

## Kyrgyzstan

<b>Status Index</b> (Democracy: 1.8 / Market economy: 2.7)		<b>4.5</b>	<b>Management Index</b>		<b>3.4</b>
<b>System of government</b>	Autocracy		<b>Population</b>	5 mill.	
<b>Voter turnout</b>	78.4 % (Presidential elections)		<b>GDP p. c. (\$, PPP)</b>	2,750	
<b>Women in Parliament</b>	4.7 %		<b>Unemployment rate</b>	3.7 % <sup>b</sup>	
<b>Population growth<sup>a</sup></b>	1.6 %		<b>HDI</b>	0.727	
<b>Largest ethnic minority</b>	18 %		<b>UN Education Index</b>	0.91	
			<b>Gini Index</b>	29.0	
Data for 2001 – if not indicated otherwise. <sup>a)</sup> Annual growth between 1975 and 2001. <sup>b)</sup> Official data. Source: UN Human Development Report 2003.					

### 1. Introduction

The period of time assessed in this report was characterized by two important political events. First, in the summer of 1998, the Supreme Court decreed that Kyrgyzstan's incumbent president, Askar Akayev, would be allowed to run for another term of office. Askar Akayev then ran for re-election in October 2000 and won with an overwhelming majority. In February 2003, a referendum passed enacting wide-ranging constitutional reforms, including a reduction of the legislature from two chambers to one. General opinion holds that the legislature elected in the spring of 2000 will be dissolved before the end of the regular election cycle in 2005, and new elections will take place. The period under study thus was a difficult time politically, marked by elections and constitutional reform domestically and by geopolitical changes abroad.

In 1999 and 2000, Kyrgyzstan's territorial integrity was seriously compromised through paramilitary invasions, but restabilized in 2001 by the stationing of anti-terror coalition troops.

### 2. History and characteristics of transformation

Kyrgyzstan faced two transformations, both political and economic, when it achieved independence. During the first few years, the country achieved considerable success in bringing about political transformation. Kyrgyzstan, with a population of five million, was considered an "island of democracy" in Central Asia. Its legislative and presidential elections were mostly free and fair. The population had many and varied opportunities to express its interests openly and legally, make its displeasures known, and suggest alternatives. There was freedom

of speech and freedom of assembly. Freedom of religion and freedom of conscience were guaranteed.

The legislative and presidential elections held in 2000 under international observation of the OSCE marked the end of Kyrgyzstan's reputation as an island of democracy. It had become an authoritarian presidential regime. The president used numerous constitutional reforms (1994, 1996, 1998, 2003) to strengthen his power, expand his legislative authority, and increase his influence on political decisions. Parliament, on the other hand, was deprived of power. Its responsibilities were limited, its legislative rights curtailed, and its function in controlling the executive reduced to a minimum. It was excluded from the government-building process.

Resistance stirred both inside and outside the legislature against these limitations on the rights of democratic participation. A broad but fragmented opposition formed. At the start of 2002, the conflict between the government and the opposition intensified. Parties critical of the government, human rights organizations, and non-governmental organizations held rallies, organized protest marches, and participated in hunger strikes. The regime initially attempted to use restrictive measures, such as banning demonstrations and making mass arrests, to halt the protest actions. Instead, these measures provoked the demonstrators. In March 2002, resistance culminated in violent clashes between demonstrators and the police in Aksy in southern Kyrgyzstan. Six civilians were killed.

The protest actions had been triggered by the January 2002 arrest of Representative Beknazarov, who had repeatedly criticized the government for making foreign-policy concessions. During the course of 2002, however, foreign policy retreated into the background. Domestic questions gained new significance. Demonstrators began articulating their dissatisfaction with the government and the government's administrative inactivity, corruption, and lack of sociopolitical competence.

In the early 1990s, the government had started making key economic reforms. It pushed through lasting reforms to the economic system. Privatization of small and medium businesses was forced through, prices were liberalized, control was relinquished over the exchange rate, and convertibility of the currency was achieved. Kyrgyzstan was the first country in Central Asia to join the WTO, a move accompanied by a comprehensive liberalization of foreign trade. International organizations provided key support to the economic transformation process—Kyrgyzstan received the most international aid per capita of all the countries in Central Asia.

The transformation sponsored by these outside forces did not result in lasting growth, however. Because it lacks resources and foreign investment, suffers of deindustrialization and has a high foreign debt burden, Kyrgyzstan is sliding into

a difficult economic situation that does not allow the state to carry out the social policies demanded by the demonstrators.

### **3. Examination of criteria for democracy and a market economy**

#### **3.1 Democracy**

At first, Kyrgyzstan distinguished itself by its considerable advances in transforming its political system. These advances are now being rescinded. Kyrgyzstan now shows significant deficits in the areas of political representation and the rule of law. Since the start of 2002, the country has been in a political crisis that has reached system-threatening proportions from time to time. The political situation was temporarily stabilized by the approval of the referendum in February 2003.

