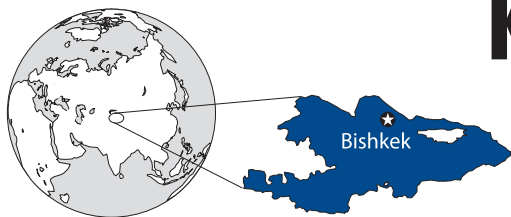


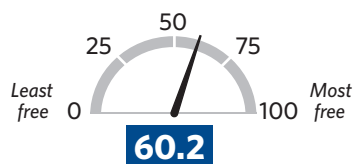
KYRGYZ REPUBLIC



World Rank: **88**

Regional Rank: **14**

Economic Freedom Score



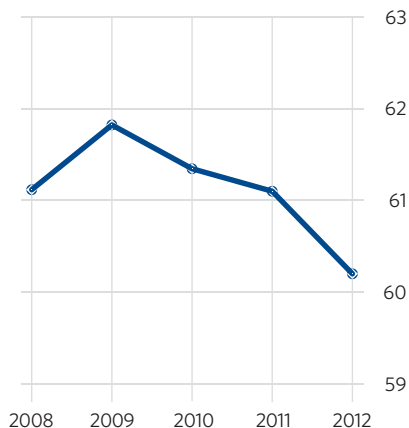
The Kyrgyz Republic's economic freedom score is 60.2, making its economy the 88th freest in the 2012 *Index*. Its score is 0.9 point worse than last year, with significant losses in property rights, the management of public finance, and business freedom. The Kyrgyz Republic is ranked 14th out of 41 countries in the Asia-Pacific region.

The Kyrgyz Republic's transition to a more market-driven economy is still a work in progress. Despite the implementation of reform measures, including adoption of a flat tax rate and simplification of the business start-up process, overall improvement in the entrepreneurial environment has been slow and uneven. Policies needed to support open markets remain deficient.

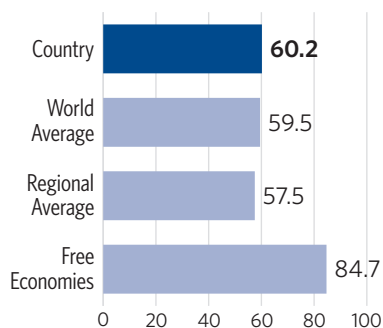
In more recent years, political turmoil has contributed to policy volatility and uncertainty, hampering economic development. Political rivalries and the power of vested interests have held back implementation of deeper institutional reforms, and the foundations of economic freedom are weak. Property rights are insecure, and corruption is pervasive, undermining the rule of law and hurting investment and business growth.

BACKGROUND: Kyrgyzstan is now a parliamentary republic. President Kurmanbek Bakiyev was ousted in April 2010 following violent unrest caused by a Russian-orchestrated rise in fuel prices. An interim government was established under Roza Otunbayeva, who was scheduled to serve as president until December 31, 2011. Moscow-backed Prime Minister Almazbek Atambayev won the October 2011 presidential election with over 60 percent of the votes. Challenges include high levels of external debt, heavy dependence on foreign aid, a thriving black market, crime, endemic corruption, poor inter-ethnic relations, Islamist radicalism, and drug smuggling. Political turbulence has contributed to a contraction in GDP, and the fiscal deficit widened to 11 percent of GDP in 2010. The Manas air base remains operational for U.S. forces, but French and Spanish military personnel had to leave in late 2009.

Freedom Trend



Country Comparisons



Quick Facts

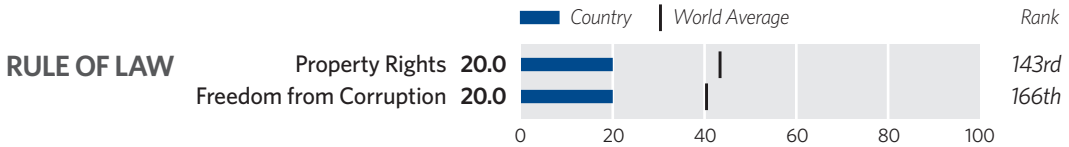
Population: 5.3 million
GDP (PPP): \$12.0 billion
 -1.4% growth in 2010
 5-year compound annual growth 4.1%
 \$2,248 per capita
Unemployment: 18.0%
Inflation (CPI): 7.8%
FDI Inflow: \$233.6 million
Public Debt: 62.6% of GDP

How Do We Measure Economic Freedom?

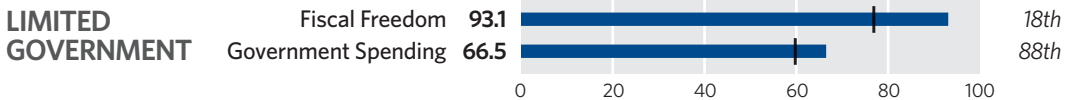
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

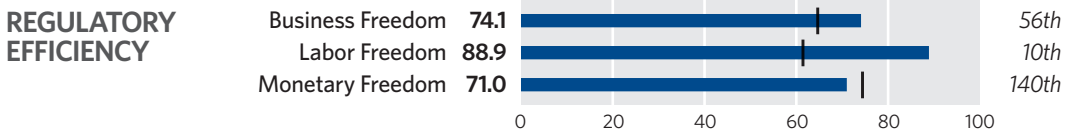
THE TEN ECONOMIC FREEDOMS



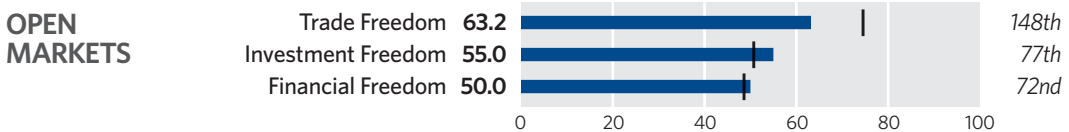
The legal framework is weak, and the rule of law is fragile. Property rights protections are emerging slowly, but the judicial system remains underdeveloped and lacks independence. Court actions can force the sale of property to enforce payments and other contractual obligations. Licensing, registration, and enforcement of contracts are prone to dispute. Corruption is endemic at all levels of society.



The income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. In the most recent year, the overall tax burden was estimated to be 22.2 percent of total domestic income. Government spending is equivalent to 33 percent of total domestic output. The budget deficit has been chronic, and public debt has increased to more than 60 percent of GDP from 48.5 percent in 2008.



Reform measures in recent years have streamlined the procedures to establish a business. However, the overall regulatory environment is still hampered by bureaucratic impediments to private-sector production and investment. A new labor code designed to encourage employment changes in response to free-market conditions has been implemented. Monetary stability has been weak.



The trade weighted average tariff rate is 8.4 percent. Border closures in response to internal political unrest have greatly disrupted the flow of trade. Most of the economy is open to foreign investment, but rules and regulations are non-transparent and applied arbitrarily. Financial intermediation has continued to increase, but credit costs remain high. Credit provided by the banking sector is equivalent to less than 15 percent of GDP.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+0.5	Business Freedom	-1.3	Trade Freedom	0
Freedom from Corruption	+1.0	Government Spending	-7.7	Labor Freedom	+0.8	Investment Freedom	0
				Monetary Freedom	+2.4	Financial Freedom	0