

BTI 2016 | Kyrgyzstan Country Report

Status Index	1-10	5.71	# 60 of 129	
Political Transformation	1-10	5.95	# 60 of 129	➔
Economic Transformation	1-10	5.46	# 68 of 129	➔
Management Index	1-10	4.78	# 71 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	5.8	HDI	0.628	GDP p.c., PPP \$	3322.2
Pop. growth ¹	% p.a.	2.0	HDI rank of 187	125	Gini Index	27.4
Life expectancy	years	70.2	UN Education Index	0.656	Poverty ³	% 20.0
Urban population	%	35.6	Gender inequality ²	0.348	Aid per capita \$	93.8

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Over the past two years, Kyrgyzstan has seen the further expansion of its diverse civil society, opposition political parties and independent media – institutions that neighboring states still largely lack. Kyrgyzstan’s constitution was adopted in 2010, and, despite earlier skepticism, remains in force and without amendment as of early 2015. The country’s leadership also consistently promises to hold parliamentary and presidential elections on schedule in 2015 and 2017. There is a general public consensus – albeit far from enthusiastic – that the current constitution, however imperfect, has curbed the emergence of another autocratic regime. The Kyrgyz parliament has made an effort to improve regulations for market competition and reduce the size of the shadow economy. It has become easier to do business in Kyrgyzstan, and the government has reduced the number of requirements for business permits.

Despite these signs of progress, the endemic institutional weaknesses of government agencies, the corrupt judicial sector, and the intermittent rule of law continue to hamper Kyrgyzstan’s democratization. In 2014, there were further incidents in which police detained peaceful protestors. More opposition leaders and civil society activists complained about government surveillance. In 2014, the parliament discussed labeling organizations and individuals obtaining foreign grants as “foreign agents,” as well as banning the “propaganda” of homosexuality. Both bills were inspired by similar laws in Russia. The legislation would have enabled the government to brand any NGO receiving financial support from abroad or engaging in vaguely defined “political activities” as a “foreign agent.” Furthermore, in 2014, Kyrgyzstan saw the rise of violent nationalist groups such as Kalys, which has resorted to militant tactics in what it views as defense of the Kyrgyz identity and traditional morals. Kalys is notorious for its hate speech against LGBT communities.

On the economic front, developments are mixed. Fewer people now live below the poverty line, and, in 2014, Kyrgyzstan was included for the first time in the “lower middle-income” group of countries in World Bank rankings, up from its previous “low income” country listing. Despite this, poverty and economic inequality are still pronounced and increasingly structurally entrenched. Most economic opportunities are concentrated in Bishkek and Osh. Rural areas suffer from high unemployment, decreasing education rates, and declining social services. The vast majority of working-age people continue to move from rural areas to urban areas to earn a living or to Russia and Kazakhstan for seasonal labor.

In 2014, Kyrgyzstan’s foreign policy became increasingly pro-Russian, with the government simultaneously ending the U.S. contract for the Transit Center at Manas while deciding to join the Russian-led Eurasian Economic Union (EEU), which came into effect in May 2015. China’s economic presence in Kyrgyzstan has grown vastly in recent years, but the future of this relationship is uncertain in light of Kyrgyzstan’s EEU accession. Thanks to Kyrgyzstan’s early membership in the WTO and its generally free economic environment, the country has become a major importer, re-exporter and transporter of Chinese goods.

Kyrgyzstan’s relations with its neighbors in the Fergana Valley – Tajikistan and Uzbekistan – have long been rocky. Border skirmishes between security guards are becoming more frequent, increasing tensions at an inter-state level. Although most issues have been addressed through diplomatic means, the possibility of open confrontation in border areas remains high.

Thus, Kyrgyzstan’s transformation process over the past two years has seen a number of both positive and negative developments, but on the whole, the country has not seen any dramatic changes in its scores in political, economic or management indexes.

History and Characteristics of Transformation

During the first decade of independence, President Askar Akayev famously declared Kyrgyzstan to be an “island of democracy.” This appellation, however, was soon undermined when Akayev silenced independent media and suppressed his opponents in the run-up to his third presidential election in 2000. Dissatisfied with his regime, opposition movements mobilized to oust Akayev in March 2005. Akayev was replaced by opposition leader Kurmanbek Bakiyev, but Kyrgyzstan’s political turbulence continued well into 2010. Bakiyev failed to satisfy public demands for reform, quickly succumbing to corruption himself and suppressing rival political forces. He also sought to increase his powers with a new constitution adopted through a questionable snap referendum in 2007.

Because Bakiyev’s hold on power seemed secure, his overthrow on 7 April 2010, came as a surprise to many. Angered by the arrest of several prominent opposition leaders, protesters gathered in the town of Talas on April 6. What began as a small demonstration demanding the

president's resignation grew to spontaneous protests across the country. The next day, several dozen people died during clashes with police, and some 1,000 more were injured in anti-government protests in central Bishkek. Bakiyev fled his seat in Bishkek and eventually settled in Minsk under the protection of the president of Belarus. Lacking a clear single leader and aware of the pitfalls of single-person leadership from the 2005 experience, a group of opposition leaders formed a 14-member provisional government. This was led in turn by Roza Otunbayeva and Almazbek Atambayev, both members of the Social Democratic Party of Kyrgyzstan (SDPK), and by Omurbek Tekebayev of Ata-Meken Socialist Party, among others.

The provisional government drafted and adopted a new, significantly different constitution in June 2010, amid a severe political crisis. The constitution, contrary to widespread misgivings, became the pillar of consistent pluralist political stabilization and democratization. In 2010 and 2011, Kyrgyzstan held its first genuinely competitive parliamentary and presidential elections, becoming the first country in Central Asia to transfer political power by means of competitive elections.

Despite initial concerns about its viability, Kyrgyzstan's parliament-leaning mixed regime has functioned to date with relative calm, albeit with a high frequency of cabinet replacements – something Kyrgyzstan is generally accustomed to. By 2014, government leaders repeatedly committed to abide by an established schedule for parliamentary (2015) and presidential (2017) elections, amid occasional fears of imminent dismissal by the parliament (which, under the current constitution, would be a difficult procedure).

Political parties appear to be diversifying, and some regional parties that won local elections in 2012 are preparing nationwide campaigns. There are also parties that strive to represent the interests of specific social groups, such as migrants and entrepreneurs, rather than self-interested political cliques. The SDPK, the party of President Atambayev, has been the strongest and most solid party amid the disarray and internal splits of other major parties. However, some trends toward party and party-system consolidation were noticeable in the lead up to the 2015 elections.

Despite these democratic achievements, Kyrgyzstan's political actors have yet to internalize the separation of powers enshrined in the 2010 constitution, and many members of parliament continue to prioritize their own views or business interests over broader policy concerns. Most political parties remain institutionally weak and rely heavily on the popularity or wealth of their individual members.

Against the backdrop of weak government institutions and parties under the new constitutional system, an important trend has been the rise of the role of President Atambayev and his administration. Essentially a threat to the continuity of a balanced democratic regime, the increased centrality of the president in the country's life, however, has also been a crucial positive factor that often stepped in to bridge governance gaps left by other main institutions of power. Atambayev's singular insistence on the priority of fighting corruption has resulted in record numbers of corruption charges against high and mid-level public officials. However, this record has been marred by as yet un-allayed suspicions of the president targeting his opponents and sparing his allies.

Kyrgyzstan's economic and foreign relations in recent years have been dominated by its ever-controversial haggling between Moscow and Washington over the American-led airbase at the Manas airport, and specifically Bishkek's ongoing close yet unequal ties with Moscow. These two themes have recently led to Kyrgyzstan's stark strengthening of relations with Russia and loss of any significant economic and political relations with the United States. The repercussions of this two-way debate have played a major role in polarizing public opinion on issues like LGBT legislation and Western funding of civil society groups, as well as dividing opinions on world affairs and attitudes such as anti-Americanism and pro-Russianism, and vice-versa.

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

Question
Score

Following regime changes in 2005 and 2010 and a decade of ethnic strife, Kyrgyzstan's government has been able to reassert its monopoly over the use of force across the country. The government's ability to control the entire territory was challenged in June 2010, when ethnic violence engulfed parts of southern Kyrgyzstan. The police and armed forces became part of the conflict, rather than a solution. They acted unprofessionally and reportedly provoked the Uzbek minority while protecting the Kyrgyz majority. Facing such an extreme situation for the first time and uncertain of how internal violence would impact her fragile government, Interim President Roza Otunbayeva appealed to Russia for military help. After 2010, state capacity to control the whole territory improved, especially after President Almazbek Atambayev assumed office.

