

KYRGYZ REPUBLIC

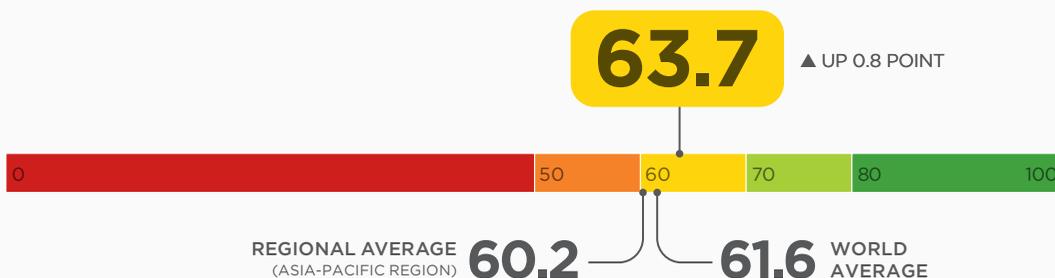
The Kyrgyz Republic's economic freedom score is 63.7, making its economy the 78th freest in the 2021 *Index*. Its overall score has increased by 0.8 point, primarily because of an improvement in **fiscal health**. The Kyrgyz Republic is ranked 13th among 40 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

The economy of the Kyrgyz Republic is ranked among the moderately free for the fifth year in a row. To achieve greater economic freedom, the government would have to move aggressively to tackle ongoing and endemic corruption. Deep structural and institutional reforms are needed to strengthen protection of property rights, improve judicial effectiveness, and reduce excessive government spending.

IMPACT OF COVID-19: As of December 1, 2020, 1,275 deaths had been attributed to the pandemic in the Kyrgyz Republic, and the economy was forecast to contract by 12.0 percent for the year.

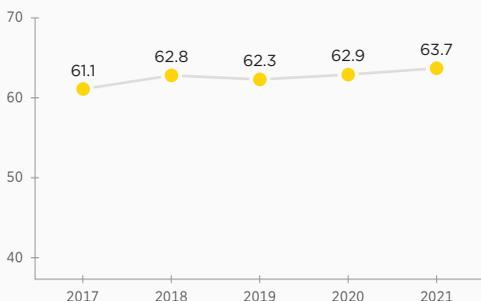


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +11.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.5 million

GDP (PPP):
\$26.1 billion
4.5% growth in 2019
5-year compound annual growth 4.2%
\$5,471 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
1.1%

