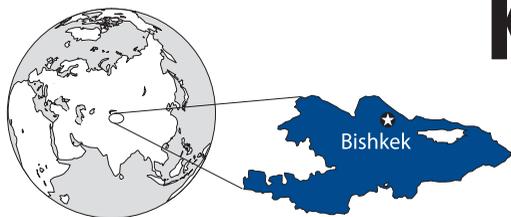


KYRGYZ REPUBLIC



World Rank: **89**

Regional Rank: **15**

Economic Freedom Score



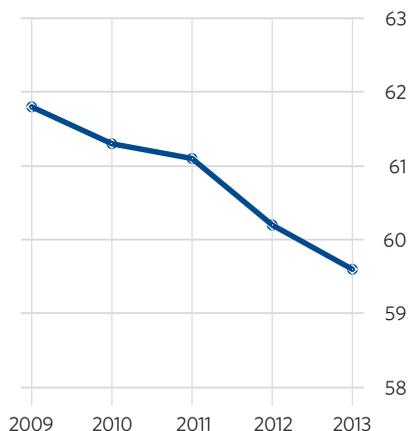
The Kyrgyz Republic's economic freedom score is 59.6, making its economy the 89th freest in the 2013 *Index*. Its score is 0.6 point worse than last year, with significant declines in the control of public spending and investment freedom outweighing a big gain in trade freedom. The Kyrgyz Republic is ranked 15th out of 41 countries in the Asia-Pacific region.

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. The Kyrgyz Republic still lacks the institutional foundations necessary for economic freedom, and remnants of the former Communist system are evident in many areas. Corruption and weak rule of law continue to undermine competitiveness and raise transaction costs for entrepreneurs.

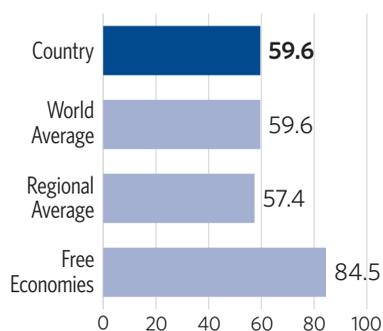
Despite the implementation of reform measures, including earlier adoption of a flat tax rate and simplification of the business start-up process, overall improvement in the entrepreneurial environment has been slow and uneven. Policies needed to support open markets remain deficient, with the banking sector subject to state-directed lending practices.

BACKGROUND: One of Central Asia's poorer and less stable countries, the Kyrgyz Republic is a parliamentary republic. President Kurmanbek Bakiyev was ousted in April 2010 following violent unrest caused by a Russian-orchestrated rise in fuel prices. An interim government was established under Roza Otunbayeva. Moscow-backed former Prime Minister Almazbek Atambayev won the October 2011 presidential election with over 60 percent of the votes. Challenges include high levels of external debt, heavy dependence on foreign aid, a thriving black market, crime, endemic corruption, poor inter-ethnic relations, Islamist radicalism, and drug smuggling. Solid economic growth has been supported by domestic demand, strong exports, remittances from Russia and Kazakhstan, and favorable prices for gold exports. The Manas air base remains operational for U.S. forces despite Russian pressure to close it.

Freedom Trend



Country Comparisons



Quick Facts

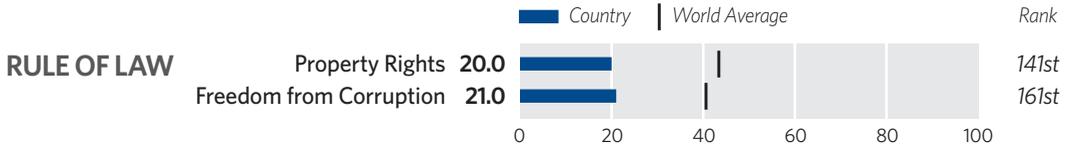
Population: 5.5 million
GDP (PPP): \$13.1 billion
 5.7% growth in 2011
 5-year compound annual growth 4.8%
 \$2,372 per capita
Unemployment: 8.6%
Inflation (CPI): 16.6%
FDI Inflow: \$693.5 million
Public Debt: 52.4% of GDP

How Do We Measure Economic Freedom?

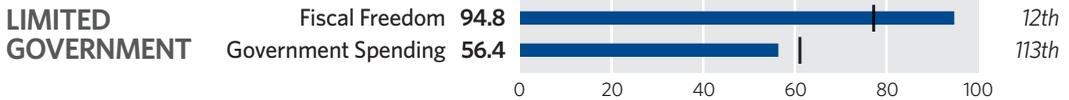
See page 477 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2011 data unless otherwise noted.
 Data compiled as of September 2012.

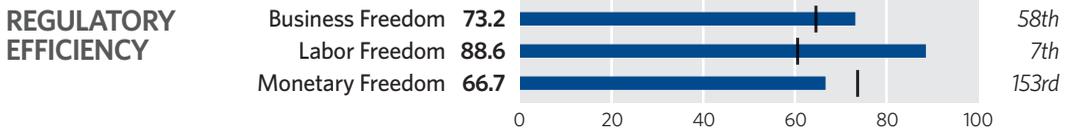
THE TEN ECONOMIC FREEDOMS



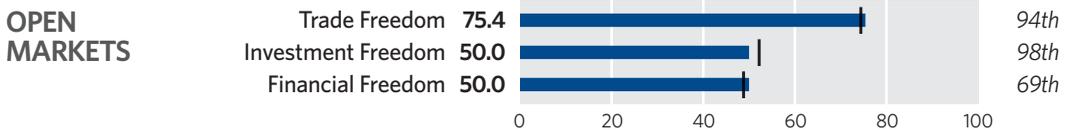
The legal framework is weak, and the rule of law is fragile. Property rights protections are emerging slowly, but the judicial system remains underdeveloped and lacks independence. Court actions can force the sale of property to enforce payments and other contractual obligations. Licensing, registration, and enforcement of contracts are prone to dispute. Corruption is endemic at all levels of society.



The 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 be 17.9 percent of total domestic income. Government spending has increased to 38.1 percent of total domestic output. The budget has been chronically in deficit, but public debt has fallen below 60 percent of GDP.



The business start-up process has been streamlined, and no minimum capital is required. However, bureaucratic impediments continue to limit private-sector production and investment. The cost of necessary licenses is higher than the level of average annual income. The labor market remains inefficient. Monetary stability remains weak, though the extremely high level of inflation has dropped slightly.



The trade-weighted average tariff rate is a relatively low 2.3 percent, but non-tariff barriers disrupt the flow of trade. Although most of the economy is open to foreign investment, rules and regulations are non-transparent and applied arbitrarily. The financial sector remains vulnerable to state interference, but the level of financial intermediation continues to increase. Some progress has been made in strengthening microfinance.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.7	Business Freedom	-0.9	Trade Freedom	+12.2
Freedom from Corruption	+1.0	Government Spending	-10.1	Labor Freedom	-0.3	Investment Freedom	-5.0
				Monetary Freedom	-4.3	Financial Freedom	0