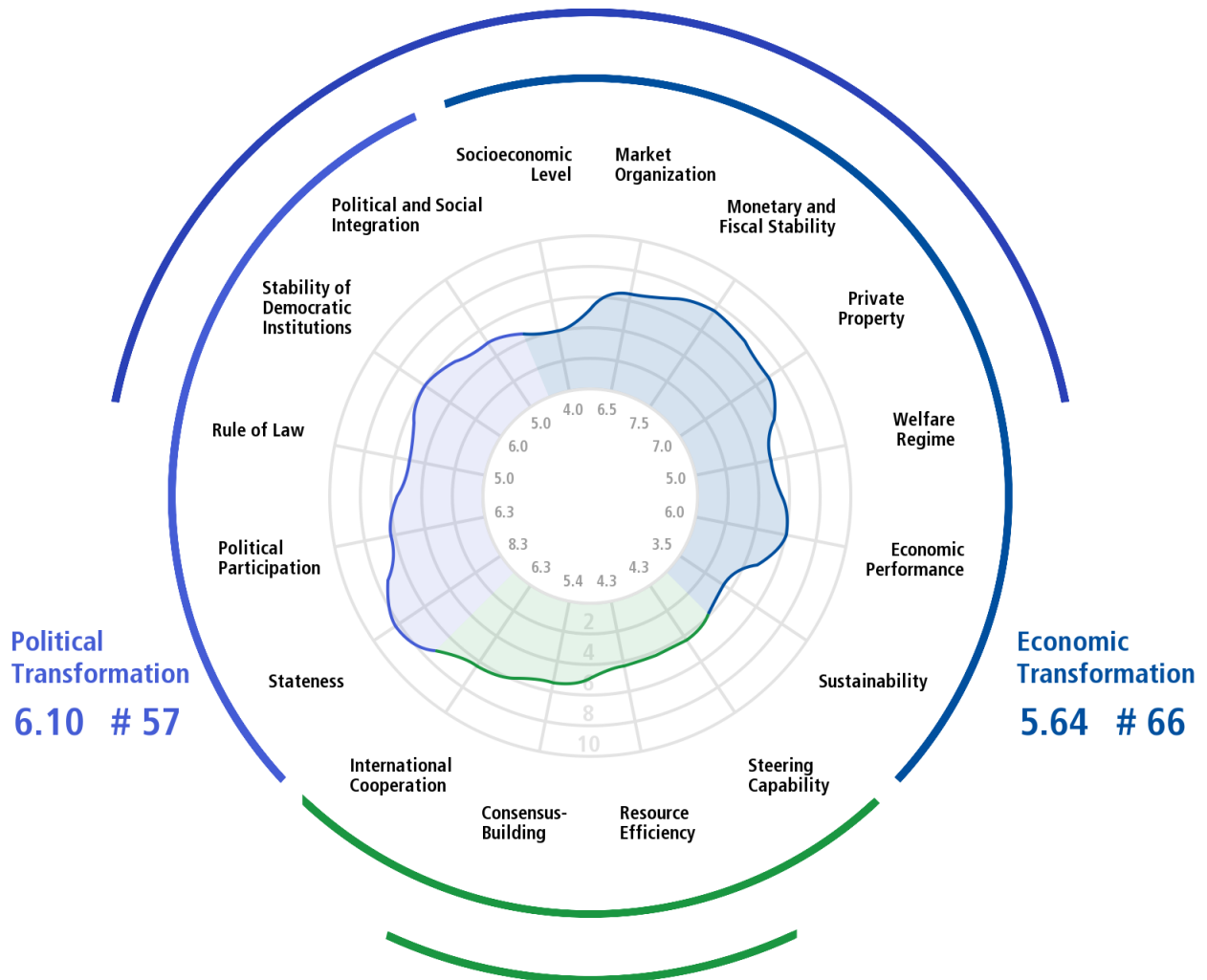


# Kyrgyzstan

## Status Index

**5.87 # 59**

on 1-10 scale out of 137



**Political Transformation**  
**6.10 # 57**

**Economic Transformation**  
**5.64 # 66**

## Governance Index

**4.56 # 80**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Kyrgyzstan. Gütersloh: Bertelsmann Stiftung, 2020.

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**Key Indicators**

Population	M	<b>6.3</b>	HDI	<b>0.674</b>	GDP p.c., PPP \$	<b>3878</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.9</b>	HDI rank of 189	<b>122</b>	Gini Index	<b>27.3</b>
Life expectancy	years	<b>71.2</b>	UN Education Index	<b>0.734</b>	Poverty <sup>3</sup>	% <b>19.6</b>
Urban population	%	<b>36.4</b>	Gender inequality <sup>2</sup>	<b>0.381</b>	Aid per capita \$	<b>74.3</b>

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

The leitmotif of politics in Kyrgyzstan between 2017 and 2018 was the change in political leadership, which marked the last year in office of the outgoing president, Almazbek Atambayev, and the first year of the newly elected president, Sooronbay Jeenbekov, with the election in between. The election was symbolic as it was the first time that an elected president, after serving a full constitutional term, vacated office to be replaced by a successor who was legitimately elected. The leadership change represents a positive development in the country.

However, the remarkable event was marred by political developments in the year preceding the election. What appeared to be the outgoing president's strategy of ensuring a loyal successor who would allow the ex-president to remain relevant and influential, involved a series of controversial events. This included a legally questionable constitutional referendum in late 2016; the sentencing of several critics and opposition figures to prison terms among other sanctions; the suing of several media outlets, journalists and activists on charges of attacking "the honor and dignity of the president;" and manipulation of the election process to ensure that the outgoing president's then-friend Jeenbekov won. Jeenbekov's main rival, Omurbek Babanov, was forced to leave the country after criminal charges were initiated against him.

What followed in the year after the election under President Jeenbekov only partially undid the pre-election damage. While most sentences against journalists and media were reversed, some "honor and dignity" cases remained. Almost all political cases, including the case of Omurbek Tekebayev – the most significant veteran politician imprisoned under Atambayev in 2017 just ahead of elections – and the charges against Babanov remain pending. Furthermore, in a process of consolidating his power and independence from the ex-president, Jeenbekov oversaw the successful prosecution of a dozen figures from Atambayev's close circle on charges of corruption and other crimes, with the defendants receiving prison sentences. The latter processes were executed by the same instruments as those employed under Atambayev the previous year: the

prosecutor, the national security agency and the courts, with the majority in parliament supporting the new president with the same zeal as they supported the former president.

The domestic political turmoil spilled over to damage Kyrgyz-Kazakh relations, which resulted in the Kazakh government closing its border with Kyrgyzstan – the main route by which Kyrgyzstan exports and imports goods – for two months. The crisis, instigated by a fallout between presidents Atambayev and Nazarbayev, was resolved when Jeenbekov assumed office and sought rapprochement with his Kazakh counterpart.

Besides the serious setback that the economy suffered from the Kazakh border closure and the decline in foreign direct investment in the midst of political turbulence, there were no other major economic shocks during the review period. Kyrgyzstan's membership in the Eurasian Economic Union proceeded with regular hiccups. For example, Kazakhstan and Russia turned Kyrgyzstan's exports back for non-compliance with the union's regulations. With the Russian economy coming to terms with and stabilizing after the imposition of Western sanctions on Russia in the wake of the Ukraine crisis, the earnings of Kyrgyzstani migrants in Russia bounced back having declined over the preceding two years, while the flow of people emigrating to Russia and sending remittances back to Kyrgyzstan began to grow again.

The main economic challenge that dominated public debates in 2018 was the large amount of national debt owed to China, which was largely money China lent Kyrgyzstan to pay for major infrastructure projects implemented by Chinese companies according to budgets drafted by the same Chinese companies. The failure of the Bishkek central heating plant, which was renovated using one such loan of nearly \$400 million, in the extremely cold January 2018 was the moment the country became aware of ill-spent Chinese loans. The event also became the reason for which several senior government officials were sentenced to prison, including former prime minister Sapar Isakov, a close aide of Atambayev who had been appointed shortly before the elections.

Moving into 2019, political and economic life in Kyrgyzstan has been relatively stable, with little indication of significant improvements and a worsening of conditions quite possible.

## History and Characteristics of Transformation

In 2017, a symbolic event reaffirmed Kyrgyzstan's reputation as an "island of democracy" in Central Asia – the presidency passed from one legitimately elected president to another following a vote that was largely peaceful and accepted by all parties. However, the positive event had serious shortcomings.

The journey to becoming an "island of democracy" began in 1991 following independence from the USSR when a maverick physicist-turned-politician Askar Akayev was elected president. Akayev launched one of the boldest political and economic reform processes of any post-Soviet state. Kyrgyzstan went the furthest in introducing a pluralistic and competitive political playing field, an open and free market economy, and a liberal, multi-vector foreign policy that sought engagement with all neighbors and distant global partners.

By the mid-1990s, however, Akayev's liberal and democratic enthusiasm had given way to an increasingly authoritarian style of governance – as a result of corruption, nepotism and an exhaustion with conservative political elites.

Akayev's presidency, by then dominated by features such as family rule, endemic corruption, and predatory economic behavior, came to an end in March 2005 in what came to be called the “Tulip Revolution,” giving hope – domestically and internationally – for a restoration of “the island of democracy.” However, after a brief honeymoon period, it resulted in protracted instability and persistent challenges to the new president, Kurmanbek Bakiyev. With the opposition demanding more resolute democratic and constitutional reforms, and – by late 2007 – a consolidation of power, Bakiyev's presidency increasingly suppressed opposition and critical media, and interfered in businesses at a level more unrestrained and violent than under Askar Akayev. During the brief period of violence and corruption under Bakiyev, Bakiyev's brothers and sons held key roles, particularly his brother Janysh and son Maksim, who appeared to have sidelined the president from actual decision-making by late 2009. April 2010 saw a sudden implosion in Bakiyev's rule in a repeat of the March 2005 Color Revolution. Though this time, the implosion was much quicker and much more violent. The April Revolution lasted two days and claimed the lives of nearly 80 people, who died under disputed circumstances.

In the wake of this bloody revolution, Kyrgyzstan got yet another opportunity to restore its reputation as “the island of democracy.” This time, instead of giving leadership to one person, a dozen politicians declared themselves to represent a provisional government, which ruled the country by decrees, signed by Interim President Roza Otunbayeva, and which disbanded nearly all central government institutions. The combination of various factors, including the contested legitimacy of the provisional government, resulted in a deterioration in stability, culminating in interethnic violence in the south of the country, which claimed the lives of about 400 people. The violence repeated a similar tragedy that had happened exactly 20 years before, in the summer of 1990, just as the Soviet Union was beginning to crumble.

