

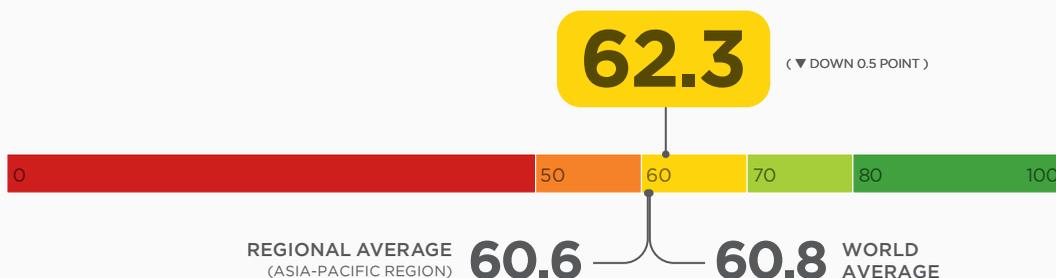
KYRGYZ REPUBLIC

The Kyrgyz Republic's economic freedom score is 62.3, making its economy the 79th freest in the 2019 *Index*. Its overall score has decreased by 0.5 point, with higher scores on **judicial effectiveness** and **trade freedom** unable to offset a sharp drop in **fiscal health**. The Kyrgyz Republic is ranked 17th among 43 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Despite some reforms, overall improvement in the Kyrgyz Republic's entrepreneurial environment has been slow and uneven. Political turmoil adds to policy volatility and uncertainty, hampering economic development. Political rivalries and powerful special interests hold back implementation of deeper structural reforms. With remnants of the former Communist system evident in many areas, the economy still lacks the institutional foundations of greater economic freedom. Weak rule of law fosters pervasive corruption and ownership insecurity, undermining private-sector investment and business growth.



ECONOMIC FREEDOM SCORE

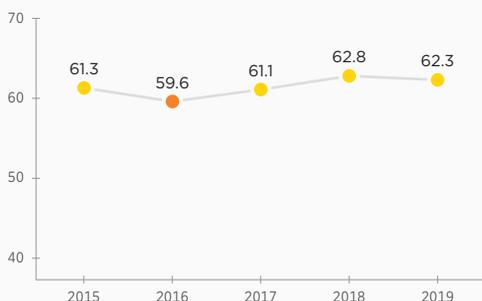


RELATIVE STRENGTHS:
Tax Burden and Labor Freedom

HISTORICAL INDEX SCORE CHANGE (SINCE 1998):
+10.5

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
6.3 million

GDP (PPP):
\$23.0 billion
4.5% growth in 2017
5-year compound annual growth 5.4%
\$3,667 per capita