Monopoly on the
use of force

8

Some local government officials still enjoy informal control over local police units, particularly in southern Kyrgyzstan. However, with the ouster of Osh city mayor Melis Myrzakmatov in early 2014, the central government has significantly reduced the number of enclaves where it lacked control. Since then, any operational inefficiency in law enforcement or military institutions has largely stemmed from corruption, nepotism and unprofessional conduct.

Kyrgyzstan's society is split along ethnic and linguistic lines. These cleavages correspond to regional and urban/rural divides in the country. Ethnic Uzbeks make up roughly 14% of the population and live predominantly in southern Kyrgyzstan. Virtually all Uzbek-language media outlets were shut down in the wake of ethnic violence in 2010. A study by the Regional Office for Central Asia of the UN High Commissioner for Human Rights shows that while ethnic Kyrgyz consider ethnicity to be the most important determinant of identity, members of other ethnic groups place more emphasis on citizenship. When asked whether they identify themselves based on ethnicity, residency or citizenship, ethnic Kyrgyz display the strongest affinity for ethnicity. Ethnic identity is particularly important for ethnic Kyrgyz from

State identity

8

southern Kyrgyzstan (70%). This is almost twice the rate of ethnic Uzbeks across the country. Ethnic Uzbeks place citizenship-based identity (56%) ahead of ethnicity (38%). Russians, Dungans and Uyghurs have the strongest civic identity compared with other ethnic groups. Furthermore, the majority (over 70%) of ethnic Kyrgyz want to keep ethnicity data on state-issued IDs, while most ethnic minority groups prefer to keep this information optional or to eliminate it altogether. Contrary to the fears of nationalists, it is the ethnic minority that possesses a stronger foundation for a civic identity, not the ethnic majority.

All in all, trends in identification with the state have not changed much in recent years, and no significant group calls the nation-state into question, although the concept of nation-state among the ethnic Kyrgyz tends to correspond to their ethnic identity.

Kyrgyzstan is a secular state and religious dogmas have no legal role in or influence on the political process. The role of religion is more informal. However, there are a number of politicians, such as Tursunbai Bakir Uluu, currently a member of parliament representing the Ar-Namys party, who call for the incorporation of Islamic dogma in state law. He and some other political leaders would prefer to see Islam exert greater influence on the legal order and political institutions. An example of this is frequent calls for making Friday a nonworking day to allow people attend the Friday Muslim prayer. The political leadership - the president in particular - has resisted such calls and tried to redirect the Islamic discourse in the country away from political influence, as evidenced in the 2014 state concept on religion policy.

No interference of religious dogmas

9

The role of Kyrgyzstan's basic administrative structures extends beyond maintaining law and order. Since the regime change in 2010, the government has been able to improve delivery of basic public services such as tax collection and private sector regulation. However, areas such as energy policy and natural resources are marred by corruption and populist decision-making. As of early 2015, the government still had not reformed the hydro-energy sector to ensure a more efficient domestic pricing policy, as well as the export of electricity to regional neighbors. Furthermore, neither the presidential administration nor the parliament were able to prevent the sabotage of mining operations in eastern parts of the country organized at the local level in 2013-2014 because of unclear policy and weak administrative coordination with local governments.

Basic administration

5

2 | Political Participation

Kyrgyzstan has made considerable progress in holding competitive elections. Between 2010 and 2012, Kyrgyzstan held three elections (parliamentary, presidential, and local) and one constitutional referendum. International observers praised both the presidential and parliamentary races. The Organization for Security and Cooperation in Europe (OSCE), however, noted problems with voter registration lists, while the work of the Central Elections Commission (CEC) sometimes lacked transparency. Yet, these shortcomings did not affect the overall outcome, according to election observers.

Free and fair
elections

6

In 2014, political parties and individual politicians were preparing for the next elections, scheduled for fall 2015. Members of parties represented in the parliament began campaigning in their districts to secure a slot on party lists and to lay the groundwork for an electoral victory. The total number of political parties, according to the Ministry of Justice, is 192. President Atambayev has made holding free and fair elections a top priority during his presidency and, among other measures, initiated the collection of biometric personal data of all citizens in order to eliminate electoral fraud. However, challenges remain with respect to political party tactics in the run-up to elections, where illicit money flows, intimidation and other means of blocking rival parties are suspected.

Under the 2010 constitution, the democratically elected parliament has considerable power to govern. The major obstacle to effective governance, however, is informal politics among major political players. Political parties remain too weak to perform as coherent units, and the parliament is composed primarily of political forces acting to protect their individual business interests. Corruption and nepotism continue to plague government agencies. Personal interests, not political platforms, guide most political actors both in the parliament and government. The political leadership's capacity to govern is limited by their low levels of professionalism. Many government officials lack the technical experience required for their position. Government officials are often appointed based on their party affiliation or other political contacts, not their professional qualifications.

Effective power to
govern

5

The influence of nonelected actors such as political opposition, business and military elites has been much smaller since the 2010 parliamentary elections and in comparison to the 1990s and 2000s. Most political discussions take place within the halls of the parliament and government.

Kyrgyzstan's civil society is diverse and vibrant. There are venues for cooperation between civil society organizations, MPs, and government officials. There are, however, regular efforts by some lawmakers to circumscribe NGO activities. In 2014, the parliament discussed labeling organizations and individuals obtaining foreign grants as "foreign agents," as well as banning "propaganda" about homosexuality. Both bills were inspired by similar laws in Russia. The legislation would have enabled the government to brand as a "foreign agent" any NGO receiving financial support from abroad or engaging in vaguely defined "political activities." President Almazbek Atambayev, elected in 2011, publicly declared his opposition to the bill before parliament could vote on it in mid-September. Due to the persistence of the bill's authors, however, it came before parliament again in 2014. The bill has been under consideration as of early 2015.

Association /
assembly rights
7

In addition to the "foreign agent" concept, civic assembly and expression opposing Kyrgyzstan's joining of the Eurasian Economic Union has faced restrictions, often through the employment of police force.

Kyrgyzstan's mass media is generally free and diverse, although urban populations have better access than residents in rural areas. Bishkek residents enjoy access to various print, TV and radio outlets. In 2014, the government was able to introduce digital TV broadcasts in some parts of the country. The transition enabled Kyrgyzstan-based broadcasters to reach a nationwide audience. Furthermore, the online universe remains mostly free, and a few news sites do publish criticism of the president, the parliament, and the government. Online forums and social networking sites are untouched by the authorities. In 2014, Kyrgyzstan criminalized libel in the mass media through a new law, although the definition of what constitutes libel is rather ambiguous. The law is designed to protect individuals from being accused of committing a crime.

Freedom of
expression
7

3 | Rule of Law

The separation of powers is in place and functioning. However, frequent changes in the composition of the ruling coalition undermine the continuity of government policies. The latest coalition change took place in March 2014 when the Ata-Meken Socialist Party left the ruling coalition following a disagreement with Prime Minister Jantoro Satybaldiyev's government. Furthermore, most political parties have seen internal splits; only the Social Democratic Party of Kyrgyzstan (SDPK), backed by the president, continues to demonstrate cohesion. This makes the party and the president the country's most dominant political players, leaving open the possibility for the president to encroach into spheres of cabinet responsibility and to undermine judicial independence.

Separation of
powers
6

Although Kyrgyzstan embarked on an ambitious judicial reform process in 2010, the judiciary remains the weakest and most corrupt part of the state. The reform process has been highly politicized and marred by corruption. Both the president and parliament have tried to install judges who would serve their political needs. In 2014, President Atambayev called for an amendment to the constitution by creating the Presidium of the Supreme Court. The NGO community criticized the proposal, accusing the president of trying to pack the judicial sector with personnel loyal to his regime.

Independent
judiciary

4

Furthermore, justice is yet to be served for the victims of ethnic violence. This relates mainly to the ethnic clashes in southern Kyrgyzstan in June 2010, where most of the victims being ethnic Uzbeks. In 2013, Kyrgyzstan's Supreme Court began reviewing appeals from regional trials to assess whether intimidation practices had interfered with due process. However, the Supreme Court has not overturned any verdicts.

The case of prominent ethnic Uzbek human rights activist Azimjon Askarov remains unsolved. Shortly after the events of June 2010, Askarov was sentenced to life in prison for charges of incitement of ethnic hatred in a trial marked by irregularities. Despite pressure from both Kyrgyzstan's NGOs and the international public, the political leadership has shown little will to take up Askarov's case. His lawyers proclaim his innocence, but their appeals to the Supreme Court were turned down on several occasions.

