

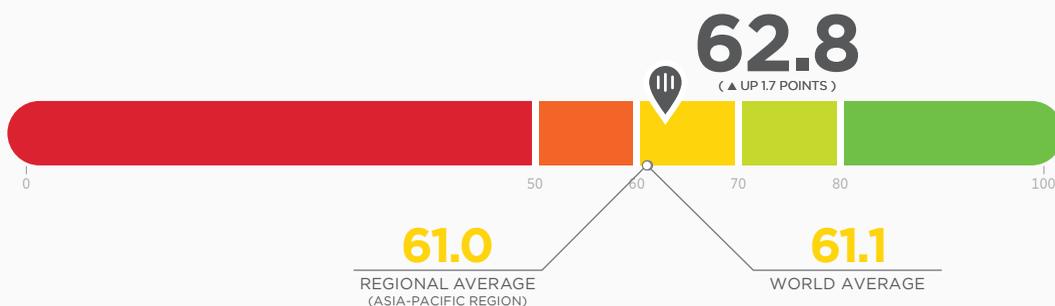
KYRGYZ REPUBLIC

The Kyrgyz Republic's economic freedom score is 62.8, making its economy the 78th freest in the 2018 *Index*. Its overall score has increased by 1.7 points, with significant improvements in **fiscal health** and **monetary freedom** outpacing declines in **labor freedom** and **government integrity**. The Kyrgyz Republic is ranked 18th 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

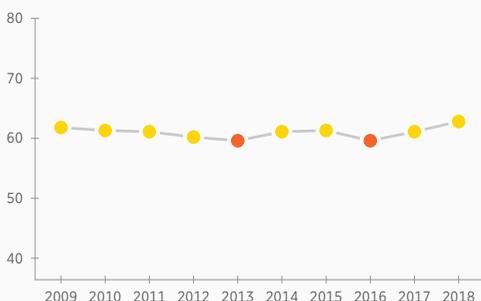


NOTABLE SUCCESSSES:
Labor Freedom

CONCERNS:
Rule of Law, Financial Freedom, and Government Spending

OVERALL SCORE CHANGE SINCE 2014:
+1.7

FREEDOM TREND



QUICK FACTS

POPULATION:
6.1 million

GDP (PPP):
\$21.5 billion
3.8% growth in 2016
5-year compound annual growth 4.4%
\$3,521 per capita

