed to reporters of those outlets. Journalists are often facing political pressure, thus practicing self-censorship when reporting on sensitive issues. Although media landscape appeared as pluralistic, especially as compared with other countries in Central Asia, the closure of one media outlet and a threat to have closed another one have undermined such image. Namely, media outlet Sentyabr TV, belonging to a critical opposition leader Omurbek Tekebayev, previously imprisoned to eight years, was closed down. Due to all these, Kyrgyzstan deteriorated by nine places on the Reporters Without Borders 2018 World Press Freedom Index, currently holding 98th position.

* Press freedom score will be updated after data from primary source have been published. For more information see Methodology section.

Rule of Law

Independence of the Judiciary : 3.42

According to the Freedom House`s report Nations in Transit 2018, there is a “continuing dependence of the judiciary on the executive and the weakness of rule of law in Kyrgyzstan”, despite claims by authorities that progress is made. Courts demonstrated political bias in several top cases, with easily decided and/or harsh sentencing against various dissenting individuals (minority or other NGO activists, opposition or former government politicians, journalists, lawyers) or media. In spite of judicial reforms as of 2010 and 2016, selection of judges still goes along the lines of political affiliation. As Bertelsmann and portal GAN jointly estimated in 2016, “the judicial branch ... remains the weakest and most corrupt part of the state.”

Corruption : 2.9

With only Tajikistani corruption worse, while being alongside Russia, Kyrgyzstan stays near the bottom among countries monitored by the Freedom Barometer. On the Transparency International`s CPI 2017 list, it ranks 135-142/180, with meager 29/100 points. Government`s anti-corruption activities are still selective, i.e. they are missing their own ranks. As a rule, ex-politicians are re-investigated in case they voice dissent against current authorities. Petty bribery - such as in judiciary or other law enforcement services (e.g. to road policemen), or (especially) in obtaining various licenses or permits for utilities - is widespread. Anti-graft attitude gets stronger among citizens, with 95% of the interviewed marking corruption as a huge problem of the country. On 5 March 2018, there were demonstrations in Bishkek against corruption in courts. Parallel to that,

the President and other highest officials of the country launched a number of activities to decrease corruption in public sector, in the framework of existing legislation. They called upon CSOs to help them on the way.

Protection of Human Rights : 4.5

There are more worrisome than encouraging trends as regards human rights in Kyrgyzstan. After improvements in 2016, recent hostile rhetoric by top politicians or by non-state actors against CSOs, or outright bans put on a few foreign human rights workers, led to shrinking of NGO activities. As a contrast, President called upon civil society to take a more active role in the fight against corruption. Freedom of gathering and public demonstrations also meets growing challenges. Ethnic violence as of 2010 did not receive legal response, except harsh yet dubious prison sentences for minority Uzbek activists, e.g. Azimzhan (Azimjon) Askarov. Conditions for media in minority languages (Uzbek or Russian) are worse than for others. Internet access is fairly free, but marred by technical shortcomings. Observance of non-official religious cults is restricted. LGBTs, especially transgender people, are not protected against discrimination or intimidation. While the legislation against home violence was strengthened in April 2017, results are still to be seen. Increasing number of women go out to public with demands for more freedom of personal choice in various areas, from education and employment to dressing codes.

Economic Freedom

Security of Property Rights : 5.01

Private property rights in Kyrgyzstan are not adequately secured. Courts are not independent from the political influence of government or other vested interests groups. Legal processes are long, costly and ineffective, especially on appeal, since the rules on overall time standards are not respected and there are no limitations to adjournments. Registering property is a fast and inexpensive process, but it has recently been made less transparent, since official statistics on property transfers are no longer available to public. Most of the land has a clear title. Insolvency procedures are very slow, being 1.5 years on average, and lead to a low recovery rate of just 35% through piecemeal sale. Political elite can misuse governmental power to acquire property for their own personal, political or economic gains. Although private owners are reimbursed, the sum offered is usually substantially smaller than the perceived fair market price. The two most important cases regarding private property expropriation (in mining and tourism industry) are now close to be resolved: in December 2017, the Kyrgyz government agreed to return four Uzbek-owned resorts on Lake Issyk-Kul, which had been expropriated in April 2016; and in September 2017, the government and the Centerra Gold mining company reached a comprehensive agreement, resolving outstanding disputes. The government dismissed its claims against the company in exchange to a 60 million USD lump sum payment in addition to a tenfold increase in annual environmental damage payments. There are no official limits on foreign control, but in certain specific areas regulation stipulates a high percentage of the local workforce or a minimum number of board seats reserved for local nationals. In 2017, the Parliament adopted a new law on mass media, which limited foreign ownership of television broadcasters to just 35 percent, but this law does not affect print media or radio stations. Privatization procedures are not considered as

transparent and make room for high level corruption and political dealings. Land possession is limited to local nationals only, while foreigners could only lease it. In 2017, the Kyrgyz Parliament created a Business and Entrepreneurship Development Council under the Speaker of the Parliament with the aim to strengthen cooperation between the country's legislative body and business entities.