The Otunbayeva interim presidency completed its mission to stabilize the country after the June bloodshed, oversee the enactment of a new constitution that moved significant powers from the presidency to parliament and the prime minister, organize the election of a new parliament in a competitive race, and organize the election of a new president in an orderly and legitimate vote. In December 2011, Almazbek Atambayev assumed the presidential office. President Atambayev served a six-year term under the slogans of fighting corruption, promoting democracy, strengthening parliamentary government and adopting a balanced foreign policy. The actual delivery of these promises, however, did not fulfill the president's rhetoric.

The parliamentary spirit of the 2010 constitution soon gave way to a de facto retreat back to a strong presidency. The legislature, consisting of five equally represented party factions, produced a series of unstable ruling coalitions, which led to the prime minister being replaced about once a year. The presidency emerged as the only stable seat of power. The 2015 parliamentary elections, in which President Atambayev heavily interfered on behalf of his Social Democratic Party of Kyrgyzstan contrary to law, produced a similarly fragmented six-party chamber with the SDPK

winning the most seats. As such, the SDPK, under the stewardship of the president, became the anchor of power in the parliament.

Two hallmarks of the Atambayev presidency were the closure of the U.S. military transit center at Manas Airport and the accession of Kyrgyzstan to the Eurasian Economic Union. Neither event was uniformly greeted by the public. Both events had major economic and foreign policy repercussions, and – while Kyrgyz-U.S. relations remained strained until the end of Atambayev’s term (caused by more than just the airbase closure) – the EAEU membership brought mixed results for the Kyrgyz economy.

During his term in office, Atambayev built up a team around himself composed of close confidants and loyal aides, including a former driver and a former bodyguard. Meanwhile, his party came – with the party leadership also packed with his handpicked loyalists – to dominate all leadership positions in the government and parliament, at the national and regional levels of public administration. Unlike Akayev and Bakiyev, Atambayev did not involve his immediate family members in government, but rather his friends and fellow party members. Hopes that Kyrgyzstan would fulfill its reputation as “the island of democracy” in Central Asia began to wane yet again in 2017 – the last year of Atambayev’s presidency and an election year.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is virtually uncontested throughout Kyrgyzstan. Organized crime, contestation of power and resources among various groups, and the weakness of the state in areas where border delimitation is yet to be reached with neighboring countries exist, and all these factors present challenges to the state. However, none of these or similar phenomena represent a challenge to stateness as such.

In the wake and aftermath of 2010 inter-communal conflict, there emerged some pockets of non-recognition of the central state's monopoly on the use of force, such as certain ethnic-based communities or the city administration of Osh. In the last four to five years, such issues have disappeared and the state has not been questioned as such. This includes the presidential elections at the end of 2017, when a new president was elected in a contested vote. Some fears ahead of the elections related to the possibility of various groups (e.g., regional elite groupings, religious extremist groups and ethnic communities) emerging to undermine the state. However, no such threats materialized and the transfer of power took place in an orderly manner, albeit with issues as to how free, fair and democratic the election was.

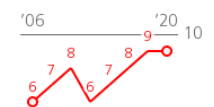
In 2017 to 2018, there were no major upward or downward developments in access to citizenship rights and acceptance of the nation-state, save occasional incidents playing both ways. The main group, among which people have felt unable to enjoy to the full extent their citizenship, was the Uzbek group, whose status has remained problematic since the 2010 conflict. In this regard, the situation has not really changed either way.

However, one disturbing element in the 2017 presidential elections referred to Uzbek post-2010 grievances. A leading presidential candidate, Omurbek Babanov, having addressed an Uzbek gathering in southern Kyrgyzstan in a tone that appeared to openly appeal to their group grievances, was accused of inciting divisive nationalist

Question  
Score

Monopoly on the  
use of force

9



1

State identity

8



1

rhetoric and criminal charges remain pending against him at the time of writing. According to earlier surveys, Uzbeks seemed to support Babanov rather than Jeenbekov. For example, Babanov gave a campaign speech to the Uzbek community Amir-Timur in Osh city, asking people not to be afraid of voting for whomever they want. He also mentioned the infringement of the Uzbek people's rights, highlighted alleged ethnic inequality in the country and the constant pressure of state authorities on Uzbek ethnic groups, and urged them to actively resist this situation in Uzbek mahalla (i.e., urban districts).

The role of religion and its place in a secular state has increasingly become a topic of public debate. With the growing religiosity among the population, it has become an increasingly politically salient issue. For example, for a populist political candidate, appealing to the religious sentiments of voters has been viewed, and occasionally used, as a tactic for winning votes. Increasing numbers of public figures, including many members of parliament and the new president, are practicing Muslims. At the same time, the current political elites, like their predecessors from the Soviet regime, are concerned that Islam might pose a threat to the legitimacy of the modern secular government.

Still, however, the doctrine of secular state has been affirmed and adhered to in the legal and political spheres in Kyrgyzstan. The declaration of the country as a secular state in law has been respected and stressed as a core principle, even while demands for the rights and needs of religious people have become ever louder.

In the coming years, the tensions between religion and secular politics may grow in intensity, requiring a more open discussion and settlement. For the moment, however, Kyrgyzstan is still spared that need.

The provision of basic administrative services throughout the country has generally remained stable, although some limited improvement can be observed, mostly in urban areas.

A comprehensive system of administration, covering the whole territory and the whole range of basic services, exists in Kyrgyzstan as a legacy of the Soviet administrative system. However, the quality of such services and the capacity of the system to evenly function at all times and across the country, are not strong. Corruption, inefficiency, lack of resources, incompetence in the bureaucracy are some of the systematic hurdles to improving public administration.

For the last few years, however, especially under the brief tenure of the 2017 to 2018 cabinet, there has been much activity toward introducing electronic government and administration, making most public services available online. Such efforts remain a priority and work in that direction continues. A range of official registration services, tax payments and the issuing of various state certificates have been made available

No interference of religious dogmas

9



1

Basic administration

7



1



electronically. The usage of such services is still limited, requiring the population to learn to use e-service tools. Some e-services are in need of further improvement.

## 2 | Political Participation

In October 2017, the presidential election represented a milestone for Kyrgyzstan. For the first time, a full-term elected president stepped down at the end of his constitutional term and was replaced by a new president elected in a regular, scheduled election. The event was greeted as an important sign of further democratization and of a real chance for the people to elect their president without interference. Among the 12 candidates who ran for the presidency, two were particularly important: Sooronbay Jeenbekov and Omurbek Babanov.

The quality of the election, however, was not as great as the significance of it happening. While the eventual outcome of the election was not predictable at the beginning of the election campaign and a number of real candidates fought a fierce campaign, at the end of the day, by a combination of various manipulative tactics by the government, the candidate (Jeenbekov) favored by the outgoing president – and a member of the president’s political party – came out victorious with 54% of the vote. The most formidable presidential rival (Babanov, 34%) was blackmailed, severely criticized and accused of instigating inter-communal conflict in one of his campaign speeches. The struggle between Babanov and Jeenbekov was fierce as the candidates used dirty campaign methods to attack each other and collected kompromat from all sides. Instead of promoting electoral programs, the presidential election campaign became a battle of kompromat (dissemination of compromising material). Immediately after election day, Babanov left the country and remains outside the country at the time of writing. Incidentally, the new president, immediately after taking office, has turned against the former president and his team.

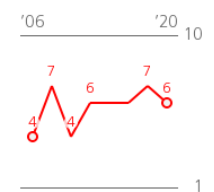
In the period 2017 to 2018, only the presidential election took place. Parliamentary elections and a series of local assembly elections will take place in 2020.

In Kyrgyzstan, there are no formidable, autonomous veto powers in the usual sense of the term. The military, business elites or other groups do not exercise agency in opposition to state authority. Some limited autonomous agency is exercised, occasionally, by some religious groups (but not the clergy as a class) and by some nationalist groups (again, mostly fringe elements in society). Their impact, however, has not been as high as to actually subvert state decision-making or the state’s ability to rule. During the last three to four years, the government has attempted to take more effective control of religious institutions so as to prevent the growth of potent veto powers.

However, another source of weakness to the state’s ability to govern has been “informal politics.” Informal politics (i.e., activities and interests pursued by informal

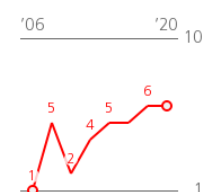
Free and fair elections

6



Effective power to govern

6



networks and groups of people organized outside the legal framework) is part of how official state politics is run and all high-level officials, including presidents, have been part of these networks. Rather than facing contention from the outside, the ability to govern has been compromised systematically from within due to informal networks and commitments of official officeholders. The entrenched persistence of informal politics in the country can be linked to practices that are embedded in local values and expectations such as reciprocity and exchange. This feature of Kyrgyzstani politics has been stable, not something that has arisen recently.

In the 2017 to 2018 period, Kyrgyzstan did not see any formal changes with respect to citizens' association and assembly rights. Nor did any major positive changes, such as formal and legal commitments to better guarantee such rights, take place. The constitution and the Law on Peaceful Gatherings provide the legal guarantees for the exercise of freedoms of association and assembly.

In practice, however, restrictions and arbitrary interference with such freedoms take place. Such interference is particularly frequent when the subject of such gatherings is political (e.g., protesting government actions, demanding rights for certain political figures). Often, protest gatherings in provinces (e.g., the recent protests against mining activities) involve skirmishes, arson and other breaches of the peace, which present legal reasons for police interference.

In 2017, ahead of the presidential elections, a series of restrictive legal actions – mostly involving arrests – were directed against opposition politicians. Such acts gave rise to a series of public protests, several of which – provoked by unestablished individuals – led to unarmed clashes between protesters and the police, resulting in arrests and various administrative punishments.

During the electoral campaign, there were reports of interference by local administrative and law enforcement agencies in the campaign meetings of some candidates. This was mostly observed in southern Kyrgyzstan. The Final Report of the OSCE Election Observation Mission cited partial interference with freedom of assembly as one of the areas where election integrity suffered.

Freedom of expression saw a sharp dip in 2017, before recovering in 2018. At the time of writing, the situation had recovered its pre-2017 level. Overall, however, the negative developments of 2017 indicated the fragility of freedom of expression in Kyrgyzstan and the weak commitment of the political leadership to respecting it.

A series of lawsuits against several mass media outlets, individual journalists, civic activists and lawyers were filed in 2017, mostly by the Office of the Prosecutor General on behalf of then-president Almazbek Atambayev, for attacking the dignity of the president. Several other prominent public figures also filed lawsuits against media for libel. In all such cases, the courts decided against the defendants, often on weak or circumstantial evidence, leading to a total of over KGS 60 million in fines

Association /  
assembly rights

7



Freedom of  
expression

6



imposed on defendants during the year – a giant amount for journalists and media by Kyrgyzstan standards. Some of the fines were in 2018 forgiven by the plaintiffs – several by the now ex-president Atambayev and one by President Jeenbekov. Several other fines remain due.