UNEMPLOYMENT:
7.7%

INFLATION (CPI):
0.4%

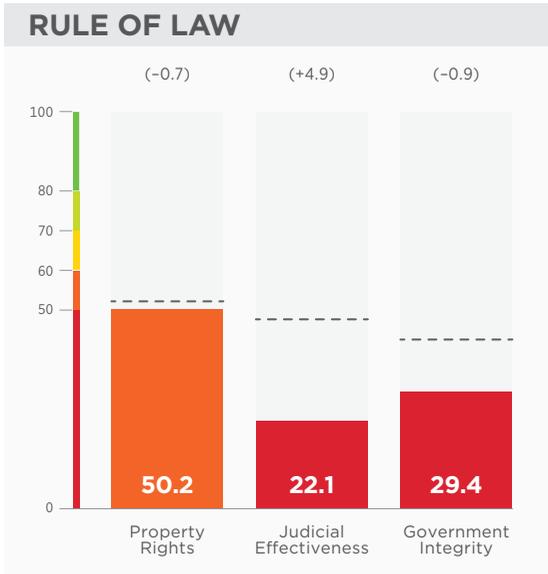
FDI INFLOW:
\$466.8 million

PUBLIC DEBT:
58.5% of GDP

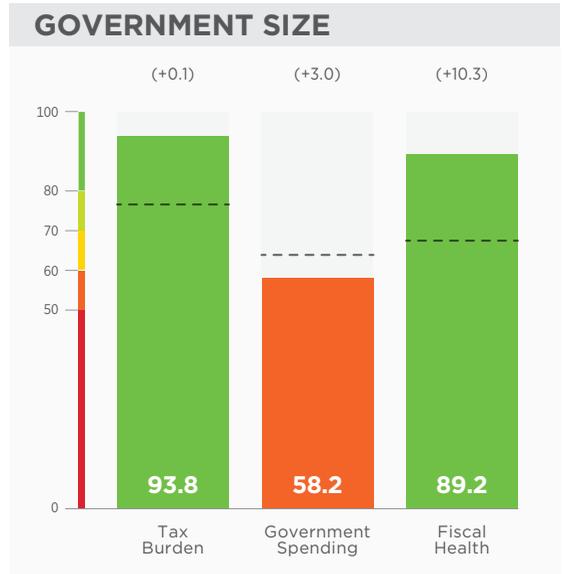
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Weak governance of this former Soviet republic under former President Almazbek Atambayev, elected in 2011 with Moscow's support, encouraged extremist threats, organized crime, ethnic divisions, and corruption. Atambayev has been replaced by former Prime Minister Sooronbai Zheenbekov, leader of Atambayev's Social Democratic party, who narrowly won election to a single six-year presidential term in October 2017. The Kyrgyz Republic, one of Central Asia's poorest countries, is a member of the Eurasian Economic Union. Its economy depends heavily on exports of gold and remittances from migrant workers, primarily in Russia, affected by declines in the Russian economy. Only tobacco and cotton are exported in any quantity. Foreign investment from Russia has been significant, but its continuation is far from certain.

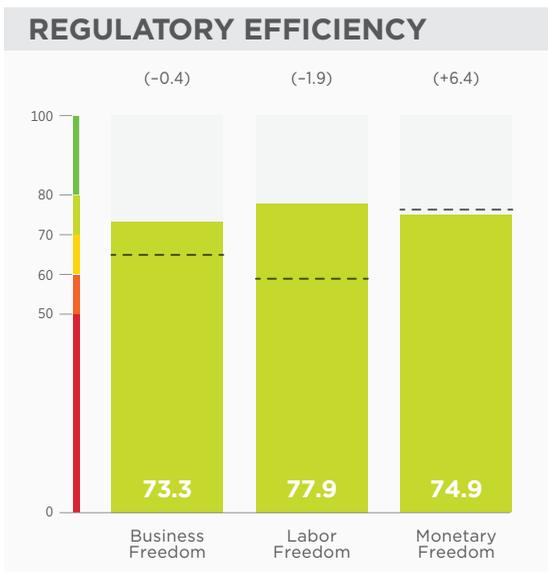
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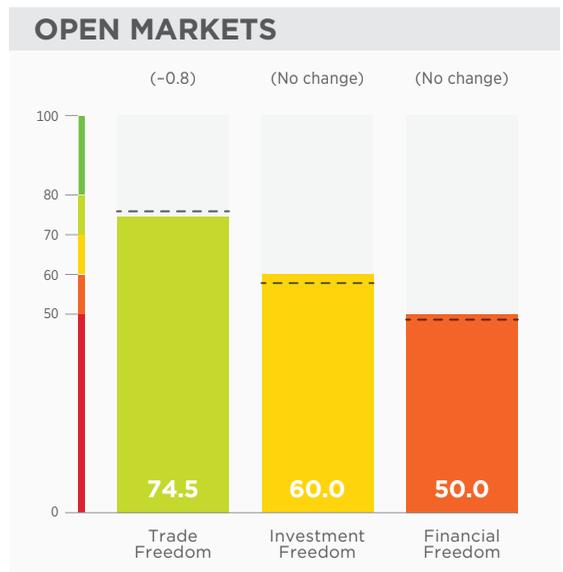
The rule of law remains weak in the Kyrgyz Republic, and the state lacks the capacity to enforce contracts and protection of property rights properly. The judiciary is not independent and is dominated by the executive branch. Many credible reports allege that judges pay bribes to attain their positions. Corruption is pervasive in a society where predatory political elites exploit government resources to retain power.



The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 20.5 percent of total domestic income. Over the past three years, government spending has amounted to 37.3 percent of total output (GDP), and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 58.5 percent of GDP.



Although membership in the Eurasian Economic Union mainly benefits Russia, in 2016, it did decrease the time and cost involved in exporting to EEU countries. Companies largely ignore the labor code, and this leads to poor safety and health conditions in factories. High emigration rates have led to a shortage of skilled and educated workers. In 2017, the government approved a plan to streamline subsidies.



Trade is extremely important to the Kyrgyz Republic's economy; the combined value of exports and imports equals 111 percent of GDP. The average applied tariff rate is 2.7 percent. Nontariff barriers significantly impede trade. Government openness to foreign investment is above average. The financial sector is vulnerable to state interference, but financial intermediation continues to increase. Progress has been made in strengthening microfinance.