The most independent member of the judicial system has been the Constitutional Chamber of the Supreme Court, a de facto autonomous court of constitutional review, which began functioning in mid-2013 and has issued a significant number of decisions, many of them not favored by the president or the executive.

Shortly after his election in 2011, President Atambayev declared corruption to be a top priority and a matter of national security. In 2013, the president's fight against corruption impacted members of almost every political party — except his own SDPK. The trend continued in 2014, when a Bishkek district court failed to convict the former mayor of Bishkek, SDPK member Isa Omurkulov, on corruption charges. Omurkulov's case was closely watched by other political parties as a litmus test of Atambayev's commitment to fight corruption. His acquittal was interpreted by many to be testament to the invincibility of the president's loyalists. Atambayev, however, continues to insist that his anti-corruption campaign has been successful. Indeed, the last couple of years have seen an unprecedented high number of corruption charges brought against public officials, although the record has been much less remarkable with respect to conviction rates. The president has accused journalists of falsely portraying Kyrgyzstan as a corrupt country.

Prosecution of
office abuse

4

Kyrgyzstan has a mixed civil rights record. On the one hand, the country's constitution grants equal rights to all citizens regardless of ethnicity, religion, or gender. Furthermore, in 2014 the government adopted an action plan on the prevention of torture. The plan is based on the recommendation of the UN Special Rapporteur on Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. It provides a set of activities in three main categories: improving legislation, raising awareness and providing organizational and technical support. The plan proposes to develop a number of draft laws and additions to the protocols on the detention of suspects, detention conditions and prison medical examinations. On the other hand, the parliament has sought to limit civil rights for the LGBT community and the NGO sector. Furthermore, despite constitutional provisions, women and ethnic minorities are severely underrepresented at both the local and national levels. Discrimination against local Uzbek communities is also still pervasive.

Civil rights
6

Finally, in 2014, Kyrgyzstan saw the rise of some militant nationalist groups such as Kalys and Kyrk Choro, which seek to defend the Kyrgyz ethnic group and its traditional values through sometimes violent means and generally intolerant posturing. Kalys is notorious for its hate speech against LGBT communities.

4 | Stability of Democratic Institutions

Kyrgyzstan has made significant strides toward democratization since the change of political regimes in 2010. The new constitution grants greater powers to parliament and includes several provisions to prevent the emergence of a single, dominant leader. Despite earlier skepticism, the constitution remains in force and without amendment as of early 2015, and the government leadership has promised to hold parliamentary and presidential elections on schedule in 2015 and 2017. This would mean breaking a decade-long pattern of early elections that typically served to strengthen the incumbent. The country has seen the emergence of a diverse civil society, opposition political parties, and independent media – institutions that neighboring states still largely lack.

Performance of
democratic
institutions
5

Despite these signs of progress, the endemic institutional weaknesses of government agencies, the corrupt judicial sector, and the intermittent rule of law continue to hamper Kyrgyzstan's democratization. In 2014, there were additional incidents in which police detained peaceful protestors. More opposition leaders and civil society activists complained about government surveillance in 2014 than in 2013.

There is a general public consensus that the current constitution, however imperfect, has proved to curb the emergence of another autocratic regime. One of the provisions of the constitution is that it cannot be changed prior to 2020. In 2014, there were several proposals, including from President Atambayev, to amend the constitution. These proposals were met with strong opposition from the parliament and civil society. Similarly, although some MPs and opposition leaders called for early parliamentary and presidential elections, most political actors insisted that elections be held at the constitutionally defined time.

Commitment to
democratic
institutions

7

In 2013 and 2014, the Ata-Jurt party, along with other opposition forces, threatened to stage large-scale protests to topple the president. The government's failure to nationalize the Kumtor gold mining operation and the growing prosecution of opposition forces were among the reasons cited. Ata-Jurt's threats to challenge the president can be explained by its relative weakness in the parliament, as well as the government's unfair investigations of its leaders.

5 | Political and Social Integration

Since the 1990s, Kyrgyzstan has seen a proliferation of political parties, with the total number of registered parties reaching at times 200. However, Kyrgyzstan has yet to see the emergence of powerful political parties that are socially rooted and united by ideas, not individuals. Most political parties remain too weak to perform as coherent units, and the parliament is composed primarily of political forces acting to protect their individual business interests. Only two local parties — Zamandash and Reforma — have a clearly defined message. The former represents the interests of labor migrants working in Russia, while the latter advocates on behalf of the entrepreneurial community in Bishkek. Unlike Reforma, Zamandash has a reasonable chance of entering parliament in 2015. Other political parties that may gain national support are Onuguu and Bir Bol. Onuguu hopes to combine forces with larger parties already represented in parliament. Bir Bol was formed by Altynbek Sulaimanov, an MP elected as a member of Respublika who later quit that party.

Party system

4

Among the five political parties represented in the parliament, only one, the SDPK, has survived open internal splits. After losing the loyalty of most of its members and seeing rivalry among top leaders, Ata-Jurt and Respublika have merged to form one larger party. Two other parties currently seated in the parliament, Ar-Namys and Ata-Meken, risk not passing the threshold needed to return to parliament in 2015. In the run-up to elections in fall 2015, a few new parties are expected to appear and some mergers are expected to take place, further underscoring the rate of party system instability and shallowness.

Kyrgyzstan has seen the rise of various interest groups, including those protecting private ownership rights, lobby groups, and nationalistic movements. Some groups act in the interest of underrepresented members of the public such as the handicapped, shuttle traders, and victims of domestic violence. Other groups, however, polarize society, promoting hatred and aggression.

Interest groups
5

The most prominent interest group acting on behalf of the greater public is Precedent NGO, which sued the government in 2014 for unlawfully increasing electricity tariffs. The NGO's leader, Nurbek Toktakunov, argued before the Bishkek city court that the government had raised fees without holding mandatory public discussions on the issue. The group successfully won the case.

On the other end of the spectrum are groups like Kalys, which seeks to defend the Kyrgyz ethnic group through violent means. Kalys is notorious for its hate speech against LGBT communities.

While the country has a wide spectrum of interest groups and professional associations, it still lacks representation with respect to the plight of various disempowered members of society. These include some of the ethnic minority groups and residents of new suburban settlements (known as novostroyki). Professional associations uniting entrepreneurs are among the most vocal and influential in the country.

Approval of democratic norms and procedures is fairly high in Kyrgyzstan. According to a poll conducted by the International Republican Institute in February 2014, half of the respondents agreed that it is healthy for the country to have a functioning opposition. Furthermore, a majority of respondents think that people in Kyrgyzstan are not afraid to openly express their political views. Finally, 55% are interested in politics. However, despite widespread belief that political pluralism is necessary, only 7% of respondents belong to a political party. The majority of respondents are not even aware of political parties that exist in their regions. The poll further shows that less than half of the respondents are satisfied with the way democracy is developing in Kyrgyzstan. However, this dissatisfaction is higher than it was during the years of authoritarian leadership by former president Kurmanbek Bakiyev (2005–2010). Dissatisfaction has risen even though the political arena has expanded in recent years. This indicates that the public's standards for democratic development have matured since the mid-2000s.

Approval of
democracy
6

There is a fairly low level of interpersonal trust among the population. While Kyrgyzstan's civil society has grown in diversity and scope, only a small percentage of the urban population is involved in civic activities. Most self-organized groups and associations are located in Bishkek and Osh, the largest cities, and many of them are dependent on foreign financing. This grant-dependency of many NGOs, especially with respect to Western funding, has made them an easy target for public criticism,

Social capital
5

and NGOs known to be largely funded by Western grants are viewed with distrust. Local funds available for NGOs are often targeted at organizing one-time projects or public events, such as charity or advocacy campaigns.

Another reason for the low level of civic activism in rural areas is a high outflow of working-age adults migrating to Russia and Kazakhstan for work. Research shows that migrant remittances help migrant families to sustain some traditional community engagement (celebrations, funerals, etc.), but they are not enough to build civic organizations.

II. Economic Transformation

6 | Level of Socioeconomic Development

Over the past two decades, the level of poverty increased significantly in Kyrgyzstan. However, in recent years, the percentage of the population living below \$2 per day has decreased slightly to 21.1%. In addition, although fewer people now live below the poverty line, economic inequality is still pronounced and increasingly structurally ingrained. Most economic opportunities are concentrated in Bishkek and Osh. Rural areas suffer from high unemployment, decreasing education rates, and declining social services. The vast majority of working age people are forced to travel from rural areas to urban areas to earn a living or to Russia and Kazakhstan for seasonal labor. Virtually every family in Kyrgyzstan has at least one relative working abroad. Indeed, the unofficial number of labor migrants is estimated at one million.