##### **3.1.1 Political organization**

(1) *Stateness*: The state's monopoly on the use of force has been partly achieved. It functions, but only with restrictions. The state is present throughout its entire territory with basic infrastructure, including administration, officeholders, fundamental adjudication and implementation of political decisions. The administrative system is not efficient, however. Parts of it function imperfectly, if at all. Defining citizenship and who qualifies as a citizen are not politically relevant questions. All citizens have the same civil rights. The majority recognizes the country's constitution in principle. The constitution separates church and state. The political process is secularized.

(2) *Political participation*: The populace elects the president and the legislative body directly. Suffrage is universal and unlimited for all. The right to campaign for office, however, is frequently withheld from political opponents. Free, fair and transparent elections are not generally guaranteed. Election fraud is the order of the day. The president has the effective power to govern. Any opposition parties that appear to pose a real threat are systematically obstructed. The state has not guaranteed uniform freedom of assembly. Civic organizations remain active as long as they do not take a firm regime-critical stance. Interference with the freedom of speech and freedom of the press is common. This interference that is not consistent with democratic principles, but prohibitions against the press have been issued in only a few isolated cases.

(3) *Rule of law*: Transformation deficiencies exist in the checks and balances among the executive, legislative, and judiciary branches. The president holds a lasting, formally and informally secured monopoly. He has colonized the other institutionally defined powers. The legislature is scarcely involved in the political decision-making process. The judiciary is institutionally differentiated—there is a

constitutional court—but in practical decision-making power it is subordinated to the president. The judiciary's functionality is very limited by deficiencies such as corruption, not enough know-how on the part of the judges and inadequate infrastructure. Judgments are often politically motivated.

Political and bureaucratic corruption is perceived as high in Kyrgyzstan. Kyrgyzstanis consider the fight against corruption to be one of their most urgent problems. *De jure*, all political officeholders could be prosecuted for corruption, but *de facto*, only political opponents are prosecuted and sentenced. These are all examples for the fact that, in Kyrgyzstan, general civil rights are being limited by the lack of a bond between state behavior and legal norms, as well as by the administration's selective application of valid law.

### 3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: The democratic institutions are functioning in accordance with their core intentions, but friction in the interplay among the institutions is causing great losses. The minority opposition in parliament in particular is constantly battling the president in the fight to appropriate powers. The result is a series of reciprocally initiated political blockades, delays in regulatory proceedings, and impedance of necessary political decisions. During the period under study, there were indications that the democratic institutions were losing acceptance and legitimacy. Portions of the opposition both inside and outside the legislature are questioning the president's executive powers.

(2) *Political and social integration*: The party system is far from consolidated. During the period in review as well, no organizationally stable, politically well-differentiated party system was able to establish itself. The extremely fragmented party system is characterized by a low degree of organizational stability, low programmatic capacity, poor anchorage in society, and strong tendencies to focus on personalities and patronage. Electoral volatility remains high.

The landscape of interest groups has thinned out. The unions, which were strong during the Soviet era, have practically ceased to exist as a result of a lack of financial and human resources. Strong business associations have not been able to establish themselves. Stepping up to the plate, in the vacuum created by the obvious weakness of the parties and the constant lack of civil interest groups, active non-governmental organizations are taking over these functions. Civic organizations have been able to develop quickly in Kyrgyzstan due to relatively liberal legislation and massive foreign support.

Numerous self-organized groups exist today, of which more than a third are working professionally. They hold seminars and conferences on politically relevant topics; make appeals to the government and the legislature; run information campaigns; and create, analyze and comment on draft legislation. In

other words, they are stepping in where parties are failing and interest groups are missing. While non-governmental organizations at times pursue confrontational strategies on the political level, on the level of the society as a whole, their integrative activities, which bridge social cleavages, are contributing to the de-escalation of the potential for societal conflict.

Because the state is increasingly demonstrating itself as unwilling and unable to resolve social problems, civic organizations are fulfilling an important function in the social arena. They thus reflect the population's loss of confidence in government institutions and their representatives. Generally, approval of the ruling political system is decreasing, as shown less by voter participation than by the permanent demonstrations taking place since the start of 2001.

## **3.2 Market economy**

Kyrgyzstan has made, and had made before the period under study, noteworthy advances in the transformation of the economic system. Transformation deficits still exist in the fight against poverty and corruption, the recovery of the bank and capital markets, and foreign debt reduction.