At the same time, the government-controlled media corporation, the KTRK, was engaged in blackmailing, and negative coverage of opposition politicians and activists, largely based on allegations and false evidence.

In 2018, after the presidential election and after the new leadership took office, the tense environment around freedom of speech eased and the concerted government-backed campaign of lawsuits ceased. A newly established TV channel, April TV, owned by ex-president Atambayev, became a major opposition media outlet and functions freely.

### 3 | Rule of Law

While Kyrgyzstan maintained its rhetorical commitment to switching to a parliamentary system of government, no such movement in that direction was observed in 2017 – 2018. Formally, all branches carry fulfill their own responsibilities. However, there is frequent interference in how each branch decides matters.

A constitutional referendum in late 2016, which provoked vocal opposition in the country, introduced a number of key legal changes, which were advertised as a move toward a parliamentary system. However, in actual fact the referendum was one of the outgoing president's preparatory steps for leaving office, with all such steps seriously compromising the rule of law. The changes did not lead to stronger parliamentarism. As of early 2019, the presidency continues to dominate over all branches of power.

As in other post-Soviet countries, Kyrgyzstan continues to be locked in a system where the traditional three-part separation of powers is topped by the Office of the President, which belongs to none of the three pillars but dictates over all of them.

Late in his presidential term, Atambayev appointed a new prime minister that he hoped would serve under the new president, becoming a strong, autonomous cabinet leader, who would report to a parliament dominated by Atambayev's party. However, Atambayev's prime minister was sacked within months of the new presidency and a prime minister loyal to the new president was appointed instead. Similarly, the parliament, supposedly playing an increasingly key role, remained mostly under the control of the Office of the President – aligned with the former president in 2017, but then turning against the former president in 2018 after the new president took office.

Separation of powers

5

'06 '20 10



1

Thus, while the constitution provides for a clear separation of powers, and checks and balances, and has increased the powers of parliament and the prime minister at the expense of the president in its 2010 and 2016 versions, the de facto functioning of the government has neglected these principles as far as politically significant questions are concerned. In day-to-day business, when stakes are low, the ruling powers generally operate according to their legal responsibility.

The weakest link in the separation of powers continues to be the judiciary. Formally, the judiciary is clearly defined, has separate institutions and is differentiated from other branches of power by law. The formal provisions, however, remain far removed from practice. The weakness of the judiciary is not so much in the willingness of judges to make independent decisions, but in the large-scale co-optation of the judiciary by the presidency and other branches of administration.

Reform of the judiciary has been a continuing slogan of the country's leadership. However, in the period under review, the judiciary became increasingly dependent on and biased in favor of the political leadership.

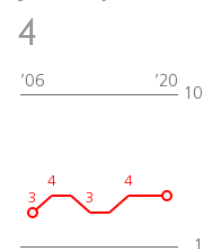
The judiciary is most frequently used in producing the necessary verdicts in politically charged lawsuits. During the period under review, a number of convictions were passed that flagrantly disregarded evidence and systematically violated due process. The new president made several major announcements to reform the judiciary, but they have yet to produce any positive results, let alone strengthen judicial independence.

Abuse of office has been prosecuted more often than in past years, sending the message that public officials are increasingly likely to be held accountable. Several cases involving, for example, the misappropriation of funds or inappropriate relations between officeholders and subcontractors that compromised the integrity of public office have led to dismissals and legal charges. Such cases also saw a lively public discussion on social media. However, a large proportion of probable abuses of office that are brought up in public do not lead to formal investigations.

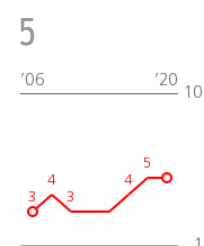
That said, the majority of prosecutions tend to be politically motivated. A number of prominent criminal lawsuits for office abuse were instigated in 2016 and 2017 against opposition figures under the ex-president. In 2018, a large number of similar lawsuits, typically involving detention of the suspected former official, have been initiated against close associates of the ex-president.

In areas of rights that do not relate to political activity (e.g., most civil rights), there is a stable commitment to their protection, along with a systematic failure to actually secure such rights. Civil rights are fully provided and guaranteed in law and institutions (e.g., the Office of the Ombudsman and the National Mechanism for the Prevention of Torture, NPM). In addition, many human rights organizations oversee the protection of civil rights.

#### Independent judiciary



#### Prosecution of office abuse



#### Civil rights

6

An area of particular concern is the treatment of prison inmates and the practice of torture. Except for a few rare cases, complaints of being tortured or otherwise abused by police or prison officers filed by the victims, and/or supported by the Ombudsman or NPM, generally result in no conviction against such officers.

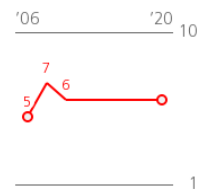
Other areas of relatively frequent breaches of civil rights include freedom of religion, the rights of sexual minorities, and unequal treatment based on ethnicity and political affiliation. Infrequent but publicly resonant cases of religious intolerance by some groups took place during the review period. For example, there was a desecration of a Christian cemetery, physical abuse of a person who had converted to Christianity and a refusal to bury a woman who had converted to Christianity. The state's violation of freedom of faith under the banner of countering religious extremism is another facet of the same problem. Rights of sexual minorities to equal treatment, and free expression and association are issues yet to receive wider publicity. The state has neither openly discriminated against nor clearly supported and guaranteed their rights. The less controversial rights of women for equal treatment and other basic rights, alas, have also been violated and the state has failed to provide protection.

In all these areas of failure to provide for civil rights, the situation has been generally stable in the recent years, with no notable improvement and no systematic regression (except for freedom of speech and political persecutions, which were observed under other criteria).

#### 4 | Stability of Democratic Institutions

Kyrgyzstan, the most democratic among its neighbors, has consistently affirmed its commitment to further democratization. All institutions of government have been based on democratic legitimacy and procedures. The presidency and parliament are elected by direct popular voting, as are local assemblies. The executive cabinet and the judiciary are appointed by the president and parliament, depending on which particular office is to be filled.

However, the performance of the ensemble of democratic institutions has been hampered by the weak separation of powers, limited checks and balances, and by political corruption and informal governance. A particularly weak democratic institution in this respect is the parliament, the Jogorku Kenesh. According to the constitution, the powers of parliament are significant and all parliamentary elections have been fiercely contested. However, elected by party lists in a proportional system, the parliament has been dogged by the instability of ruling coalitions, instability of leadership within party factions, and the tendency of both factions and individual members of parliament to switch positions on issues and engage in political bargains with no overarching principles. Consequently, public trust in the parliament has been very low. The prime minister and cabinet, directly dependent on the stability of ruling coalitions, have tended to be replaced more often than once a year on average. Such instability has led to weak institutions, leaving the presidency as the only stable democratic institution at the national level.



Performance of democratic institutions



While the actual performance of democratic institutions has been the subject of criticism on all sides for corruption, instability and interference in each other's spheres, the commitment to work with and within democratic institutions has remained in place and respected. Such commitment is evidenced by the level of investment in elections and in gauging electoral chances during non-election periods. Parliament, despite being the subject of widespread criticism, and the president have been the institutions to which all problems, complaints or suggestions have been addressed by civil associations, opposition politicians and political parties.

A tendency in Kyrgyzstan's political life over the last several years ago, when all issues and complaints were taken to the streets, has given way to addressing the democratic institutions instead. While street protests are still common, they nevertheless have formal seats of power as their addressees. All this said, occasionally, especially in the provinces, democratic institutions are disregarded and crowds do take into their own hands when protesting, such as against mining projects. It is important to mention the kurultai, known as people's assembly, which is a people's congress in which delegates discuss social and political issues.

Along with the commitment to act only via legitimate democratic institutions, there have been constant calls to reform these institutions, and make them more effective and accountable to the electorate.

## 5 | Political and Social Integration

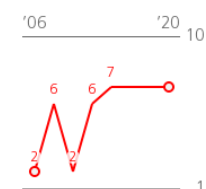
The party system of Kyrgyzstan has been volatile and unstable with no improvement in 2017 to 2018. There are over 200 registered parties, each claiming to stand for the general well-being and development of the country, and for championing the whole society's wishes. A few parties have narrower political agendas and electoral bases, such as an environmental party, the agrarian party and briefly a party for the rights of the handicapped.

Before and after the presidential election in 2017, the state of parties in Kyrgyzstan came into further light, revealing the hollowness and clientelistic principle of association in what should have been the strongest party at the time – the Social Democratic Party of Kyrgyzstan (SPDK). The SDPK had dominated political power during the term of its leader former president Atambayev and was a key factor in getting the low-rated candidate Sooronbay Jeenbekov elected president. However, as soon as the two leaders turned on each other, the party split into two nominal parts, with the party organization becoming the mouthpiece of the ex-president and its faction in parliament a tool of the new president.

With the change in the presidential office, several other parties in parliament also switched sides – as well as faction leaders – turning from critics into supporters of the president, revealing the shallowness of their social roots. The only party that

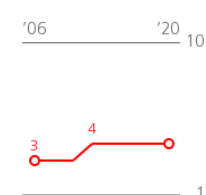
Commitment to democratic institutions

7



Party system

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appeared more or less consistent was Ata-Meken, whose leader became the most significant political prisoner of the Atambayev presidency; a party with the fewest seats in parliament and one that has seen its electoral fortunes wither in recent electoral cycles.

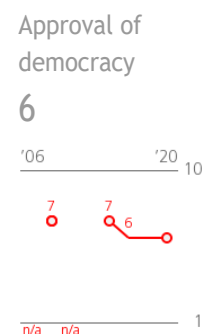
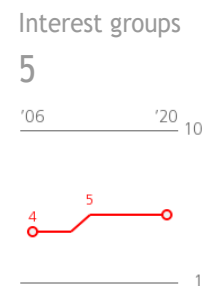
Kyrgyzstan has a relatively wide range of civil society organizations – referred to as civil society or non-governmental sector, rather than interest groups – and they have been an important part of the country’s political and social life since independence. Given the shallowness of political parties, and the often ineffective performance of government institutions, these associations have been important in raising otherwise ignored issues and pushing for policies that address such interests.