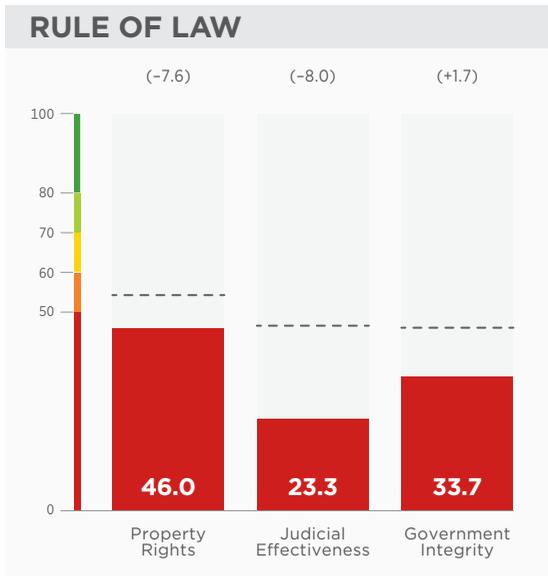
FDI INFLOW:
\$208.6 million

PUBLIC DEBT:
54.1% of GDP

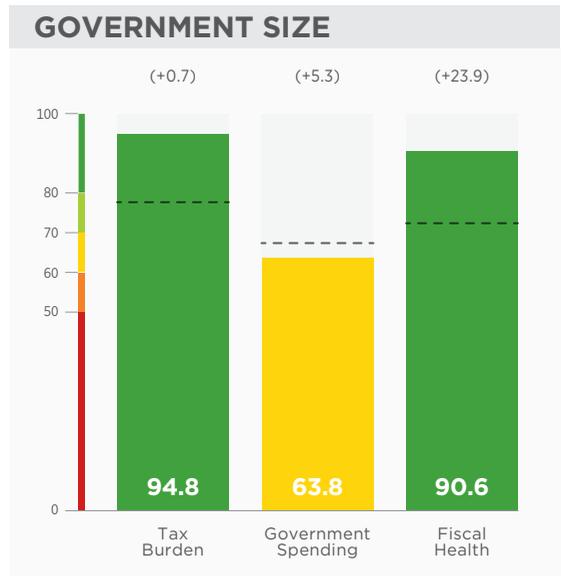
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Kyrgyzstan is a former Soviet republic that since independence has been plagued by weak governance, organized crime, and corruption. Former Prime Minister and ruling Social-Democratic Party of Kyrgyzstan member Sooronbai Jeenbekov defeated former President Almazbek Atambayev in 2017 elections that were the most competitive in the country's history. The influx of Chinese workers, nontransparent Chinese loans and investment, and government contracts won by Chinese firms have bred voter resentment and political instability. Kyrgyzstan 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.

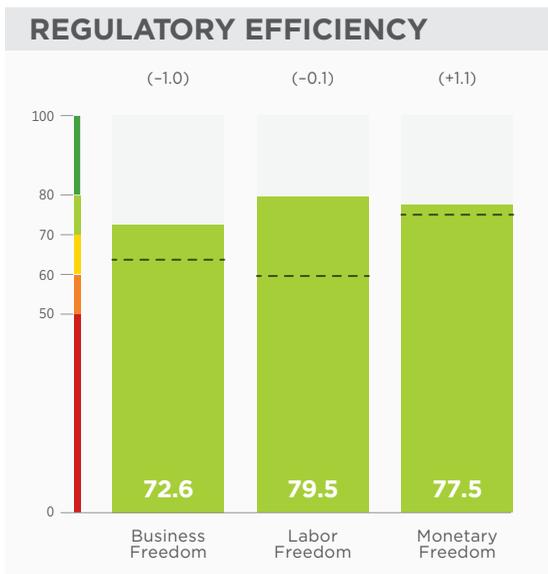
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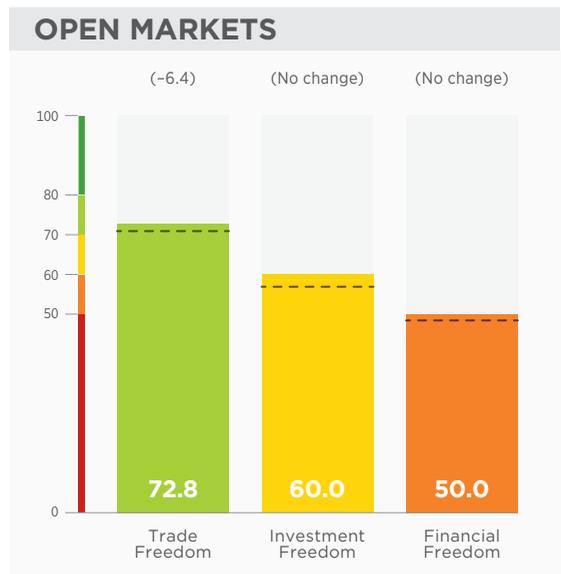
Kyrgyzstan has among the best-developed property rights laws in Central Asia, and the land registration system has been improved. The executive branch dominates the judiciary, and corruption among judges is widespread. Corruption remains a serious problem at all levels of Kyrgyz society and in all sectors of the economy. Government efforts to combat public corruption have been ineffective.



The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 18.0 percent of total domestic income. Government spending has amounted to 34.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 54.1 percent of GDP.



Dealing with construction permits now takes longer and costs more, but getting electricity now takes less time and costs less. Resolution of insolvency is faster, and the recovery rate has increased. Employers are free to adjust their workforces, including hiring and firing workers without restrictions. According to the International Monetary Fund, government energy subsidies amount to 2 percent of GDP. The government also subsidizes state-owned enterprises.



The Kyrgyz Republic has nine preferential trade agreements in force. The trade-weighted average tariff rate is 6.1 percent, and 18 nontariff measures are in effect. The overall investment climate is subject to considerable risk and uncertainty. The financial sector, dominated by banking, is underdeveloped and lacks an effective regulatory infrastructure. Credit costs remain high. In 2020, measures were taken to increase liquidity in the financial system.