### **3.2.1 Level of socioeconomic development**

The key indicators show a low level of development. Measured in terms of HDI, the country's level of development permits adequate freedom of choice for only a few citizens. People are socially excluded by poverty, education, and gender-specific discrimination. Despite the government's long-term efforts to reduce poverty in Kyrgyzstan, during the reporting period the percentage of Kyrgyzstanis living under the poverty line went down only slightly, from 55 % to 52 %. Regional and sectoral income differences clearly increased. Experts estimate that up to 25 % of the employable population is jobless. People in rural areas are especially hard hit by unemployment, particularly women and youth.

### **3.2.2 Market structures and competition**

The most important foundations of market economy-based competition have been guaranteed. The dense tangle of economic regulations originating in the Soviet era was reduced by wide-ranging privatizations. The state retained monopoly rights in the areas of telecommunications, power, gas, and aviation. A law enacted in November 2000 planned for their privatization but was not implemented by the end of the period under study. The privatization so far didn't lead to a redistribution of wealth, but to an enrichment of a small upper class that already in Soviet times occupied key posts and has even today close linkages to the political power.

Kyrgyzstan played a leading role in terms of the liberalization of foreign trade. In 1998 it became the only country in its region to join the WTO, which led to massive competition from foreign goods on the domestic market and permanent reduction of national production structures. The banking sector has not yet grown into its new role necessary in a market economy. It remains undifferentiated. It is also extensively undercapitalized due to a lack of equity and low private deposits. Corruption and mismanagement continue to cause bank insolvencies.

### **3.2.3 Stability of currency and prices**

In contrast to its neighbors, Uzbekistan and Turkmenistan, Kyrgyzstan has deregulated its price controls to a great degree and liberalized the exchange rate system. The central bank is trying to use consistent fiscal policy to stabilize the inflation rate, and thus alleviate the currency's tendency to lose value. The large amount of foreign debt remains precarious. Kyrgyzstan, with its weak exports, cannot support this debt burden, which is more or less equivalent to the GDP. The country is dependent to a high degree on the credit programs of international organizations and on the Paris Club's restructuring of its debt.

### **3.2.4 Private property**

According to official Kyrgyzstani sources, more than two-thirds of state-run companies have been privatized since 1991. Private property in terms of land ownership is only possible to a limited extent. Legally, property rights and the regulation of property acquisition have been formally defined, but their embodiment is neither consistent nor adequately guaranteed, particularly against state interference. Private companies can act freely in principle, but in reality their development is impeded by economic, political and social barriers. State-owned companies or monopolies dominate the strategic economic sectors.

### **3.2.5 Welfare regime**

The state safety net built up in Soviet times to compensate for social risks was massively dismantled in the 1990s as a result of budget cuts. The government did not stop this tendency until 2001. With the aid of international financial institutions, it published a plan for a lasting campaign against poverty with the goal of improving Kyrgyzstani health care and reducing the proportion of poor and very poor societal strata. In the meantime, family, clan and village structures have partially replaced the state's social network. Large portions of the population survive by subsistence economic activities such as farming, herding and small-scale trade. Civil war refugees, retirees of European ethnicity, unmarried women and families with many children do not have adequate government or non-government social security.

### 3.2.6 Strength of the economy

At the start of the period under study, the macroeconomic fundamental data worsened due to general crisis conditions, but the Kyrgyzstani economy is showing a marked recovery. Annual growth rates of 4 % to 5 % of the GDP should not, however, be overvalued in terms of their effect on the overall economy. Growth has occurred primarily in the raw materials and agricultural sectors. The production structures that arose during the Soviet era, particularly in manufacturing, exist now only in rudimentary form. On the whole, the GDP still clearly lags behind the level achieved in 1990. Much higher growth data (7 % to 10 %) would be required to strengthen investment, increase employment, improve the population's social situation, consolidate the national budget and reduce the high foreign debt.

### 3.2.7 Sustainability

Although legally and institutionally anchored, the ecological factors have been completely subordinated to the push for growth. Ecological risks, such as contamination of drinking and irrigation water near uranium depots, are acknowledged but not tackled due to lack of financing. Institutions for education, training, research and development exist in important segments, but on the whole are very heterogeneous with clear deficits in research and development. There has been a clear drop in state investment since independence. New forms of private schooling and university education arose. The result was that not all Kyrgyzstanis have access to education and training today. Experts predict an increase in illiteracy rates from under 2 % in 1990 to more than 20 % in 2010.

## 4. Trend

(1) *Democracy*: Overall, during the period under study there was a strong drop in the democracy's degree of consolidation with regard to both institutional stability and sociopolitical integration. Even before 1998, in Kyrgyzstan the criteria of a state monopoly on the use of force, a working administrative system, functioning courts, and public safety and order were not completely guaranteed. The situation took a clear turn for the worse after 1998.

The causes for this were the strong clan economy and the high degree of political and bureaucratic corruption. The president deviated from his democratization strategy and turned to authoritarian measures. Elections were accompanied by irregularities and fraud. They were neither free nor fair. Civic opportunities for organization were reduced, civic organizations were hindered from carrying out their activities, the freedoms of speech and assembly were limited, and media reporting was restricted.