Decreasing levels of education in rural areas, especially for impoverished families and girls, further contributes to inequality. There have been efforts by NGOs to set up preschools in remote mountainous areas. The Ministry of Education and Ministry of Social Development are also working on improvements in tertiary education. The effect of such efforts will be noticeable in a few years' time. Finally, women in rural areas are becoming more disenfranchised. There are fewer and fewer women in local government agencies and the parliament every year.

Over the past few years, Kyrgyzstan has seen steady, albeit slow, improvement in human development. The country ranks 125th in the world, according to the Human Development Index, with a Gini coefficient of 33.4 in 2011, the latest data available. This puts the country in the mid-range group with a notable, but not critical, rate of inequality.

As in other former Soviet states, the literacy rate remains high – over 99% for both males and females – but some alternative surveys of secondary education found the country performing rather poorly. The number of women enrolled in tertiary education has been falling since independence, but is not at a critical point.

Question
Score

Socioeconomic
barriers

4

Economic indicators		2005	2010	2013	2014
GDP	\$ M	2460.2	4794.4	7335.0	7404.4
GDP growth	%	-0.2	-0.5	10.9	3.6
Inflation (CPI)	%	4.4	8.0	6.6	7.5
Unemployment	%	8.1	8.6	8.0	-
Foreign direct investment	% of GDP	1.7	9.1	10.3	2.8
Export growth	%	-11.0	-11.7	12.3	-7.4
Import growth	%	6.5	-6.9	4.1	-2.6
Current account balance	\$ M	-37.4	-317.1	-1684.2	-1788.4
Public debt	% of GDP	85.9	59.7	46.1	53.0
External debt	\$ M	2256.6	4114.5	6803.8	-
Total debt service	\$ M	142.6	557.3	388.2	-
Cash surplus or deficit	% of GDP	-	-4.8	-	-
Tax revenue	% of GDP	-	15.0	-	-
Government consumption	% of GDP	17.5	18.1	18.4	17.2
Public expnd. on education	% of GDP	4.9	5.8	-	-
Public expnd. on health	% of GDP	2.4	3.7	3.9	-
R&D expenditure	% of GDP	0.20	0.16	-	-
Military expenditure	% of GDP	3.1	3.8	3.2	3.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

The Kyrgyz parliament has made an effort to improve regulations for market competition and reduce the size of the shadow economy. It has become easier to do business in Kyrgyzstan since 2010, and the government has reduced the number of requirements for business permits. Furthermore, some of the important issues regarding business regulation are regularly discussed in the media.

In some instances the parliament succumbs to popular demands to loosen regulations. For example, in 2014, the parliament voted down a bill requiring safety inspections for automobiles. Kyrgyzstan's informal economy continues to be vast, involving

Market-based
competition

5

trade in both licit and illicit goods and services. In 2013, the Ministry of Economy estimated that Kyrgyzstan's shadow economy makes up 40% of the total economy, particularly in the retail sector. Most entrepreneurs try to bypass official taxation regulations.

In a number of cases, however, both the parliament and the government acted to tighten market competition regulations by establishing new taxes and permit requirements. Some of the most contested ones include permits for providing services and retail operations.

Kyrgyzstan's state anti-monopoly agency plays an active role in determining tariffs for public services. The agency regularly updates mechanisms that regulate and break up monopolies in the energy, transportation, food, agricultural and construction sectors. These mechanisms commonly include the revision of tariffs for services provided by state agencies, local governments, organizations and institutions. Occasionally, the agency acts to defend consumer rights in disputes with private enterprises. The agency has also been criticized by some entrepreneurs for interfering with the free market. In particular, the agency was criticized for its campaign to limit advertising billboards in public spaces.

Anti-monopoly
policy

6

A recent criticism of antitrust regulation has been of its almost exclusive focus on supply-side monopolies, whereas serious demand-side monopolies (monopsony) have been problematic, such as where there are only one or two buyers of tobacco, sugar beets, cotton, kidney beans, and so on, enabling the buyers to offer only very low prices to farmers.

Until the decision to join the Russian-led Eurasian Economic Union (EEU) in December 2014, Kyrgyzstan maintained the region's most liberal foreign trade policy. Thanks to Kyrgyzstan's early membership in the World Trade Organization (since 1998), the country has been a regional transit hub for goods from China and Russia. Since becoming a WTO member, Kyrgyzstan's foreign trade volume has more than tripled. In part because of very liberal trade policies, including very low import duties on most categories of goods, Kyrgyzstan's imports have persistently far outweighed its exports.

Liberalization of
foreign trade

9

As a member of the EACU, its foreign trade is likely to become skewed toward the other members, namely Russia, Kazakhstan, Belarus, and Armenia, while its trade with non-EACU countries is expected to become more burdened with high tariffs. Some economic sectors, such as the retail garment sector, might benefit because Russia is the primary market, although the production cost of such goods would also rise due to more expensive imports of Chinese fabrics. Imports of Western and Chinese products, particularly automobiles and construction materials, are expected

to face significantly higher levels of tariffs. Two EACU members, Kazakhstan and Belarus, have not acceded to WTO membership yet.

As of early 2015, the international trade sanction exchanges with Russia have not significantly affected Kyrgyzstan's market (possibly due to large inventories). However if the sanction side effects allegedly felt in Belarus and Kazakhstan are real, similar effects (such as difficulties in transiting third-country goods via Russian territory) could be expected in Kyrgyzstan.

Kyrgyzstan has a two-tier banking system comprised of the National Bank and commercial banks. The Central Bank maintains price stability through appropriate monetary policy, sustains the purchasing power of the national currency, and ensures the efficiency, safety and reliability of the banking and payment systems in order to promote long-term economic growth. As of 2012, there were 23 commercial banks and 278 branch banks in Kyrgyzstan. The total loan portfolio of banks is steadily increasing, while interest rates continue to decline. In addition, a microcredit system has grown since the mid-2000s. The share of nonperforming loans, especially among the micro-credit companies that make up the bulk of domestic lending, remains very low. Kyrgyzstan's ratio of bank capital and reserves to total assets has declined in recent years, probably due to decreasing public trust in the banking system. At the same time, the value of nonperforming loans has diminished since the 2010 regime change. However, the rate of nonperforming loans recorded in 2013 (3.6%) is still lower than the level in 2007 (5.5%).

Banking system

7

In the second half of 2014, Kyrgyzstan's banking and credit sector came under stress due to exchange rate fluctuations of major currencies. The value of the Kyrgyz som against the U.S. dollar dropped by about 20% over around six months, forcing many banks to stop offering credit in soms, and/or raising interest rates on loans. Such measures, while making credit more difficult, also suggest prudent approach of commercial banks.

8 | Currency and Price Stability

Kyrgyzstan maintains free exchange-rate policies and exchange rates remain stable. Any noticeable fluctuation in exchange rates tends to be driven by fluctuations on the global currency market and, to a lesser degree, by seasonal factors such as tourism. The government has an anti-inflation policy in place that mostly uses price-setting mechanisms. National Bank data indicate that inflation reached 6.6% in 2013. Other estimates, however, put the real inflation rate at 10.3% or higher.

Anti-inflation /
forex policy

7

Kyrgyzstan's import-driven economy is dependent on regional economies, especially those of Russia, Kazakhstan and China. The dramatic depreciation of the Russian ruble in 2014 affected Kyrgyzstan's economy as well. According to the National

Bank, inflation remains high. To contain inflation, the bank regularly increased the interest rate and reviews other measures of monetary policy. In December 2014, the National Bank raised the interest rate to 10.5%, up from an annual average of 7.3%.

During the review period, the National Bank also intervened with foreign exchange operations on a regular basis by selling dollars in order to mitigate sudden and steep exchange rate changes (depreciation of the som), and by imposing daily limits on foreign currency withdrawals by individuals at commercial banks. Though it considered some more controversial options, such as closing currency exchange bureaus, the National Bank did not follow through on such actions. As a result, the country's free-floating exchange rate policy remains essentially intact.