Some of the areas where such groups have recently become more visible include women’s and children’s rights, rights of disabled people and families with children with long-term health issues, and business interests. Groups fighting for environmental issues in the capital city became active for a time but faded soon afterward. An area where interest groups – formal and informal – have been steadily growing is the sphere of religion; some of these groups are capable to pose a challenge to democratic procedures and institutions, especially if they remain mostly apart from other areas of civic association.

Some traditionally stronger organizations, such as human rights and pro-democracy groups, have become somewhat less active. Much of this interest group activity, usually conducive to democratic and accountable governance, has been dependent on donor funding – a widely discussed long-term challenge that does not have a viable solution as yet. Thus, to survive and keep their activities going, most human rights and pro-democracy organizations are in a constant grant application mode. Another issue is the concentration of interest group and association activity in urban areas, particularly in the capital city Bishkek and to some extent in the second largest city of Osh. Rural areas and rural issues often remain neglected by such groups. One more challenge among interest groups is their fragmentation and inability to cooperate in articulating policy demands.

In Kyrgyzstan, there is a problem with regular and methodologically sound surveying of public opinion. There is only one such survey conducted on a regular basis, which is undertaken by the Kyrgyzstan Office of the International Republican Institute (IRI). Methodological concerns notwithstanding, the results of these surveys appear to coincide with what appears to be the majority feeling on social issues, based on general observations.

The most recent available IRI polling data, at the time of writing, was the December 2017 survey, conducted soon after the presidential elections. To the question, “How satisfied are you with the way democracy is developing in Kyrgyzstan?” the majority (59%) answered they were “very” or “somewhat” satisfied. Yet, the reasons for such answers could be either demand for greater democracy or for less democracy. But together with other findings, it appears as though support of democracy is favored:





asked whether they wanted citizens to play a greater or lesser a role in government decision-making, 53% responded that they wanted a greater role for citizens. While 19% were happy with the current role, only 8% wished to see a smaller role and 9% wanted no such role for citizens. It is evident that a majority – but not an overwhelming majority – are in support of democracy.

These results generally reflect the prevailing attitudes among citizens, as expressed on social media, in protests and other public activities, and in media reports. Voting turnouts, believed to be quite accurate (as opposed to being over-reported in previous years), are another reflection, and are usually range between 50% and 70%.

Social capital in Kyrgyzstan has not changed considerably in recent years. It has mostly been based on traditional kinship and extended family networks. Some non-kinship based charitable and mutual-support activities have also emerged, although at very nascent levels as yet.

Kinship has remained important both in private and public domains. On the domestic level, kinship provides members of such networks with reliable resources, mutual help and emotional support. People rely on their extensive kinship networks in their everyday lives both in urban and – especially – rural areas. At times, however, rites of such kinship networks have been criticized as burdensome, especially when they appeared to create expectations of lavish family events for a person to maintain respect and recognition in such networks.

In public and political spheres of life, networks of kin-based solidarity have often played an important mobilizing role, albeit often with allegations of such mobilization becoming monetized and interest-driven.

Additional mutual support that has been increasing has been in the religious sphere. On occasions such as Muslim holidays involving sacrifices, as well as in times with no special dates, religiously motivated charitable acts have become increasingly common. However, whether such charitable acts are genuine signs of caring for fellow citizens or rather acts seeking rewards in the afterlife is a question left open.

With or without religious affiliation, however, there have been increasing numbers of charitable acts and organizations. Also, facilitated by social media, there have been numerous causes and cases asking for support through crowd-funding. How often such initiatives collect targeted amounts of support is unknown.

Another setting in which social capital has been stronger (than among the general citizenry) is the migrant communities of Kyrgyzstan citizens in Russia. In times of family tragedies, or economic or legal troubles involving their fellow citizens, community support among migrants has been found to be very strong in a number research reports. Similar levels of social capital back at home are not observed, albeit examples of migrants from the same village or location pooling resources and helping their home communities are reported, even if such cases do not occur on a very regular basis.

Social capital

5

'06 '20 10

4 5

1

Year	Social Capital Score
2006	4
2007	5
2020	5



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Overall, indicators of socioeconomic development in Kyrgyzstan did not change drastically over the last two years – neither did things improve noticeably nor did they noticeably worsen. Problems in providing proper primary education to children, provision of health care services, the living conditions of the elderly, and the difficulties experienced by rural populations have been publicly raised but continue to lack tangible solutions.

The country’s HDI index for 2017 stood at 0.672, continuing its pattern of slightly improving each year, putting Kyrgyzstan in the top bracket of countries with “medium human development.” With this score, Kyrgyzstan ranked 122 worldwide in 2017, dropping one spot from the previous year. Education levels have remained problematic, but stable, life expectancy may be slightly improving but the frequency of deaths due to various health problems (especially heart diseases) has been a continuing concern, and living standards may be improving (especially supported by remittances) but against growing concerns about indebtedness and low savings rates.

The poverty level in Kyrgyzstan was 19.1% according to 2016 World Bank data (under \$3.20 (PPP) per day). This also continues the general trend of slow positive change. Similarly, Kyrgyzstan maintained its medium level of inequality. The Gini coefficient for 2016 stood at 26.8. That said, both poverty and inequality levels in Kyrgyzstan have generally remained the same.

According to the UNDP Gender Inequality Index, Kyrgyzstan scored 0.392 (on a scale of zero to one, where zero means no inequality). This was about the same score as in recent years. While GII is based on women’s achievements in reproductive health, empowerment and labor market relative to men, it would be worth noting that women’s subjection to domestic violence, bride kidnapping, or violence by self-declared patriots for “dishonoring the nation” were some concerns that have persisted and gained resonance over the last two years.

Question  
Score

Socioeconomic  
barriers

4

'06 '20 10

4

1

<b>Economic indicators</b>		2015	2016	2017	<b>2018</b>
<b>GDP</b>	\$ M	6678.2	6813.1	7702.9	<b>8092.8</b>
<b>GDP growth</b>	%	3.9	4.3	4.7	<b>3.5</b>
<b>Inflation (CPI)</b>	%	6.5	0.4	3.2	-
<b>Unemployment</b>	%	7.6	7.2	6.9	<b>7.2</b>
<b>Foreign direct investment</b>	% of GDP	17.1	9.1	-1.4	<b>0.6</b>
<b>Export growth</b>	%	-5.6	-3.8	6.1	<b>-1.8</b>
<b>Import growth</b>	%	-13.2	-1.1	7.4	<b>6.7</b>
<b>Current account balance</b>	\$ M	-1052.4	-792.2	-524.5	<b>-699.8</b>
<b>Public debt</b>	% of GDP	67.1	59.1	58.8	<b>56.0</b>
<b>External debt</b>	\$ M	7563.8	7950.4	8167.7	<b>8119.7</b>
<b>Total debt service</b>	\$ M	412.7	444.8	786.1	<b>826.0</b>
<b>Net lending/borrowing</b>	% of GDP	-1.0	-3.7	-2.7	-
<b>Tax revenue</b>	% of GDP	16.8	16.9	17.0	-
<b>Government consumption</b>	% of GDP	17.8	17.4	17.1	<b>16.5</b>
<b>Public education spending</b>	% of GDP	6.0	6.6	6.1	-
<b>Public health spending</b>	% of GDP	2.7	2.6	-	-
<b>R&amp;D expenditure</b>	% of GDP	0.1	0.1	0.1	-
<b>Military expenditure</b>	% of GDP	1.8	1.8	1.7	<b>1.6</b>

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Given the volatile political and governance climate in Kyrgyzstan, attempts to improve conditions for market competition have faced substantial obstacles. A wide range of policy commitments and programs have been launched or announced in the last two years, which would have a strong positive impact on the ease of doing business and provide healthy market competition if only political stability would allow for steady progress in implementing these initiatives.

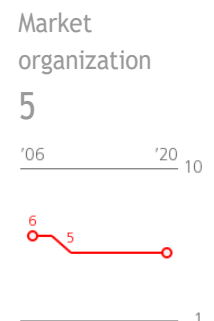
In the 2019 Doing Business ranking (based on data up to May 2018), Kyrgyzstan ranked 70th overall. This composite rank reflected relatively better standings in many criteria but also some of the worst performances – 164th in “getting electricity,” 150th in “paying taxes,” and 131st in “enforcing contracts.” Despite these areas being known as problematic and in spite of government efforts, they have proven too difficult to change so far. Corruption, inefficient bureaucracy, crime and the weak rule of law are core issues that stand behind this poor performance.

Only four procedures, 10 days and costs of 1.9% of GNI per capita were needed to register a business in Kyrgyzstan according to the World Bank’s Ease of Doing Business 2019 report. Consequently, the country ranked 35 out of 190 countries in the sub-index “starting a business,” similar to previous years – one of the criteria the country has done well.

In 2017 in particular, the government of Kyrgyzstan – led by a young prime minister with a team of young advisers – began a wide-ranging national program of digitalization and e-government, wherein many elements (e.g., simplification of tax payment procedures) would relate to ease of doing business. However, the program has been implemented much slower than initially planned. Only some elements of the program were in place at the time of writing, while that particular prime minister and most of the cabinet was changed in mid-2018 amid political debates.

One indicator showing the difficulties in carrying out open and formal business is the size of the informal economy. According to an estimate of the National Statistical Committee in 2012 (most recent data found), up to 70% of all employed people were employed informally – that is, without proper contracts and legal provisions – in sectors such as agriculture, small trade and services.

The government – including the president – has maintained its commitment to improving long-ignored conditions for business, such as eliminating ad hoc inspections, introducing a business ombudsman and paying greater attention to local investors. If these policies were eventually implemented, the country may see an improvement in market competition and business competitiveness in the coming years.



Government performance in the area of ensuring competition and preventing monopolies has remained steady. There is a special government agency, the State Anti-Monopoly Agency, charged with this function. Its work is based on a corresponding set of legislation, such as the Law on Competition and the Law on Natural Monopolies of the Kyrgyz Republic.

That said, inconsistencies in the implementation of market competition and anti-monopoly regulation policies remain, mostly due to systematic problems in the country's governance (e.g., corruption, clientelist relations, the weak rule of law and, occasionally, political interference). Whenever such cases of improper or illegal preferential treatment occur, it is typical that they are publicly discussed and criticized.

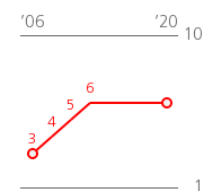
Since its accession to the Eurasian Economic Union in 2015, Kyrgyzstan has gradually ceded significant parts of its sovereign regulatory authority. Imbued with a very liberal foreign trade regime until its membership in EAEU and an early post-Soviet member of the WTO (1998), Kyrgyzstan had few tariffs (and those tariffs it did have were mostly mild) or other regulations on imports and exports. It always had, and continues to have, a large imbalance in its foreign trade, with volumes of exports being about three times less than the volumes of imports. No serious protectionist measures have been put in place to favor domestic product, albeit the government has been pressured to facilitate favorable prices and ease of export for certain products (e.g., beans).