UNEMPLOYMENT:
7.3%

INFLATION (CPI):
3.2%

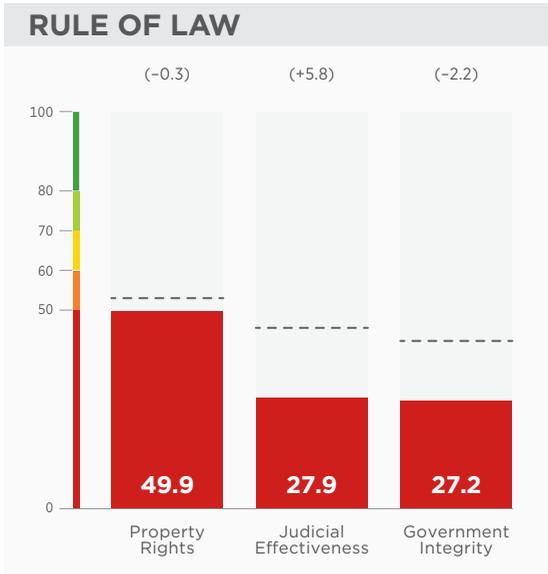
FDI INFLOW:
\$93.8 million

PUBLIC DEBT:
59.1% of GDP

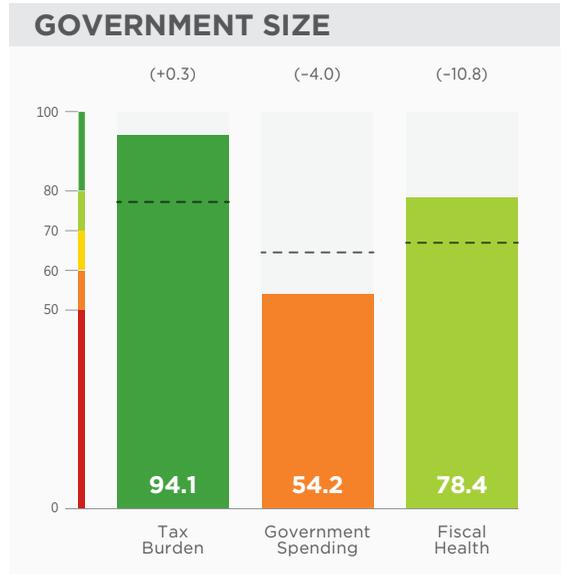
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Kyrgyz Republic is a former Soviet republic that has been plagued since independence by weak governance, organized crime, and corruption. President Sooronbai Jeenbekov, an ally of former President Almazbek Atambayev, was elected to a single six-year term in 2017. The Kyrgyz Republic is a member of the Russia-backed Eurasian Economic Union. Its economy is heavily dependent on gold exports and remittances from Kyrgyzstani migrants working in Russia and Kazakhstan. Cotton, wool, and meat are the main agricultural products, but only cotton is exported in any quantity. Although foreign investment from Russia has been strong, its continuation is far from certain. This has led many of the political elite to question the reliability of Russia as a long-term partner.

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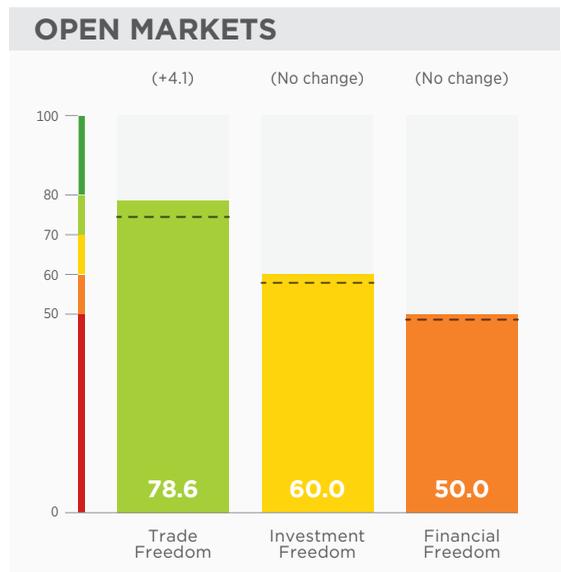
Protection of property rights is weak, and property registration has been made more difficult. The executive branch dominates the judiciary. There are numerous credible reports that judges pay bribes to obtain their positions. Despite some anticorruption efforts, corruption is pervasive, and citizens often must pay bribes to receive government assistance. The institution that investigates corruption remains tethered to the government.



The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 19.7 percent of total domestic income. Over the past three years, government spending has amounted to 39.1 percent of the country's output (GDP), and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 59.1 percent of GDP.



The overall regulatory environment is still hampered by bureaucratic impediments to private-sector production and investment. Reforms have not resulted in the structural changes that are necessary to foster efficiency. The formal labor market has not been fully developed. Agricultural sector growth has been financed by subsidized lending, and other subsidies were increased ahead of the 2017 elections.



The combined value of exports and imports is equal to 102.2 percent of GDP. The average applied tariff rate is 3.2 percent. As of June 30, 2018, according to the WTO, the Kyrgyz Republic had 17 nontariff measures in force. The overall investment climate is subject to considerable risk and uncertainty. Credit costs remain high, and about 46 percent of adult Kyrgyzstanis have access to an account with a formal banking institution.