The government's fiscal and debt policies are generally oriented toward maintaining macroeconomic stability. However, according to the World Bank, Kyrgyzstan's account balance sharply increased to \$1.43 billion in 2013. In the same year, the country's public debt ratio decreased to 47.7%, while total debt service dropped to \$347.2 million (from \$410.5 million in 2011). Finally, in 2013, Kyrgyzstan's total foreign exchange reserves increased to \$2.1 billion compared with \$1.9 billion in 2012. In 2014 and as of early 2015, the National Bank sold foreign currency reserves totaling around \$300 million to stabilize the exchange rates, thereby raising concerns about fast-declining reserves.

Kyrgyzstan's external debt has increased since 2010 and reached \$6 billion in 2014, representing roughly 80% of GDP for the year. Although the absolute value of debt has continued to grow over the past two decades, its ratio to GDP has remained the same, thanks to Kyrgyzstan's steady economic growth since the mid-2000s. The International Monetary Fund believes that the external debt level does not pose a threat to macroeconomic stability in the foreseeable future.

Following the 2010 regime change, Kyrgyzstan began to implement a number of large-scale infrastructure projects, suggesting that external credit and loans are not all allocated toward consumption. On the other hand, a significant budget deficit has remained a concern and led to some budget sequestration starting in 2012. The government's practice of collecting taxes a year in advance from some major taxpayers, such as the Kumtor gold mining company, presents some risk to stability.

Macrostability

7

9 | Private Property

Property rights are protected by Kyrgyzstan's constitution as well as parts of the criminal, administrative, labor, land, family and civil codes. Furthermore, the National Sustainable Development Strategy of the Kyrgyz Republic for 2013-2017 aims at strengthening legislation with respect to private property as part of its goal of developing small and medium-sized enterprises. It takes five days to register private property in Kyrgyzstan, involving three different procedures.

Property rights
5

However, according to the National Institute for Strategic Studies based in Bishkek, the legal framework has flaws. Owners could lose their businesses through hostile takeovers, organized crime, or government nationalization, and corrupt law-enforcement officers may not adequately protect entrepreneurs. Thus, in effect, the state is not able to enforce the rule of law in issues of property rights when property comes under dispute or challenge.

It takes eight days and two different procedures to register a private business in Kyrgyzstan. According to polls, most entrepreneurs complain about the unreliability of the courts and police in protecting their rights. This is due to rampant corruption and low professionalism in the judicial system and among law-enforcement agencies. Entrepreneurs also complain about the continuous political instability in the country. At the same time, most private property owners admit that political and economic freedoms have allowed them to obtain property.

Private enterprise
7

Kyrgyzstan carried out major privatization campaigns with respect to state property in the late 1990s and the early 2000s. Those processes were marred by significant flaws such as insider privatization and other avenues for corruption. More recently, occasional acts of privatization continue to raise suspicions.

The Bishkek National Institute for Strategic Studies furthermore concludes that property rights are not always protected in Kyrgyzstan. Some citizens face difficulties buying and selling land due to formal and informal restrictions. Another problem is the law preventing nonresidents and foreigners from purchasing private property. Problems of illegal protection schemes by criminal groups and hostile takeovers by government agencies significantly undermine efforts to protect private property in the country.

10 | Welfare Regime

Kyrgyzstan's social safety nets are rudimentary and offer very limited coverage. The government provides social safety nets to a variety of vulnerable groups, including monthly benefits to the impoverished, disabled and elderly. Overall, 12% of the population receives some type of support from the state. However, given the level of poverty in the country, safety nets do not cover all risks for all strata of the population, and the amount of state support is typically well below minimum needs. Kyrgyzstan's life expectancy at birth slightly increased in 2012, reaching 70, compared to 69.6 in 2011. Public expenditure on health continues to grow, reaching 4.3% of state budget in 2012, compared to 2.1% almost a decade ago. The system of national mandatory health insurance provides for very affordable, or almost free, health care services at public hospitals, especially for the elderly. However, in practice, most health care recipients end up paying much more or face sub-standard care due to widespread corruption and poor health infrastructure.

Social safety nets
5

The constitutional provision on human rights, drafted by Kyrgyzstan's leading human rights activists, guarantees the rights of all Kyrgyz citizens, irrespective of their "sex, race, language, disability, ethnicity, religion, age, political or other opinion, education, origin, property or other status, or other factors." Furthermore, the Electoral Code includes 30% quotas for women, ethnic minorities and young people in the parliament. Kyrgyzstan's parliament, however, still lacks specialized committees for issues related to gender and ethnic minorities. Three years after their introduction, quotas for female, youth, and ethnic minority representation in parliament have not been met — indeed, the number of non-Kyrgyz and female deputies has fallen.

Equal opportunity
5

In the aftermath of the 2010 ethnic conflict, the general climate has remained difficult in terms of equal opportunities for ethnic minorities, and Uzbeks in particular, be it with respect to employment or education in their language.

11 | Economic Performance

Kyrgyzstan's economic growth in 2013 was stronger than in previous years. According to the latest data available, the country's GDP reached \$7.2 billion in 2013 — a 10.5% increase. At the same time, GDP per capita increased to \$3,212, up from \$2,920 in 2012. While official estimates put inflation at 6.6% in 2013, unofficial estimates are much higher. Kyrgyzstan's public debt has remained stable at around 48% of GDP. In 2012, the latest data available, the country's tax revenue made up 18% of GDP, slightly higher than in the previous years. There was also formidable growth in foreign direct investment: in 2013, it made up over 10% of GDP, compared to roughly 4% in the previous year.

Output strength
6

However, Kyrgyzstan's current account deficit reached \$1.43 billion in 2013. The country's economy is heavily dependent on migrant remittances, which make up roughly one-third of GDP, and Kumtor's gold production, which represents a major share of Kyrgyzstan's exports. Kumtor has been under growing political pressure on several grounds, and its year-to-year output of gold is relatively unstable. The economic impact of Kyrgyzstan's membership in the Russian-led Eurasian Economic Union is unclear.

The unemployment rate is a difficult parameter to estimate for a number of reasons. One major reason is the enormous number of labor migrants in Russia who cannot be clearly accounted for under this parameter. Nevertheless, relevant opinion surveys indicate that people consider unemployment one of the primary problems.

12 | Sustainability

Environmental concerns receive only sporadic consideration in Kyrgyzstan. The government is largely indifferent to environmental regulations. Some of the most pressing environmental issues include land degradation due to the expansion of agriculture, radioactive waste left from the Soviet era, and mismanagement of the hydropower sector. Occasionally these issues enter political discussions, but they rarely lead to policy decisions. The rare exception to this dynamic was civil society's mobilization to protect the snow leopard, which prompted the government to enforce a ban on hunting the endangered species. Generally, however, energy conservation, waste management, and reuse and recycling are regarded as nongovernmental issues. One of the main charges against Kumtor gold mining company by critics, including government members and deputies, has been environmental hazard - especially harm to glaciers and poor radioactive waste management - which remained unaddressed, as is the entire issue of restructuring the company.

Environmental
policy
3

Kyrgyzstan's public expenditure on education makes up less than 7% of GDP but has been increasing over the past year. Expenditure on R&D, however, consistently makes up only 0.16% of GDP. Nevertheless, literacy rates continue to be nearly universal despite a great shortage of teachers and educational materials in rural areas. More women than men are enrolled in tertiary education. This, however, does not translate to better employment opportunities after graduation. Women are still underrepresented in political offices and in the private sector. Overall, 88% of the population is enrolled in secondary education, and 41% in the tertiary education.

Education policy /
R&D
4

The quality of both education and development research has been found to be poor and has been identified as an area in need of urgent reforms. However, government capacity to carry out the needed reform has remained very limited.

In 2014, the government launched assessment and reform process of the R&D sector, where the thrust has been mostly toward achieving better use of limited budget resources rather than increasing those budget allocations. A positive development in 2014 was the appointment of young professionals to lead the Ministry of Education, who are ready to introduce innovative solutions to the country's educational challenges.

Transformation Management

I. Level of Difficulty

Kyrgyzstan's main structural challenges in keeping stable governance are well known: the difficult geographical location (landlocked in the midst of difficult neighbors), some level of shortage of skilled labor force, and steadily eroding infrastructure, especially in the energy sector (existing hydropower generating infrastructure is under severe stress, while the government does not have the capacity to modernize it). The country has also faced regular climate-related difficulties and natural disasters. 2014 was a record dry year, leading to problems in farming and agriculture.

Structural
constraints

7

Since Kyrgyzstan adopted a parliamentary democracy in 2010, there has been a tremendous improvement in how the general public's interests are voiced in politics. Members of parliament, government officials and the president's office are more accountable to voters' needs. This can be seen in how policies are adopted and implemented, how government appointments are made and in the content of presidential speeches.