Size of Government: Expenditures, Taxes, and Enterprises :

7.6

Government consumption in Kyrgyzstan stood at 41% of GDP in 2017, comparable to many more developed transitional countries in Europe - a sharp increase from its pre-crisis level. Public debt, which reached 60% of GDP, was recently reduced due to the Russian debt write off, but significant efforts need to be done in order to stabilize public finances. The economy has experienced robust growth in 2017, of 4.7%, but it has recently slowed due to the sharp fall of gold prices, the main export commodity. But economic growth in Kazakhstan and Russia, its main foreign market, is expected to have beneficial effect on the Kyrgyz economy through rise in exports and on domestic consumption through rise in remittances. The three-year arrangement program with the IMF since November 2015 has helped to improve fiscal situation and make ground for sustainable growth in future. The fiscal consolidation program, that has been implemented since 2015 in order to put the deficit under control and slow down debt growth, is now in jeopardy due to spending increases connected to the presidential elections in late 2017.

State-owned enterprises (SOEs) are numerous, the most important ones operating in the fields of banking, mining, electricity, natural gas and transportation. Some of the companies are by and large inefficient and operate at financial losses, thus creating fiscal risks for the government, which needs to subsidize their operation. SOEs are under authority of the State Property Management Fund, which executes corporate governance of SOEs and appoints members of the SOE boards of directors. But in many cases, elected officials appoint company board members based on political loyalty instead of professional managerial skills and expertise. This leads to poor performance of the SOEs and low quality of public services. In 2017 the Government decided to liquidate non-operating SOEs, i.e. those that mainly existed only in paper. Out of the 8 banks under conservatorship of the National Bank, four were liquidated in 2016 and one in 2017, with the remaining three expected to be liquidated in 2018. Privatization program is mostly stopped. After years of deliberation regarding privatization of the telecommunication company Megacom and the announcement of the auction in July 2017, this did not come to pass. Tax rates in Kyrgyz Republic are moderate. Corporate and personal income tax rates are flat and low, standing at 10% each. The standard VAT rate is also low, just 12%. On the other hand, social security contributions are high, which, coupled with the personal income tax, leads to a labour tax wedge of approximately 32% on the average wage, much more than in other Eurasian countries. It is somewhat high for countries on this level of development and it encourages shadow economy.

Regulation of Credit, Labour, and Business : 6.71

Business environment in Kyrgyzstan is not overly business friendly. Although the quality of regulatory framework in some cases poses problems, the most important deficiency is its partial implementation. Regulation can be contradictory, leading to a bureaucratic standstill or opening windows for corruption. The biggest problems for private enterprises are in the field of corruption, which is omnipresent, followed by policy instability and inefficient bureaucracy. On the other hand,

starting business is easy, quick and cheap, without a necessary paid-in minimum capital, but the process of licensing and providing permits is not transparent and could easily be manipulated. Getting electricity is inefficiently slow and expensive, mostly due to Severelektro public company. Tax regulations are also burdensome, with high number of payments and complicated procedure. The new banking law as of 2016, which was adopted in order to make regulation in this area more in line with the current international standards, has been implemented since June 2017. The National Bank is not considered as effectively independent from the executive branch and politicians in power. The biggest obstacles to a better business environment stem from corruption and policy instability. Labour regulations are flexible: fixed-term contracts are not allowed for permanent tasks, but the maximum length of a fixed-term contract is 60 months. There are no increases in severance pay or notice period in cases of redundancy with the increase of years in tenure. Reassignment and retraining regulation is also lacking. Recent amendments to the Labour Code increased the protection of underage workers.

Freedom to Trade Internationally : 7.45

Kyrgyzstan was the first in the Commonwealth of Independent States (CIS) to have had joined the World Trade Organization (WTO), in 1998, which substantially lowered tariffs. Since 2015 and its accession to the Eurasian Economic Union (EEU), Kyrgyzstan has been applying the common trade policy of this economic and trade block. Tariffs are somewhat higher than in other European countries, but overall not high, with the average MFN applied tariff rate of 6.6%. Tariffs on agriculture products, however, are often substantially higher. Inconsistent enforcement and interpretation of regulation and weak enforcement of rules in the custom bodies create room for corruption, while custom procedures are overly complicated, with as much as 12 different documents necessary to export or import goods. Standardization requirements are complicated and expensive due to underdeveloped or incomplete technical regulation; and the recent Kyrgyzstan accession to the Eurasian Economic Union (EEU) further aggravated the situation, since new technical and even more stringent rules have had to be applied. Low quality of infrastructure serves as an impediment to international trade, significantly increasing freight costs, both regarding roads and railroads. The Chinese infrastructure investments are envisaged to alleviate at least some of those problems, especially the North - South motorway, but these projects have not yet been finished. Border crossing problems, arising from political tensions with Kazakhstan from October to December 2017, which included increased controls of goods or other delays, have had a significant impact on exports from Kyrgyzstan. Kyrgyzstan has been experiencing high trade deficits for years, due to the large inflow of remittances which reached one third of its annual GDP in 2017. The country ratified the Trade Facilitation Agreement of the WTO in 2016, which would in future further liberalize trade flows. Furthermore, the country has continued its involvement in the negotiations under the WTO framework for accession to Government Procurement Agreement (GPA), envisaged to liberalize procurement procedures and open them to more competition by international actors. Main trade partners of Kyrgyz Republic are Switzerland, Kazakhstan, Russia and China.