With its accession to EAEU, most powers for regulating trade with third countries passed to the supranational body, the High Economic Council. Both exports and especially imports of goods from third countries – car imports being most discussed – became more difficult for Kyrgyzstani businesses. Membership in EAEU has led to some friction within the union as well, wherein Kyrgyzstan – one of the two smaller members of EAEU – appeared to suffer most from other members blocking its exports while occasionally trying to dump certain goods (e.g., dairy products and vegetables) onto the Kyrgyzstani market.

Thus, membership in EAEU has significantly – and negatively – affected the openness of Kyrgyzstan to foreign trade. While the change is very new (2015), its evolution and changes over time may lead to at least a partial return to previous levels of deregulation of foreign trade. In 2017, according to WTO data, the simple average MFN applied tariff was 6.6% – comparable to those of Kazakhstan and Russia, the main EAEU members, and lower than some other key trading partners, such as China and Turkey (both around 10%).

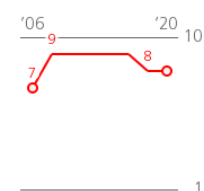
## Competition policy

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## Liberalization of foreign trade

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Kyrgyzstan, being a relatively small economy with an underdeveloped capital market, has a relatively small but diverse banking sector. Yet, arguably, the banking sector has performed rather well. There are no major international banks present in the country, while a number of local banks have investor links to and receive capital from Kazakhstan, Russia and China.

The sector is overseen by the National Bank of the Kyrgyz Republic (NBKR) – an independent regulator that has largely maintained its actual independence from government and political interference. NBKR has been active in ensuring the stability and security of the sector, introducing external administration when a bank was in trouble or suspected of improper business (e.g., suspicions of money-laundering in one bank in 2017), defending bank independence when government agencies interfered (as with the demand by a financial oversight agency to reveal the identities and details of all bank safe box holders – a demand rescinded since).

The ratio of bank capital to assets was 17.4 in 2016 (most recent year covered), comparable to average levels in the world. The ratio of non-performing loans (to overall amount of loans) was 8.5 in 2016 (the most recent year covered), according to World Bank data – a slight worsening compared to preceding years, but still at about the world average (7.2 in 2017).

Micro-financing plays a noticeable role in the country. Several such companies were major loan providers, at very high interest rates of up to 30%, in past years. In the last two to three years, however, the largest of these companies moved into the regular banking sector, offering wider ranges of products and moving away from what was often publicly perceived as predatory lending.

## 8 | Monetary and fiscal stability

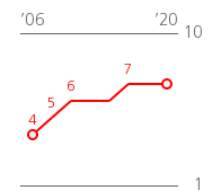
Regarding monetary regulation and stability, the National Bank of the Kyrgyz Republic (NBKR) has performed a particularly active role, and for that it has been highly praised by some and criticized by others. Kyrgyzstan has continued to maintain a free-floating exchange rate regime. This has ensured what is widely accepted to be the true value of the national currency, the Kyrgyz som, against other major currencies. This prevented major fluctuations or sudden collapses when currency instability occurred across the region in 2016 to 2017 and when, for example, Kazakhstan saw a sudden drastic devaluation of its currency.

The NBKR has intervened in the currency exchange market to mitigate fluctuations.

The fact that Kyrgyzstan's currency has been one of the most stable national currencies in the CIS over the last two to three years, while those of Kazakhstan and Russia depreciated (the Russian ruble subsequently regained its value against the Kyrgyz som), has caused difficulties for Kyrgyz exports to those markets, according

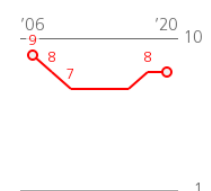
### Banking system

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### Monetary stability

8



to some analysts. But arguably, because of such stability, the rate of inflation in Kyrgyzstan could be contained. The inflation rate in Kyrgyzstan for 2017, according to World Bank data, was 3.2%. In 2018, inflation was 4% and it is expected to be 4.7% in 2019. The government of Kyrgyzstan works with inflation targeting in budget planning, although its forecasts in recent years have been either higher or only slightly lower than real inflation. World Bank data does not provide an index of Kyrgyzstan's Real Effective Exchange Rate (REER) and this metric is not readily used in domestic economic planning.

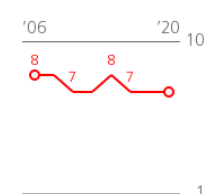
Government policy for managing public finances has been somewhat open to risks, with government expenditure clearly not supported by government revenues. Every year, the closing of the previous year's budget and approving of the new year's budget turns into a political "pork and barrel" bargaining where members of parliament push for expenses that the government ends up, at least to some extent, including in the budget to get the budget approved. Election periods also typically involve promises of additional expenses, which at least to some extent need to be delivered. As a result, the state budget has run a deficit in recent years, with a deficit in 2017 at 2.75% of GDP (World Bank) and at 3.8% in 2018 (domestic reports). In the budget proposed for 2019, however, the government expects a serious cut of the deficit, to below 2% of GDP, mostly by cutting expenditure on health care and social security.

All the while, the revenue base has not been expanding with GDP growth at about 3% in recent years and major sources of income (e.g., the Kumtor gold-mining company and remittances) declining.

A much-discussed concern over the last two to three years has been the level of the country's external debt, which has fluctuated at around 60% of GDP. In 2017, by World Bank data, public debt stood at 56.7% of GDP. A still greater concern has been the fact that more than 40% of that external debt is owed to China, which has funded a number of costly infrastructure projects in Kyrgyzstan by loans through its ExImBank. Indeed, the international press has often been pointing to Kyrgyzstan as being among the top debtors of China. While Kyrgyzstan has not defaulted on or fallen behind on its repayments so far, the government has not shown any credible source of income to keep paying for the growing annual servicing dues, which are expected to peak in the next three to four years. Total debt service in 2016 (most recent data available in IMF reporting) was \$446 million, close to 5% of GDP. A relief of the foreign debt burden was finalized in early 2018 when the Russian government sealed its decision to forgive \$240 million.

#### Fiscal stability

7



## 9 | Private Property

Private property has been increasingly guaranteed, albeit improvements have been slow. Over the last two to three years, there have not been any new major cases of property disputes or dispossession outside the law. The case of the information and advertising company Vecherniy Bishkek, which involved a dispute between its former co-owners and stakeholders, was one notable case. The initial decision in the case made in 2014 was overturned in 2018, as the political winds changed direction. That case was highly politically charged from the start.

Beyond the few such politically charged property disputes, recent years have not seen cases involving allegations of insecure or violated property rights. Still, given the level and variety of corruption, and the weakness of the judicial system and rule of law, property – like any other legal entitlement – is always open to being violated.

Kyrgyzstan's economy is mostly a private business-based market economy, with a fairly limited role for the state. The state maintains ownership or partial rights in large-scale infrastructure and energy sectors, such as electricity and natural gas. Most previously state-owned assets were privatized from the mid-1990s until the mid-2000s. There are two big companies where the state has large stakes and which it unsuccessfully tried to sell: KyrgyzTelecom, the main telecommunications company that controls most of the telecom infrastructure, and MegaCom mobile. After repeatedly failing to sell them, the government has indefinitely postponed these sales for the time being.

Private enterprises are viewed as the most important element of the national economy, and government rhetoric consistently commits to providing ever more secure and comfortable conditions for private enterprise development. There are several associations of private enterprises, which advocate for the interests of their membership and are usually listened to by the government.

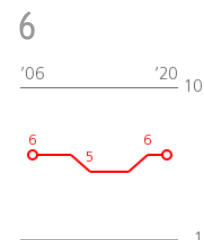
But again, as with security of private property, enterprise security and the ability to freely function within the law is occasionally compromised due to corruption and the weak rule of law.

## 10 | Welfare Regime

Kyrgyzstan, like many former Soviet states, gained independence with a large array of social safety systems and welfare provisions in place. The problem has been with the actual amounts and delivery of such state commitments.

From free or almost free health care to free schooling to provisions for the elderly, families with several children and single-parent families, there are many lines of

Property rights



Private enterprise



Social safety nets

5

welfare and protection that the state is mandated to provide by law. Some private sector insurance and social security schemes have emerged in recent years, which could eventually become important enhancements to the area. However, such schemes have remained too costly for the most vulnerable citizens.

Expenditure on health care has continued to remain low, albeit exact numbers for recent years could not be established. External aid has been directed to building new medical facilities and the provision of medical services. However, this has not been at a scale to cover the whole country. A slow improvement in public health outcomes is seen in the steadily improving life expectancy at birth, 71 years by 2017 data.

Recently, more concerted attention and discussion has taken place in this area, with parliament and civil society activists demanding improvements to the amount and the coverage of social safety nets to all eligible citizens. In late 2018 and early 2019, as a result of such pressure, two programs were launched: a special one-time payment to families with newborn babies called *süiüncü* and a permanent payment to parents of children with disabilities.

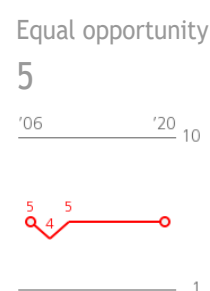
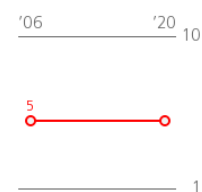
The latter policy is particularly important and welcomed, because people with long-term or life-long disabilities were left totally on their own. The law stipulates that care for children with disabilities will count toward the parents' years of employment, an important provision that affects the parents' amount of pensions. Besides this, lively discussion on optimizing child support provisions has been ongoing, with discussion focusing on better targeting in-need families and increasing the amounts paid out.

Many of these positive changes, however, only began to take effect by the end of the current review period. Needless to say that despite such changes, social safety nets remain a problematic area and will require much greater sustained efforts to bring about significant improvement.

Regarding equal opportunities in education, employment and other social goods, women, ethnic minorities and rural populations are disadvantaged. Whereas data on women's access to equal opportunities are available and reflected in several indicators, data on ethnic minorities and rural populations are not available. Based on circumstantial evidence, all these groups continue to face problems in securing equal opportunities.

With regard to education, women and men have virtually equal access as per available data – above 99% literacy among both (2009 data), equal school enrollment ratios (Gender Parity Index of 1 for both primary and secondary school enrollment) and a higher ratio of female enrollment in tertiary schooling (Gender Parity Index of 1.3).