Along with that, however, comes limitations in the democratic process quite characteristic to post-Soviet countries. Although the political system has been reconfigured so that parliament gained greater power, most political actors are the same old players who were able to prevail in both the Soviet and post-Soviet authoritarian environments. Their views often support authoritarian policies. For instance, in response to unemployment, parliament has sought to tighten labor regulations, not create new job opportunities.

Kyrgyzstan's civil society is becoming increasingly vibrant, despite regular efforts by some lawmakers to circumscribe NGO activities. The government and the parliament sometimes collaborate with civil society groups in designing policy programs and election-monitoring efforts, and NGOs regularly generate discussions in mass media on human rights, political reforms and other issues. Several leading NGO activists have joined the government's efforts to reform the police and judicial system.

Civil society
traditions

5

There are also traditional forms of civil society in Kyrgyzstan that have been revived since the collapse of the Soviet regime. Some traditional forms of civic society, such as aksakal courts composed of village or community elders, tend to be male-dominated. However, women have been active in other traditional venues, including local mobilization efforts to approach the government regarding various local needs.

In 2014, there were several negative developments that narrowed opportunities for civil society activism in the country. These developments include the rise of Kalys, a vicious nationalist movement that seeks to defend the Kyrgyz ethnic group through violent means. Furthermore, there were more incidents in which police detained peaceful protestors, and an increasing number of opposition leaders and civil society activists complained about government surveillance in 2014.

Kyrgyzstan's NGOs remain overwhelmingly dependent on foreign grants. As a result, the civil sector can resemble a marketplace competing for donor funding rather than a forum of ideas, and organizations are often out of touch with local needs.

In 2010, Kyrgyzstan experienced four days of ethnic strife that took the lives of 470 people, by official count, and injured over 2,000. Most of the suspects arrested so far have been ethnic Uzbeks, despite the fact that most of the victims were also Uzbeks. Human rights activists have uncovered several cases of ethnic Uzbek detainees who were tortured to death.

While ethnic nationalism no longer dominates the political landscape in Kyrgyzstan, the level of political confrontation is rising ahead of the pivotal parliamentary election in 2015. Opposition forces launched several unsuccessful attempts to overthrow the government in 2013. The most visible of these centered around negotiations with the Canada-based Centerra Gold over Kyrgyzstan's ownership stake in the Kumtor gold mine. Centerra Gold's original deal with Bishkek was renegotiated with minor changes under President Atambayev.

All political parties competing in recent elections have resorted to some form of nationalistic rants. In the 2010 elections, some politicians rushed to capitalize on the recent memory of ethnic violence in southern Kyrgyzstan. In contrast, in 2013-2014, it was the competition surrounding the country's natural resources that was framed in nationalistic terms. Opposition political parties rallied around the government's inability to nationalize the foreign-owned Kumtor gold mining company or to ensure the steady flow of cheap natural gas and electricity to consumers.

Thus, while open conflict has not dominated Kyrgyzstan's politics and society over the last couple of years, the country continues to feature a steadily confrontational, divisive kind of political culture.

Conflict intensity
6

II. Management Performance

14 | Steering Capability

Question
Score

Prioritization
5

The policymaking process has gained some sophistication since 2010, but it often gets watered down or stalled amid political rivalries in the parliament and government. While the parliament sometimes tries to set strategic priorities on specific domestic issues, the parties in parliament are often driven by populist considerations and take action on policies affecting their immediate constituencies. It is the president who habitually takes the lead on strategy in foreign policy decisions and in grand-scale national development planning. In between, important priorities in state budget planning and implementation and economic policy are frequently pushed off the agenda.

The president's office typically demonstrates a fair ability to set long-term policy goals in the areas of social and economic development. For instance, in 2013, the president's administration developed a National Strategy on Sustainable Development for 2013-2017. The document states, "Kyrgyzstan faces a task of succeeding as a democratic state with a stable political system, dynamically growing economy and stable growth in the incomes of its citizens." It outlines principles for growth of the market economy, along with ensuring respect for human rights and maintaining the rule of law. The strategy was developed with the participation of a wide range of experts from the government and NGOs.

Furthermore, the president's office developed the Concept of Development of National Unity and Interethnic Relations in the Kyrgyz Republic after the June 2010 violence. The concept is the result of a two-year effort to reconcile competing visions of interethnic relations presented by NGOs, ethnocentric nationalists, and the government. Representatives of all parliamentary factions, as well as members of civil society, helped draft the concept. It presents a broad consensus between polar understandings of the post-June 2010 situation in Kyrgyzstan. During 2012-2013, significant efforts were made behind the scenes to adopt a policy of reconciliation, thanks to Atambayev's own inclination toward civic ideals and to a team of moderates who rose to the challenge. The concept creates a basis for ethnic reconciliation in the years to come.

The president's administration also developed the National Program on the Development of the State Language and Improvement of Language Policy in the Kyrgyz Republic during 2014-2020 and the Concept of National Politics of the Kyrgyz Republic in the Religious Sphere during 2014-2020. Both documents aim at strengthening the unity of citizens of various ethnic and religious backgrounds.

Finally, from the very start of his term three years ago, the president has never lost focus on his priorities of fighting corruption and organizing free democratic elections. This is apparent in his rhetoric and across several documents mentioned above.

Despite democratic gains and dynamic political competition, the Kyrgyz government continues to be more a collection of hollow institutions overshadowed by patrimonial relations rather than a robust bureaucracy. The ability of government agencies to implement policies effectively often depends on the professionalism of the individual heading that agency. Ministries that have seen improvement in policy implementation in 2012-2014 include the Ministry of the Economy and the Ministry of Education. Both came out with innovative policies to improve the provision of public goods to the most vulnerable segments of society. The Ministry of Education, for instance, has looked for innovative strategies to expand school education in the most remote areas of the country.

The Ministry of Energy and the Ministry of the Interior, on the other hand, have demonstrated significant weakness in reform programs and the provision of public goods. In 2014, the government's inability to reform the energy sector amid rising electricity rates was the opposition's most cited reason for a potential uprising. The wary government dispersed a mass rally in central Bishkek organized by a few activists protesting energy policy. In an attempt to mitigate public discontent with the energy crisis, President Atambayev denounced Energy Minister Osmonbek Artykbayev for a lack of professionalism and forced him to resign.

Thus, the Kyrgyz government - and especially the president - has elicited stronger efforts at formulating and maintaining priorities, with mixed success. However, its ability to implement its policy priorities has been much weaker.

The Atambayev government has demonstrated a much greater willingness to not repeat previous mistakes than the Akayev or Bakiyev regimes ever did. This propensity to learn from recent history can be seen in several ways. The president is keen on being seen as an enemy of corruption and has created a special anti-corruption service under the supervision of the State Committee on National Security. The new agency is tasked with fighting corruption in the parliament, executive branch, the judiciary, and law enforcement agencies. The president's office also tries to balance between nationalist calls and civic ideals in dealing with interethnic tensions. Another area of policy learning is energy politics: the government is trying to reform the hydropower sector without antagonizing the population with a rapid hike in electricity rates.

However, some past mistakes have been repeated. For instance, Atambayev's fight against corruption touched members of almost every political party — except his own Social Democratic Party of Kyrgyzstan (SDPK). Furthermore, justice still has not been served for the victims of ethnic violence in southern Kyrgyzstan in 2010, and

Implementation
4

Policy learning
6

many perpetrators of that violence remain free. Finally, the government is not able to reach a consensus with the public on how to revise electricity rates.

Although somewhat marginal to decision-making centers, the governmental National Institute for Strategic Studies (NISS) has been an active institution in analyzing and promoting policy innovation. However, despite the institution's enthusiasm for hands-on studies and recommendations, such as country rating improvements, its research activities have been relatively shallow.

15 | Resource Efficiency

Kyrgyzstan faces constant budget deficits, reaching 5.7% of GDP in 2014, according to the World Bank, which noted that the increase in the deficit is associated with the accelerated implementation of projects financed from foreign sources. In 2015, the budget deficit is likely to continue to grow. Reduced output from the Kumtor gold mine contributed to the reduction of Kyrgyzstan's GDP growth from over 10% in 2013 to 3.6% in 2014. Other factors that affected Kyrgyzstan's economy included the decline in the Russian economy, the closing of the US Transit Center at Manas and increasing tensions in trade relations with neighboring states. According to Minister of Finance Olga Lavrova, Kyrgyzstan's joining the Eurasian Economic Union adds another source of uncertainty with respect to potential economic growth.

