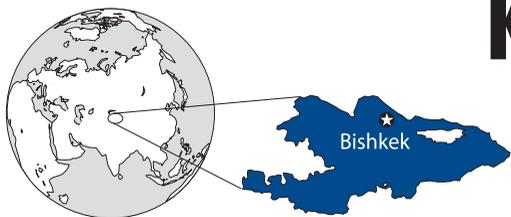


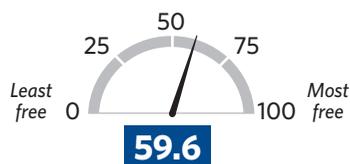
# KYRGYZ REPUBLIC



World Rank: **96**

Regional Rank: **19**

## Economic Freedom Score



**B**roader-based economic development in the Kyrgyz Republic continues to be held back by institutional shortcomings, with remnants of the former Communist system evident in many areas. Political unrest and violence have undermined the transition to a more market-driven economy. Subsequent instability and uncertainty have hurt the prospects for long-term economic expansion.

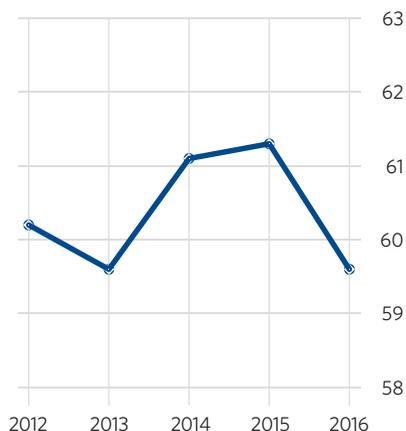
### ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.6 (down 1.7 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **96th**
- Regional Ranking: **19th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Financial Freedom**
- Overall Score Change Since 2012: **-0.6**

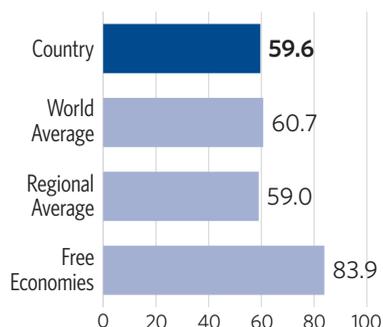
Despite the implementation of reform measures in past years, including adoption of a flat tax rate and simplification of the business start-up process, overall improvement in the business and investment environment has been slow and uneven. Corruption and weak rule of law continue to undercut competitiveness and raise transaction costs for entrepreneurs.

**BACKGROUND:** The Kyrgyz Republic is one of Central Asia's poorest countries and is sharply divided along ethnic lines. Weak governance under Almazbek Atambayev, elected president in 2011 with Moscow's support, has encouraged extremist threats, organized crime, and corruption. The government has accumulated high levels of external debt and is heavily dependent on foreign aid. The economy depends heavily on gold exports and remittances from Kyrgyzstani migrant workers, primarily in Russia. Cotton, tobacco, wool, and meat are the main agricultural products, but only tobacco and cotton are exported in any quantity. Foreign investment from Russia has been strong. The Kyrgyz Republic is now a member of the Eurasian Economic Union. Currency depreciation has spawned inflation.

## Freedom Trend



## Country Comparisons



## Quick Facts

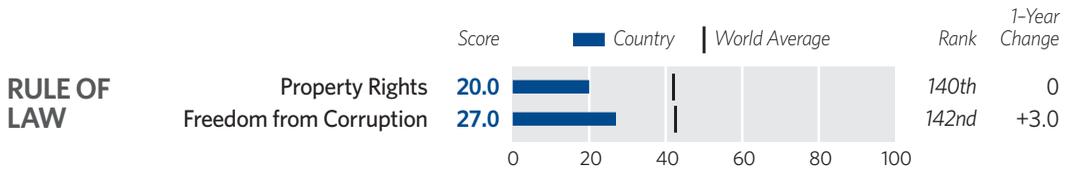
- Population:** 5.7 million
- GDP (PPP):** \$19.2 billion
- 3.6% growth in 2014
- 5-year compound annual growth 3.7%
- \$3,361 per capita
- Unemployment:** 8.1%
- Inflation (CPI):** 7.5%
- FDI Inflow:** \$210.5 million
- Public Debt:** 53.0% of GDP

### How Do We Measure Economic Freedom?

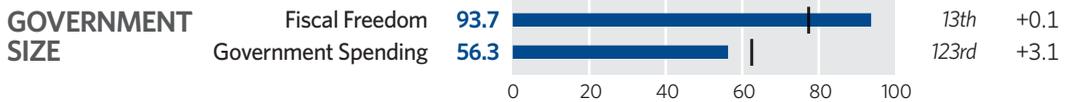
See page 467 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2014 data unless otherwise noted.  
Data compiled as of September 2015.

**THE TEN ECONOMIC FREEDOMS**



Corruption remains a serious problem throughout society and the economy. Although politicians and citizens alike are aware of this corruption, many view the paying of bribes as the most efficient way to receive government assistance. Many others, in turn, gain benefits from these corrupt practices. The judiciary is not independent and remains dominated by the executive branch. Corruption among judges is widespread.



The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. In the most recent year, the overall tax burden was estimated to equal 20.8 percent of total domestic income. Government spending accounts for 38.1 percent of total domestic output. The budget deficit has been declining, and public debt has fallen below 60 percent of GDP.



The business start-up process has been streamlined, and no minimum capital is required, but the cost of necessary licenses is higher than the average annual income. The labor market is poorly developed. In 2015, the government capitulated to external pressure and joined the Russian-led Eurasian Economic Union, thereby qualifying for up to \$1 billion in Russian loans and grants to subsidize various economic activities.



The Kyrgyz Republic's average tariff rate is 2.5 percent. Exports may be subject to taxation. The legal and regulatory environment deters foreign investment. State-owned enterprises operate in the energy and telecommunications sectors. The financial sector remains vulnerable to state interference, but the level of financial intermediation has increased. A new banking law submitted to the parliament has not yet been approved.

**Long-Term Score Change (since 1998)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+21.4	Business Freedom	+10.3	Trade Freedom	+10.0
Freedom from Corruption	-3.0	Government Spending	-16.3	Labor Freedom	+15.6	Investment Freedom	+10.0
				Monetary Freedom	+27.3	Financial Freedom	0