Ethnic minorities and rural populations do not enjoy equal educational opportunities. Systematic inequalities exist in respect to teaching language, quality of education, availability of teachers, and availability of teaching and learning resources. A





particularly difficult case has been the Uzbek ethnic community, the most sizable ethnic community in Kyrgyzstan after the Kyrgyz. Opportunities to receive Uzbek-language education across all three schooling levels has been very limited, especially since the 2010 ethnic conflict in Osh city, which disadvantages Uzbek students. Public officials have argued that if such opportunities for Uzbek-language education were available, however, that could have limited Uzbek students' career opportunities later in life.

Women comprise 40% of the total labor force, according to the most recent available data. However, this statistic needs to be treated carefully, because a lot of de facto employment – especially, in the service industry and trade, where more women than men are engaged – is not covered.

While general employment opportunities may be more or less comparable across the board, those in the public sector, and in management and leadership positions, tend to be particularly imbalanced against both women and ethnic minorities. Thus, while official government policies and donor-funded projects are aimed at promoting equal opportunities for all, the reality is that considerable inequalities persist.

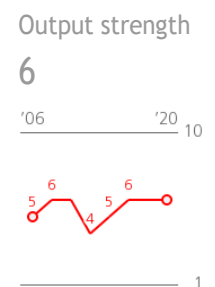
## 11 | Economic Performance

Kyrgyzstan's economy has performed very modestly by general indicators. Though some indicators have performed particularly poorly, which points to a rather bleak economic picture in the period under review. If the trends and challenges of the past couple of years were to continue, Kyrgyzstan's economy will face very difficult times.

GDP grew in both 2017 (4.5%) and 2018 (3.5%), according to the National Statistics Committee. GDP growth in 2017 was boosted by favorable trends in gold production at Kumtor gold mine, which were not maintained in 2018. Overall, as of 2018, the earnings from Kumtor gold production constituted just under 10% of the country's GDP, remaining a disconcertingly large factor in GDP for a single enterprise.

GDP per capita growth, in PPP terms, for 2017 stood at 3.7%, according to World Bank data – a continuation of a steady and modest annual growth trend over the last 10 years. The trend was reflected in the GDP per capita, which was \$3,726 (PPP) in 2017 and had been steadily growing in recent years.

The current account balance, traditionally negative, improved from the record deficit in 2016. The latter change is most likely due to increased earnings and remittance transfers of Kyrgyzstani labor migrants – an indicator that experienced a sharp decline three to four years ago, but has since bounced back. The inflation rate in 2017 was recorded at 3.2%.



Some negative indicators, however, could be observed and in light of such factors, the modest positive economic indicators lost further significance. The most substantial drawback involved FDI. In 2017, FDI even turned negative, while in 2018 FDI was just \$47 million, leading government officials to highlight this worrisome indicator.

Against the backdrop of no major projects, other issues loom ominously. The all-important and ever-troubled Kumtor gold-mining project has been slowly winding down its production and revenues – albeit with ups and downs from year to year – with no mining or other revenue-generating activity large enough to compensate for the shortfall. In the meantime, the state’s debt repayment burden is steadily growing, which puts increasing pressure on the state budget.

## 12 | Sustainability

Economic activity and development policy in Kyrgyzstan have continued to largely neglect environmental costs. While the rhetoric of public administration advocates environmentally sustainable development and a state bureaucracy charged with environmental oversight exists, the last couple of years have seen a marked deterioration in environmental protection.

Air quality in the capital city of Bishkek and the second-largest city of Osh has been deteriorating rapidly. Residents regularly complain online and elsewhere about the serious deterioration in air quality, in particular during the winter season. There is practically no control of vehicle emissions, the quality of gas being sold, or the emissions of private and public heating facilities.

Urban infrastructure works add to this. Throughout 2017, an aggressive campaign of tree cutting took place in Bishkek despite widespread protests by residents. The tree cutting was mostly for the purpose of widening city streets, which increased the space paved with asphalt. The municipality responded to these protests by announcing that a larger number of new trees would be planted. However, the distribution of such planting and the number of years required for newly planted trees to compensate for the lost mature trees remain open questions.

Another disputed and troubling event were amendments to the national law on water and glaciers, wherein two specific glaciers located near the Kumtor mining sites were extricated from the law’s protection, opening the way for gold-mining under those glaciers. At the time of writing, a group of members of parliament initiated a bill to reverse the amendment, although with little chance of winning.

Overall, the past two years were particularly bad for the environment in Kyrgyzstan. By late 2018 and early 2019, talks among government officials and members of parliament about introducing bans on plastic bags, partially or nationwide, and of introducing stronger emissions controls remain mere rhetoric.

Environmental  
policy

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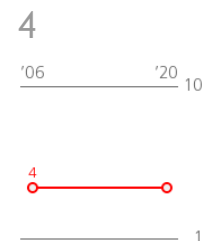
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Attention paid to education and R&D in Kyrgyzstan has remained stable over the past few years based on public discussions and results, albeit overall aggregate quantitative data are unavailable and, when available, questionable as to their accuracy. Thus, in the U.N. Education Index, based on the most recent data, Kyrgyzstan scored 0.735, which is at the higher end of the average for all countries worldwide. The literacy rate has historically been around 90%, albeit the accuracy of this indicator has been questionable in recent years.

Kyrgyzstan has spent a reasonably high percentage of GDP (6% on average in recent years) on education. However, considering the modest size of GDP, the share of young people in the country, and the poor condition of school buildings and infrastructure, absolute expenditure remains inadequate. Compounding this is the problem of corruption and poor management of public funds. Reforming the education sector has long been a prominent theme of government discussion. However, more often, the more urgent work has been to patch the holes and keep schools running.

Expenditure on R&D, according to the last reported data from 2015, was 0.1% of GDP – well below a reasonable level by any standards and reflective of the state of affairs in the country’s research institutions. In the last two years, there were renewed attempts to revamp the research and science sector, which involved merging the traditionally separate Soviet-style research institutions and universities, and reforming (or eliminating) the widely criticized unproductive and underfunded National Academy of Sciences. However, these reform efforts have not led to any tangible outcomes during the review period.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

Kyrgyzstan's political and economic development have been subject to a stable set of structural constraints, which have not changed in any significant way from previous review periods.

As one of the world's poorer countries when it gained independence, with little industry or substantial natural resource endowments, Kyrgyzstan has mostly continued to rely on its large-scale infrastructure that it inherited from Soviet times, such as its electricity generation capacities, motorway and railway networks, and natural gas pipelines. Hydro-electricity generation in particular, considered a potentially promising area, remains in a state of decay, without any new capacities added or new projects started. While the country's north and south are still connected by a single road, a second road has been under construction for the last three years and is expected to be completed in another two to three years.

On a more positive side, as of 2017, Kyrgyzstan completed the building of electricity transmission lines both to the north and to the south. The lines had previously been part of a region-wide circular system, which made each country in the system dependent on its neighbors for uninterrupted electricity supply – and Kyrgyzstan had often found itself the most vulnerable. In 2017, the renovation of Bishkek's central heating plant was completed. The renovation was necessary, but was undermined by allegations of corruption and mismanagement. Both of the above projects – as well as the new north-south road – have been funded by loans from China.

Natural disasters, such as floods and mudslides, have occurred regularly, albeit the country has experienced no major earthquakes in the last two years, which had been a pattern before. Unusually dry or rainy seasons have tended to occur, posing challenges for the agricultural sector.

Poverty levels and availability of skilled labor have remained stable or slightly decreased (poverty level). Pandemics (e.g., HIV/AIDS) have not become a structural constraint on development.

Structural  
constraints

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Traditions of civic engagement in public life are present but weak. The early years of independence, under the banner of making Kyrgyzstan “the island of democracy” in Central Asia, had sown rich civic activism. Much of that activism was concentrated in urban areas and especially in the capital and was wholly dependent on donor funding. Over time, those limitations grew to pose concerns for the viability of civil society.

Recent years have seen a variety of civil society engagement, beyond donor-funded NGOs. Voluntary civic groups have formed around questions of environmental protection; ad hoc civic activism tended to form in protest to specific government policies or favor of charitable purposes. Independent charitable activities, religiously inspired or secular, have emerged.

However, such activities have often been sporadic, short-term and incapable of sustained engagement on salient public issues where longer-term activities would be necessary.

During the election year of 2017, Kyrgyzstan saw a rise of confrontational, conflict-prone politics, with then-president Atambayev and his team acting against contenders who challenged the president and his preferred candidate.

After the election, the confrontational dynamics continued. However, it became much narrower, without involving many supporters on either side and mostly limited to elite groups of supporters. Neither before nor after the elections did the political confrontation turn violent. Instead, the political confrontation largely proceeded through litigation and court cases, and legal political channels of contestation.

At the very end of the current review period, some pro-nationalist protests took place in which anti-Chinese slogans were raised. How such issues develop and whether they might spread more widely or disappear, would be a matter to watch in 2019 and onward.

Other sources of potential conflict have not been observed in the review period and overall the situation in 2018 tended to be stable in the political field as well.

#### Civil society traditions

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#### Conflict intensity

4

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## II. Governance Performance

### 14 | Steering Capability

The period 2017 to 2018, dominated by electoral politics, has led to a loss of proper prioritization and strategic planning by the government. The electoral strategies of the outgoing president dominated 2017, pushing longer-term economic and development objectives to the background. In the second half of 2017 and early 2018, the previous prime minister vocally advocated several strategic digitalization and e-government programs, which formed part of the government's electoral rhetoric. However, these programs but ended up being poorly planned and weak on implementation.

After the election, as the new president attempted to consolidate power, prioritization of development plans became further diluted. The new president's political programs of fighting corruption and promoting regional (provincial) development remained largely rhetorical devices for public consumption. There is little evidence of carefully planned activities under the new presidency.

By the end of 2018, the general sense was of a lack of clear prioritization, short-run starts and jolts, mismanagement, and confusion. There is a need for stronger, clearer planning and steady action.

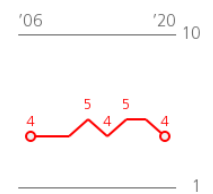
Just as prioritization capacity has been weak, so the government's capacity for implementing policy priorities has been weak. Regarding policy implementation, the performance of both presidents and all three prime ministers, who have held office over the past two years, has been poor – despite their different leadership styles, charisma and ambitions. This is due to poor prioritization, ongoing political agendas obstructing policy implementation, poor planning, the weak commitment of key actors to reform, and – especially for the ambitious Prime Minister Sapar Isakov – a brief term in office.

Thus, the fight against corruption – the most constant priority under President Jeenbekov – has not led to any tangible improvement. Meanwhile, regional development, another government priority, has not resulted in any notable projects or activities being launched; digitalization and e-government projects have only partially materialized; and rhetoric about economic development, attracting investment and various reforms (e.g., in education, the judicial system and health care) has far outstripped action. President Jeenbekov used anti-corruption campaigns to persecute alleged political opponents.