Efficient use of
assets

4

Furthermore, frequent changes in the composition of the ruling coalition between 2010 and 2014 undermined the continuity of government policies. The most recent governmental reorganization occurred in March 2014, when the Ata-Meken Socialist Party quit the majority following a feud with Prime Minister Satymbaldiyev's government. Political parties remain too weak to perform as coherent units, and the parliament is composed primarily of political forces acting to protect their individual business interests.

This general atmosphere has not been conducive to effective and efficient employment of country's assets - both human and material - for steady development. Strong cadre have been all-too-easily replaced over political brawls, weak functionaries all-too-easily installed as bargaining outcomes, and financial and organizational resources all-too-easily bent to service (or be sacrificed to) situational pressures.

The instability of the parliament seems to leave more power to the presidential office than intended under the new constitution, allowing Atambayev to strengthen his position as the parliament continues to fumble and falter.

Policy
coordination
5

Where the president's office chooses not to interfere, the cabinet often fails at the coordination of policy priorities and policy implementation due to being subject to strong political calculations. All members of cabinet, from the prime minister down to the lowest level appointees, are party appointees according to ruling coalition terms of agreement. As such, the prime minister often has very limited control over his vice premiers and other cabinet members.

Political infighting within and between parties has continued, usually incited by competition for finances and party leadership posts. All parties represented in the parliament have experienced deep internal splits since the 2010 elections. With the exception of the SDPK, every party has lost some of their MPs to new splinter groups. Corruption and nepotism continue to plague government agencies.

As in previous years, high levels of absenteeism slowed parliamentary work throughout 2014, with MPs often prioritizing their own views or business interests over national policy concerns. Most lawmakers are primarily concerned with maintaining voter support in their regional strongholds and therefore focus on local issues or procedural matters, rather than nationwide interests. In general, the parliament tends to impose new taxes and new regulations more than they create opportunities for economic growth.

Thus, the most effective policy and priority-coordinating center remains the office of the president. This, in turn, creates the risk of the president going ever farther beyond his intended constitutional competencies ("intended", because the actual limits of president's powers in the constitution are rather flexible vis-a-vis the main law's text).

In 2012, President Atambayev announced a new anti-corruption campaign. He pledged that no individual would be immune from prosecution on charges of corruption, including members of his own Social Democratic Party of Kyrgyzstan. The president also pledged to rid law-enforcement agencies and the judicial sector of corruption. Yet, some of the subsequent arrests on corruption charges were controversial, as those arrested were mostly members of opposition parties. The trend continued into 2014, when courts failed to convict Isa Omurkulov, the former mayor of Bishkek and a member of the SDPK, on corruption charges. Omurkulov's case was closely watched by other political parties as a litmus test of Atambayev's commitment to fight corruption.

Anti-corruption
policy
4

In 2014, according to the government, the National Security Committee filed a total of 295 corruption charges against public sector employees. Of those, 135 cases went

to court. Additionally, the State Service for Combating Economic Crimes initiated 463 criminal proceedings related to corruption, with 159 cases going to court. The Interior Ministry initiated 510 corruption cases and sent 212 cases to court. However, it often remains unclear how these agencies uncovered instances of corruption among public employees.

Late in the reporting period (late 2014), a major corruption investigation began against a prominent MP from the Ar-Namys party (coalition member) Kanybek Osmonaliyev and then-Minister of Education, Kanat Sadykov, a member of the SDPK party, charging them with corrupt university admissions deals. Other high-level functionaries in the education sector and MPs are likely to become implicated. When these charges go to court, and whether high-level individuals will be found guilty, is still in question.

With all shortcomings noted, however, the scope of anti-corruption activities has significantly grown in the recent years.

16 | Consensus-Building

Despite earlier skepticism, Kyrgyzstan's 2010 constitution has survived until 2015, demonstrating that a broad range of actors either agree on its main principles or it has created such a plural and balanced political playing field that has made it impossible for any individual political force to push for revision of the constitution.

Consensus on goals
7

Nevertheless, in 2014, there were several proposals, including from President Atambayev, to amend the constitution. Furthermore, several MPs put forward proposals about revising the current electoral code to eliminate some of the shortcomings of the previous elections. Both the president's and the MPs' proposals were met with strong opposition from civil society and the parliament as a whole.

In anticipation of the 2015 parliamentary elections, the political field is increasingly competitive and elections are viewed as integral for democratic governance both by population and political elite.

There is a broad and strong consensus among Kyrgyzstan's political actors that a market economy is optimal for the country's prosperity; no major political voice advocates the principle of an economic system that is more state-run. This position is backed by a strong movement within the parliament and among civil society actors to loosen regulations and reduce taxation in order to promote small and medium-sized businesses.

However, when addressing complex economic issues, such as unemployment and shadow economies, as well as for populist reasons, many in the parliament tend to champion new taxes and regulations, as well as calling for the nationalization of

private assets, instead of looking for ways to stimulate economic growth and protect private property.

Furthermore, with Kyrgyzstan's accession to the Eurasian Economic Union, the country might lose gains it made in promoting a market economy as a WTO member. As an EACU member, Kyrgyzstan will need to increase its customs tariffs against China and other non-EACU states.

Over the past year, Kyrgyzstan has seen the rise of an extreme nationalist movement, Kalys, which seeks to defend the Kyrgyz ethnic group through violent means. Kalys is notorious for its hate speech against LGBT communities, anti-Western views and championing of an "Islamic society" identity for Kyrgyzstan - although its members are clearly far from typical Islamist radicals, tending rather to be Kyrgyz traditionalist nationalists.

Anti-democratic
actors

5

Groups like Kalys and Kyrk Choro (another nationalist militia group) have appeared and represent some of the anti-democratic forces. Less malignant but more widespread groups, often staging anti-American and/or anti-Western demonstrations, have been alleged supporters of the so-called "Russian World" (Russkiy Mir) idea and other active pro-Russian groups. These groups have become particularly active in the wake of the Ukraine crisis and Western criticism of Russia and Vladimir Putin.

All of these groups collectively are still marginal and are not a threat to nation-level democratic direction or values. The government has opposed or criticized them sporadically, failing to counter such movements in a more systematic way. A similar lukewarm, reserved government attitude was observed against the background of heightened nationalist and undemocratic expressions and actions after the June 2010 events. Those movements had subsided in intensity and visibility by 2012-2014.

Kyrgyzstan's society is divided along several cleavages that can generate political confrontation; the country leadership (the president foremost) has consistently pushed to bridge such cleavages, but often acting in ways that seemed short-term and impulsive, and lacking long-term and in-depth efforts at systematic cooperation.

Cleavage /
conflict
management

4

Patrimonial networks inside Kyrgyzstan's parliament are often labeled as "northern" and "southern" political forces. These networks are by no means based on familial ties, but are strictly contingent upon regional identity.

Another emerging cleavage line is over religion and its place in politics and social life. The president and the National Defense Council under him have produced a comprehensive approach to mitigating religious radicalism and cleavages - a policy approach that has received some reserved praise and more vocal criticism.

Yet another cleavage is ethnic, especially that between the Kyrgyz and the Uzbeks - the second largest ethnic group. This cleavage was exacerbated as a result of the 2010 conflict; over the period since then, open political-level differences have subsided, although in many spheres on the ground the divisions continue.

One last noteworthy cleavage that has emerged in the most recent period is what might be called the “pro-Western” or “liberal” groups and the “pro-Russian” and/or “traditionalist” groups. While the former have aligned in favor of the Ukraine (the Kiev government), LGBT rights, against the “foreign agent” bill aimed at foreign-funded NGOs, and against Kyrgyzstan’s joining the Eurasian Economic Union, the latter groups have supported positions contrary to all of the above and express very vocal anti-Americanism in their rhetoric.

In the big picture, all of the above cleavages are relatively low-intensity divisions to date, although their worsening is possible. National government has been inconsistent in its efforts at bridging the divisions, sometimes acting on strong impulse but sometimes remaining silent. A few more systematic efforts, such as the implementation of the national concept on managing ethnic and religious pluralism and development of civic citizen identity, have yet to yield recognizable results.