Question  
Score

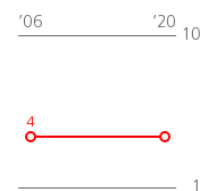
Prioritization

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Implementation

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The recalcitrance of many key players to genuine reforms is a key ingredient of the weak implementation capacity of Kyrgyzstan's government. Reformist initiatives have come mostly from outside the government such as expert communities, advisers to officials, and international partners, as well as the presidents. The bureaucracies of various government departments, especially middle- and high-level bureaucrats, while agreeing to such reforms, have been a major factor obstructing change, either willfully or due to incompetence.

The government of Kyrgyzstan has not been persuasive in its openness to and capacity for learning. Ceremonial engagements in various workshops, trainings and exchanges – usually in foreign countries – take place very often. However, they rarely lead to new approaches or new ways of conducting government business. In 2017 – 2018, the frequency of government officials and Kyrgyz parliamentarians visiting Georgia even turned into a subject of public criticism and jokes. For all the lessons and experience that the dozens of visits to Georgia drew, no implementation could be noticed in Kyrgyzstan.

A brief spark that appeared to indicate a sincere openness to policy learning and commitment to genuine reforms was the eight-month tenure of Prime Minister Isakov. However, it soon became obvious that Isakov's brief term in office was not the only impediment to his premiership, as significant flaws in planned projects, suspicious deal-making, political engagements and the lack of a supportive cabinet team accompanied Isakov's tenure as prime minister.

After all the reformist talks and learning opportunities, the government has always followed its established trajectory – from police to courts to security services to tax and customs bureaucracies - all the most problematic departments continue to perform in their old inefficient and corrupt ways.

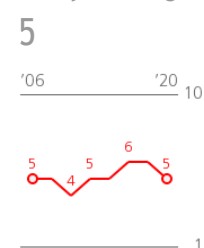
## 15 | Resource Efficiency

With regard to the efficient use of assets, the government of Kyrgyzstan has remained true to its performance in recent years, demonstrating limited efficiency (e.g., in keeping the size of the budget deficit below 3% of GDP) and misusing assets in many ways (corruption being the most significant form of misuse).

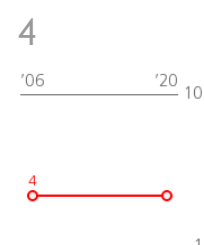
Human resource use has been subject to extensive political influence, and the hiring and firing of high-level bureaucratic or government personnel has been clearly used for trading favors. Such performance has been widespread over the past two years and dominated by electoral politics.

The use of financial assets has similarly been suspicious and inefficient. Bureaucratic and administrative cost-cutting has been pursued over several years under the concept of “government optimization,” involving downsizing government agencies and cutting government expenditure (e.g., on cars and travels). However, as a rule, the

### Policy learning



### Efficient use of assets



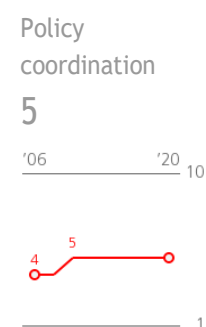
“optimization” plans of the government expenditure lack a concrete percentage or absolute target and end up being unfulfilled as a result.

The use of organizational resources has been a particular subject of criticism. Organizational resources (more commonly referred to in Kyrgyzstan as “administrative resources”) have been a primary instrument of manufacturing desirable election outcomes. That is, instead of performing one’s duties, in electoral periods the organizational resources of the state tend to be used as a tool for guaranteeing votes. Thousands of government-employed personnel (e.g., tax inspectors, social security administrators, police, doctors and teachers) are turned into de facto campaigners for the state-favored candidates or parties, urging their families, kinsmen and others to vote as instructed.

Besides this issue, while local self-governance institutions at the lower tier of administration have been viewed by the public with greater trust and as more effective, the higher tiers and central administrative structures have consistently been viewed as very corrupt and inefficient. Thus, in public opinion surveys conducted annually by the U.S. International Republican Institute on questions about trust in various institutions, the police, courts, highway agencies and other national-level bureaucratic institutions are viewed as the least trustworthy and most corrupt, whereas trust is much stronger and perceptions of corruption much lower in municipal councils.

Policy coordination in the work of Kyrgyzstan’s government continues to experience shortcomings and weaknesses in the same way as its weakness in policy prioritization and implementation. There are general mechanisms for running the day-to-day business of the government, which are well established, and require minimal planning and competence. But problems arise with the capacity for coordinating policy priorities and coherence in more complex tasks, such as carrying out reforms of different sectors or coherently organizing the work of multiple institutions involved in a single project. The inability to effectively coordinate policy has been a principal barrier to implementing law enforcement, health care and e-government reforms, and in the realization of development strategies, which are adopted at the highest level every now and then.

The inability to effectively coordinate government work is primarily connected to the high level of volatility in the top executive offices. For example, prime ministers and ministers have been frequently replaced, and successive cabinets largely consist of politically favored appointees who make for poor team players – in addition to the dominance of the president and the presidential office. In light of this, policy coordination approaches have been a mix of formal bureaucratic, informal network and centralized political coordination. The first approach is the least effective, while the second and third forms have a greater likelihood of succeeding. However, any success requires a policy to be seriously invested in (e.g., the constitutional referendums).





Anti-corruption policy has been a key priority for both the former president, Atambayev, and current president, Jeenbekov – both of whom have incessantly and strongly insisted on tackling corruption. However, expert and public perceptions suggest that the problem has not lost pertinence in recent years.

There exist multiple anti-corruption mechanisms, including independent and state audits of governmental agency finances, income declarations of public and state employees, open and competition-based hiring procedures for civil servants, and open auctions for state tenders. In 2018, as corruption was a central news item in the media, proposals were made to introduce expense declarations in addition to income declarations of government officials, because often the declared income stood in sharp contrast to private expenditures. Despite the anti-corruption mechanisms, their implementation has remained a serious problem and corrupt practices have continued to thrive.

In view of rampant corruption, and at times for political convenience, the anti-corruption fight has given rise to more coercive, persecution-focused means, with the specially established Anti-Corruption Committee of the National Security Agency acting as the main policing organ. Dozens of high- and middle-level state officials have been sentenced to jail or have faced corruption charges over the last couple of years. Often, such cases appeared to be dictated as much by political expediency as by any genuine evidence of corruption. Indeed, anti-corruption policy has often been a convenient cover for political persecution, while genuine work to prevent corruption remained weak.

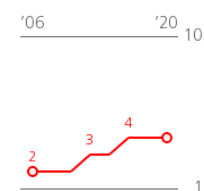
## 16 | Consensus-Building

Commitment to democracy remains stable, although this says little about the depth or the strength of such commitment. Thus, no major political actor – parties, officeholders or other agents with public clout – has ever openly opposed democracy; all actors have, to the contrary, confirmed their commitment to democracy as the best way to govern. In large part, this commitment was reflected in two popular uprisings, which toppled two governments. The accepted narrative is that the uprisings were a mass protest against authoritarian and corrupt government practices. The commitment to democracy notwithstanding, the actual performance of key political figures, including both presidents, many members of parliament, and some political parties, has often revealed a disregard for democratic principles and procedures. In other words, the camouflage of democracy has been widely used by almost all presidents of Kyrgyzstan, although some used this rhetoric more than others.

Commitment to market economy, much like commitment to democracy, has remained stable since Kyrgyzstan's independence. Though again this stability is not necessarily concurrent with the strength and depth of this commitment. Kyrgyzstan is in fact a market economy, where the state role in the economy is rather limited and

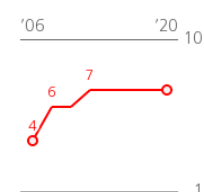
### Anti-corruption policy

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### Consensus on goals

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mostly happens to occur within market principles. The sanctity of private property, freedom of enterprise, freedom to enter the market and other basic principles of a market economy are enshrined in law and are protected in principle. However, the principal protection is often compromised by practical violations of market principles, such as corruption, weakness of the rule of law, or sometimes due to post-Soviet bureaucratic practices that neglect the principles of autonomy of the market (price regulation being a case in point).

There are no significant anti-democratic actors that could veto processes of democratization in Kyrgyzstan. The question rather concerns the presence and capacities of democratizing and reformist forces. While there is a general commitment to further democratization across all relevant groups in society, there are few agents who have been so strongly committed as to actively push the democratization agenda.

Presidents of Kyrgyzstan, traditionally the most powerful actors, have rhetorically always been committed to democratization, however without the requisite action. Political parties, while existing within and being beneficiaries of democratic political processes, have often compromised democracy by resorting to corruption and undemocratic populist slogans during election periods. Civil society organizations, often the most committed and vocal agents for democratization, have generally lacked the organizational resources to support the agenda of democratization.

Given that democracy is supported by almost everyone to a lukewarm extent and is frequently compromised whenever it is politically expedient, there could be little democratization success.

With the 2010 interethnic bloodshed receding into the past, the potential for conflict in Kyrgyzstan has decreased in recent years. This is despite the fact that reconciliation between the various groups involved in the 2010 conflict has been far from genuine.

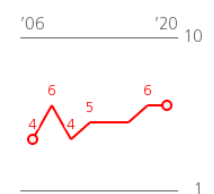
Other potential lines of conflict and cleavages in Kyrgyzstan involve regional divisions (north vs south), clashes over religion, and political divisions – supporters of different parties and politicians.

Fears about the latter line of conflict came to the fore when the country was moving toward elections in 2017. One particular worry was that the successor to the outgoing president could again be a “northerner.” At some point, this notion was picked up as a convenient argument for the preferred candidate of the incumbent president, since the main rival was a northerner. Atambayev followed a different pattern by balancing north and south tensions through appointments and going beyond the regional division and kinship ties to incorporate individuals close to him (e.g., his friends, party members, advisers and even drivers) to influential positions.

But soon after the elections, the political division was between those who supported the ex-president and those who supported the new president. The dividing line split

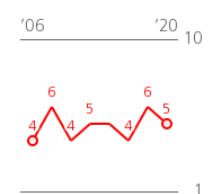
Anti-democratic actors

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Cleavage / conflict management

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the ruling party, the Social Democratic Party of Kyrgyzstan, to which both men belonged. However, the conflict between the two presidents did not turn into a larger-scale societal cleavage.

The limited but potentially significant division between secular and religious should also be considered in this regard. The cleavage so far has remained very limited, and only voiced occasionally in social media and media reporting, without turning into anything wider and more regular. Given the growing number of religious people and salience of religion in Kyrgyzstan, and the increasing influence of religion on public and political life, the cleavage could potentially turn into something more worrisome.

The capacity to manage all the above real and potential cleavages has been somewhat limited. There has not been any widely promoted or implemented conflict-mitigation policy; responses have mostly been ad hoc and rhetorical.

The 2017 to 2018 review period should be viewed in two halves regarding the participation of civil society in the political process. In 2017, the government of Kyrgyzstan under the leadership of the outgoing president had grown rather immune to civil society criticism and feedback, and sufficiently self-assured as to regularly criticize civil society organizations and activists, or even show open disregard for civil society. The former president, developing increasingly autocratic habits, had little time for civil society.

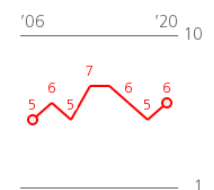
In 2018, the new president has found much more time and interest in engaging civil society organizations as well as individual activists. Irrespective of whether such an attitude is a calculated legitimacy-boosting strategy or a genuine desire to involve active citizens, the new president has on many occasions and on a variety of issues consulted with civil society organizations. As an early act of open discussion, the president held a roundtable meeting with a wide array of prominent civil society organizations, inviting both those who were supportive of him and those who had been critical.

The actual impact of such civil society involvement is harder to assess. Some particular policy steps (e.g., a program of support for families with disabled children) may be attributed at least partly to consultations with civil society, but such occasions have been few.

Over the past two years, Kyrgyzstan's political leadership has not engaged in any particular acts or processes of reconciliation regarding past conflicts or injustices in which the government was involved. In particular, the memory of the 2010 conflict remains fresh in society, and the loss of lives and widespread suffering during those days of bloodshed has not been a subject of open and genuine discussion. Instead, the strategy – if there is one – has been one of letting it be forgotten, adopting indirect processes of healing through symbolic performances of friendship (e.g., common tea

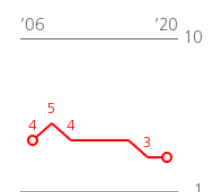
Civil society participation

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Reconciliation

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drinking). The actual victims of those events have not been supported in coming to terms with their experiences.

In the meantime, however, some older events were brought up, and have seen some degree of public debate. In 2017, on the 100th anniversary of the Socialist Bolshevik Revolution and the 80th anniversary of the Stalinist purges, President Atambayev issued a decree declaring November 7 and 8 as Days of History and Memory – remembering the victims of Stalin’s purges of 1937. Until 2017, such critical remembrance of Soviet-era events had not been observed and considered undesirable out of fear it would spoil relations with Russia.

Recently, the persecutions of opposition politicians and journalists in 2017 by former president Atambayev’s government were publicly debated. In this regard, reconciliation has been a mixed process, with somewhat muted apologies voiced by the former president toward some of his targets while not toward others and with the current president not taking any action to address the wounds of 2017. Instead, in 2018, the more important process has been the process of cleansing the government of loyalists to the previous president – a process not conducive to reconciliation.

## 17 | International Cooperation

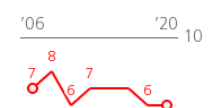
Kyrgyzstan depended on international development assistance in its early years after independence, during the severe economic crisis. Over time, such assistance came to be used as just another regular source of income and rent. While any assistance from abroad has been provided for particular projects, many such projects have not been realized and a steady portion of donor money is believed have been pocketed by corrupt politicians.

In the last couple of years, these trends have continued. Thus, EU assistance for electoral reform, received before the 2017 elections, was followed by a poorly reformed election law and an election marred by a variety of abuses. Following Kyrgyzstan’s accession to the Eurasian Economic Union, a development fund was set up with Russian money to encourage export-oriented enterprises in Kyrgyzstan to become more competitive. However, there have been many cases of mismanagement of the fund and of loans provided to companies that did not meet the criteria of the fund.

As part of the digitalization projects spearheaded by Sapar Isakov’s cabinet in 2017, there was a drive to collect donor support, but beyond a positive reception and pledges of support by some major donors, the process did not proceed further. These programs were not abandoned after Isakov’s dismissal, but neither were they pursued with the same energy as before.

Effective use of support

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At the time of writing, a key topic of public criticism was the use of donor money within particular projects of the Ministry of Health. In particular, criticism focused on the purchase of two expensive SUV cars and the proposal to send an auditor, who was in the process of auditing the ministry, for a training course in Italy, which was widely viewed as a form of bribery.

In foreign relations, Kyrgyzstan went through a period of turbulence during the last couple of years of President Atambayev's term in office. During this period, relations with the United States, Turkey and Kazakhstan seriously deteriorated. In addition, relations with Uzbekistan were already tense, although tensions eased following the appointment of a new president in Uzbekistan, Shavkat Mirziyoyev, while relations with Tajikistan have remained largely uncooperative. For the most part, such poor relations are the result of poor diplomacy by Atambayev and the jealous defense of particular political interests, which Atambayev viewed as being under threat. This can at least partially explain the slow and very modest levels of foreign direct investment in recent years – a net decline of FDI in 2017 and less than \$50 million net inflow of FDI in 2018.

Under President Jeenbekov's term in office, these severely damaged relations have been mended considerably, but failed to become fully productive and trust-based. In all directions of foreign contact, pleasant declarations of friendship have failed to lead to tangible joint projects and agreements. Even Kyrgyzstan's traditionally strong relations with Russia, China and the recently more open Uzbekistan have all been slow in leading to further cooperation. Relations with China, possibly, cooled following the large-scale corruption investigation into the Chinese funded and implemented Bishkek central heating plant reconstruction project.

Kyrgyzstan is located in a difficult neighborhood in which cooperation has not been easy in the past. Kyrgyzstan's neighbor to the east, China, has become the main source of loans to the country, to the extent that Kyrgyzstan's indebtedness became a key public concern during the review period. In the midst of international discussions of China's almost predatory policy of making small countries unsustainably indebted to it, the government as well as the public have grown uneasy with this form of cooperation.

Kyrgyzstan's other neighbors are all fellow Central Asian states, with which relations have always been marked by distrust, competition and a lack of genuine interest in cooperation. Since 2017, the most promising relationship has evolved with Uzbekistan, whose new president, Mirziyoyev, has launched a policy of befriending neighbors. For Kyrgyzstan, this has led to progress in delimiting the common border between the two countries. Relations with Kazakhstan have continued to be reserved and unstable. Having worsened in late 2017 under President Atambayev, relations with Kazakhstan improved in early 2018 under President Jeenbekov. Small-scale disagreements with Kazakhstan have continued at private or lower bureaucratic

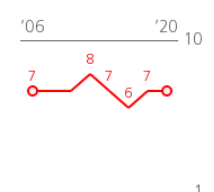
#### Credibility

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#### Regional cooperation

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levels, mostly in the form of Kazakhstan's border agency and other relevant offices blocking the passage of Kyrgyzstani goods and transport into Kazakhstan.

Kyrgyzstan's relations with Russia, for many years underscored as Kyrgyzstan's most important and closest relationship, have lacked energy in recent years, but remain on a positive track.

Thus, Kyrgyzstan's relations with its neighbors saw ups and downs in recent years. As of late 2018, the country was positively disposed to cooperating with all its neighbors, but tamed by concerns of how constructive the intentions and interests of neighboring countries will be for Kyrgyzstan.

## Strategic Outlook

At the end of 2018 and beginning of 2019, Kyrgyzstan arrived at a period of relative stability. However, this stability has not yet led to any clear indication of constructive change. Instead, progress appears shaky and capable of withering away. The political pendulum swung one way before the 2017 presidential elections and then swung another way after the elections, setting the country on a political rollercoaster, which only appeared to calm down by the end of 2018. The political swings introduced a level of turbulence to the economic life of the country, which otherwise remained relatively stable against the backdrop of a stabilizing regional and world economy. Even so, in the heat of politics, economic developments receive little attention, and economic performance has been lackluster in the first year of President Jeenbekov and his hand-picked prime minister, Mukhammedkalyi Abylgazyev (appointed April 2018), amid several government mistakes, missteps and fiascos.

Moving forward, the government of Kyrgyzstan must act quickly and decisively to implement much-needed reforms and launch a clear vision of development to solidify the emerging political stabilization and produce a satisfactory economic performance. Kyrgyzstan is still a fledgling democracy, with hopes for strengthening its reputation as “the island of democracy.” As a market-based liberal economy, the government is limited in its authority over both political and economic governance. However, respecting the constitutional limitations, the president, prime minister and parliament need to work cooperatively to persuade citizens and foreign partners that constructive development is forthcoming.

To that end, the president and the coercive apparatus of the state need to move beyond the power-consolidation mode toward one of national reconciliation and constructive dialog. It is essential that the president consults a broad range of public opinion – just as he began doing in 2018 – but on a more systematic basis and with a view to developing a clear and unifying development agenda. The new president needs to build a team of competent advisers who are united by a common vision, instead of prioritizing loyalty and obedience over ideas and competence. Fighting corruption is an important issue, which the president has taken up. However, in and of itself, it is not a positive and forward-looking agenda; it is a well-trodden track that the public has come to see as a cover for political score-settling.

The prime minister must energize his cabinet and adopt a more creative and proactive approach to encourage investments and boost business confidence and improve government communications. Recent failures with various government initiatives were largely due to poor preparation and public communication. Given mounting pressures with debt repayments, declining revenues from the gold-mining sector, and the volatility of remittances due to the shaky Russian economy, it will be crucial for the Kyrgyz government to chart new and viable paths to a productive economy.

In anticipation of the 2020 parliamentary elections, it is likely that the political field will become increasingly active soon, implying mergers, divisions, populist acts and economically unsound

slogans. The president, the cabinet and parliament must act in concert and ensure that such electoral-mode politics do not neglect ongoing and urgent economic tasks. Early entry into electoral politics will be unwelcome for both the liberal civil society and the private sector.

Constructive foreign policy and the engagement of international partners will facilitate the above tasks. As of early 2019, Kyrgyzstan's leadership enjoys positive relations with the neighboring countries and the larger outside world. The positive dynamic must be taken beyond diplomatic niceties into more concrete deals and agreements, opening more opportunities for Kyrgyz businesses, starting new economically productive infrastructure projects, while pursuing a policy of diversifying the country's partnerships.

The international community (i.e., other countries, international institutions and major international companies), which are committed to supporting democracy and a free economy, would do well to support Kyrgyzstan's efforts to seek a broader array of partners, encourage further democratization in Kyrgyzstan, strengthen the rule of law and improve the transparency of governance. It would also be good for relevant international actors to engage Kyrgyz business entities in facilitating their export capacities, such as within the European Union's GSP+ trading facility, as well as access to international capital and partnerships.