Kyrgyzstan has a vibrant civil society ready and willing to collaborate with the government on a range of issues. A number of NGO activists have made the choice to directly engage in the political process rather than remain detached, elitist critics of the government. Since 2010, NGOs have played a key role in the oversight of local elections. Kyrgyz NGOs have contributed to post-conflict ethnic reconciliation, police reforms and women’s rights. Some of these achievements were the result of local NGOs collaborating with donor organizations. Others were initiated through support provided by local companies and individual entrepreneurs. Several associations of entrepreneurs have also become active and constructive contributors on reform and policy critique. Yet, for the most part, civil society organizations are active in Bishkek only. Local authorities in Osh and Jalalabad are notorious for obstructing the work of NGOs. Overall, the relationship between state institutions and civil society is still characterized by significant distrust and mutual accusations, and needs to mature and grow stronger.

Civil society participation
6

Roughly five years after ethnic violence rocked southern Kyrgyzstan, nationalists ranting blaming ethnic Uzbeks for instigating instability and promoting greater rights for ethnic Kyrgyz have subsided. Ethnic divisions are no longer a central political issue for most politicians. Aside from the president’s administration, no politician has attempted to actively and systemically defuse political and ethnic cleavages. To a large extent this is thanks to the presidential administration’s efforts to tame nationalists by both taking the initiative to promote education in the Kyrgyz language and explicitly protecting minorities’ rights to speak their language. There is a small group of civic-minded nationalists and moderate Kyrgyz nationalists who are fighting

Reconciliation
4

to tame extremists by formulating their own post-2010 reconciliation policies. These moderates have adopted several different strategies, including persuasion and bargaining with nationalistic elites, as well as attempting to prevent nationalist forces from dominating the content of language policy. However, the moderates' call for greater inclusion and civic ideals has often been overshadowed by the narratives promulgated by the nationalists; they have not been as widely publicized in the press and are often reflected in policy decisions rather than political agendas. Importantly, the legal process of justice and reconciliation has not been satisfactory. Numerous post-conflict trials with severe violations of due process have still not revised or openly addressed in political discourse. The highly controversial court trial of the alleged perpetrators of April 7 2010 killings on the main square in Bishkek resulted in a mixed verdict in July 2014, with some decisions viewed as fair and legitimate and other decisions viewed as very unfounded and politicized.

17 | International Cooperation

Kyrgyzstan's political leadership uses international assistance mainly for its own development agenda. The bulk of international aid is spent to close budget gaps and to pay salaries. Over the past two years, Kyrgyzstan began to implement a number of large-scale infrastructure projects, suggesting that external credit and loans are not all allocated toward immediate consumption. In contrast to the 1990s, however, the Kyrgyz government's fiscal and debt policies are generally oriented toward maintaining macroeconomic stability.

In 2013, the president's administration adopted a national strategy for sustainable development up to 2017 that outlines the government's priority areas in the economic and socio-economic sectors. According to the strategy, its main goal for 2013-2017 is for Kyrgyzstan to succeed "as a democratic state with a stable political system, dynamically growing economy and stable growth in the incomes of its citizens".

The theme of Kyrgyzstan's joining the Eurasian Economic Union, led by Russia, has increasingly become the dominant leitmotif of the country's general development strategy as well as its international cooperation vectors. Eurasian Economic Union accession was as much a political decision as it was an economic one; as such, the expertise and lasting developmental gains from it are unclear at best.

Partly as a consequence of its tightening of ties with Russia, Kyrgyzstan has reduced its cooperation with other major development partners, especially the United States and, closer to home, with Uzbekistan.

Effective use of
support

7

Compared with Bakiyev's regime, Kyrgyzstan's government has made significant strides toward becoming a credible and reliable international partner. The International Monetary Fund estimates that with the current debt payment rate, the level of external debt does not pose a threat to macroeconomic stability in the foreseeable future. That said, however, the government's management of major foreign investment deals has been problematic. Instead, the government has been stuck in a protracted dispute over revision of its stakes in the Kumtor gold mining company - the single largest export revenue generator. Partly as a result of its credible and consistent approach to Russia, Kyrgyzstan has also become increasingly dependent on Russia and Russian companies such as Gazprom and Rosneft with respect to investment and partnership.

Credibility
7

It has been very difficult to attract foreign investment for the hydropower sector, the gold sector and other sectors of mining industry due to the unpredictable political landscape and state's weak capacity to mediate with local communities who oppose mining. The Kyrgyz government's Sustainable Development Strategy, which outlines economic development goals for the period 2013-2017, acknowledges the lack of an efficient regulatory framework for private companies. The strategy aims at improving the legislative basis to ensure fair competition and to simplify the business start-up process. Unless issues of poor governance are addressed at both the national and local levels, implementation of the strategy will be problematic.

In 2014, Kyrgyzstan's foreign policy became increasingly pro-Russian, with the government simultaneously ending the US contract for the Transit Center at Manas and joining the Russian-led Eurasian Economic Union. The Kyrgyz government had been working on a "roadmap" toward joining the union for a number of years. Facing strong opposition among entrepreneurs, the government may have tried to delay final accession to the union. In October 2014, the chair of Russia's Federal Council, Valentina Matvienko, visited Bishkek and met with the president and Prime Minister Otorbayev. According to Kyrgyz experts, Matvienko came to Bishkek to encourage Kyrgyzstan to join the EACU. While the majority of parliament supported membership, there are several MPs who openly questioned the benefits of the joint trade agreement with Russia, Belarus, Armenia, and Kazakhstan.

Regional
cooperation
6

China's economic influence in Kyrgyzstan has been growing rapidly over the past decade. Thanks to Kyrgyzstan's early membership in the WTO and its generally free economic environment, the country has become a major importer, re-exporter and transporter of Chinese goods. Beijing has been careful not to make any statements regarding Kyrgyzstan's EACU membership. In 2012, China's ambassador to Kyrgyzstan, Wang Kaiwen, said, "It doesn't matter for us if you join the Eurasian Economic Union or not" because China's economy won't be affected by a cessation of economic relations with Kyrgyzstan. He also added that China is planning to

expand its economic presence in Kyrgyzstan by opening industrial sites, thus helping its neighbor to increase exports.

Kyrgyzstan's relations with its neighbors in the Fergana Valley – Tajikistan and Uzbekistan – have long been rocky. Border skirmishes between security guards are becoming more frequent, boosting tensions on an inter-state level. Although most issues have been addressed through diplomatic means, the possibility of open confrontation in border areas remains high.

Strategic Outlook

The five years since the April 2010 regime change in Kyrgyzstan have brought significant gains in democratization: it has stuck with its progressive constitution, a notable degree of political pluralism has persisted, decentralization of political power has largely survived, and commitment to democracy - despite much dissatisfaction - has remained intact.

To sustain this progression, the country's major political powers need to continue to respect the constitution and electoral law. Political opposition should try to challenge the incumbents in the halls of parliament, not threaten to overthrow the government on the streets. The president and governing parties, in turn, must learn to look for political consensus through debate and to respect political disagreement.

The government must further increase its efforts to ensure the fair political representation of women and especially ethnic minorities. This will require improving recruitment for the public sector and encouraging discussion of minority rights and problems faced by minority groups across various forums: parliamentary hearings, government workshops and conferences, in mass media reports and public debates, and in the educational curriculum. To this end, it might be advisable to create parliamentary review committees on interethnic affairs and on gender issues that are tasked with reviewing legislation and policy implementation in these spheres.

Kyrgyzstan's judicial sector is still waiting for its overhaul. Kyrgyzstan's courts remain the weakest link of all major institutions in terms of democratization and rule of law. There seems to be a degree of political will among the top political leadership for judicial reforms, but for such reforms to be strong, the input of international expertise and support should be invited, as well as the participation of civil society and local professional and expert circles.

The international community and Kyrgyzstani NGOs should directly engage with public-sector employees to boost their professionalism and understanding of Kyrgyzstan's constitution. While the years since the April 2010 regime change have produced a significant leap forward in democracy building, Kyrgyzstan's hollow state institutions, corrupt courts, and weak government institutions have undermined efforts to achieve greater political openness and consistent respect for human rights. Often the separation of powers between the parliament, the government and the president's administration has been blurred due to old habits and generalized weakness of institutions in all branches.

Challenges to both economic freedoms and political liberalism are feared as Kyrgyzstan moved toward full membership in the Eurasian Economic Union - a group of four undemocratic regimes and relatively incomplete market economies. In this situation, the decentralized legal-constitutional framework and the pluralist and vibrant civil society in Kyrgyzstan must be used by the country leadership to avoid the EEU pattern of domineering government. At the same time, the president must use his constitutional and political legitimacy as an ideological spokesman for the nation to consistently champion tolerance, non-violence, and democratic values against incipient cleavages and polarization.