In protest against the authoritarian governing tendencies, legislative and non-legislative opposition increased in Kyrgyzstan. Although its organizational ability and ability to assert itself remain low due to internal differences, the opposition's actions reflect a civic culture unique in Central Asia. This civic culture arose in a growing crisis of support and satisfaction, and it is mostly peaceful but can lead to bloody clashes, as in March 2002. It cannot be ruled out that the citizens of Kyrgyzstan might turn to unconventional measures in the future as well in order to combat restrictions on conventional participatory opportunities.

(2) *Market economy*: Fundamental development indicators show no change in the low state of development for the period under study. The only indicator that declined was the GDP per capita by purchasing power parity.

**Table: Development of socioeconomic indicators of modernization**

	HDI	GDI	GDP index	UN Education Index	Political representation of women <sup>a</sup>	PPP per capita (\$, PPP)
1998	0.701	0.698	0.52	0.88	n. a.	350
2000	0.712	n. a.	0.55	0.87	4.7	286

<sup>a</sup> Percentage of women delegates in parliament after 2000 elections.

Sources: UNDP, Human Development Report, 2002, <<http://www.undp.org/>>, UNDP, Kyrgyzstan. National Human Development Report 2000, <<http://www.undp.kg/>>

During the period under study, the institutional framework for market-economy activities remained more or less unchanged. The organization of the economy and competition had been considerably reformed prior to 1998. After collapses brought about by the fiscal crisis in 1998, overall economic development improved strongly in both quantity and quality. Macroeconomic data indicates that the Kyrgyzstani economy has become more dynamic. This dynamism is supported in particular by wide-ranging foreign investments made by bilateral and multilateral donors for Kyrgyzstan since the end of 2001 in particular (stationing of troops for the anti-terror coalition). High foreign debt remains a serious problem, making the country dependent on the debt restructuring programs of international financial institutions.



**Table: Development of macroeconomic fundamentals (1998–2002)**

	1998	1999	2000	2001	2002*
Growth of GDP in %	2.1	3.7	5.4	5.3	4.0
Export growth in %	-13.1	-13.6	9.1	-5.5	n. a.
Import growth in %	16.9	-27.5	1.5	-15.7	n. a.
Inflation in % (CPI)	12.0	35.8	18.7	6.9	6.0
Official unemployment in %	4.3	5.4	5.6	3.7	2.9
Budget deficit in % of GDP (cons.)	-3.1	-2.5	-10.2	-6.2	0.6
Current account balance in billions of \$	-364	-180	-76.5	-50.6	n. a.

\* Prognosis. Sources: bfai (ed.): East Europe in a Process of Integration. Transformation and Economic Status in Eastern Central Europe and the CIS, 2001/02, Munich 2002; ifo Institute (ed.): Economic Status and Process of Reform in the Countries of Central Asia under the Influence of the Afghan war, Munich 2002.

## 5. Transformation management

### 5.1 Level of difficulty

The economic and societal development levels were extremely varied at the start of the period under study. Kyrgyzstan's level of economic development was low, but its economic structures had already been reformed to a great extent. Education and health care levels were unusually high but were thwarted by growing income differences and distribution conflicts. There was a fundamental consensus on democracy and democratic rules of the game, although there was a lack in civic, democratic, and basic legal experience.

Kyrgyzstani society turned out to be relatively homogeneous, despite ethnic and cultural fragmentation, but quickly developed deep rifts. The starting conditions for the transformation in the reporting period were extremely heterogeneous, and thus difficult. Consolidation and stabilization of the economic transformation was then hampered by general market conditions and the international economic situation. After the stationing of the anti-terror coalition's troops, Kyrgyzstan's economy improved. Kyrgyzstan's democratic transformation has clearly regressed. Faced with the economic crisis, those in power have rescinded political reforms already achieved, e.g. freedom of media, assembly, and association; free, fair, and transparent elections. The state's monopoly on the use of force eroded, and procedures based on the rule of law were ignored.

## **5.2 Reliable pursuit of goals**

During the period under study, the government has shown that it is losing its orientation toward the long term and becoming less and less able to act in the country's interest. Its actions were increasingly marked by ad hoc measures, lack of any clear plan, and maximizing short-term political gains, with no clear priorities being recognizable. The government only partially implemented the reforms it announced. Parts of the government worked against each other, and some policies counterproductively affected other policies. Although the government did guarantee a fundamental reliability of expectations for its citizens' lives, it did not guarantee legal certainty or a stable economic framework. Societal and economic actors had to take high political risks into account at all times in making their decisions.

## **5.3 Effective use of resources**

The government did not make effective use of the low budgetary resources it had at its disposal. The national budget deficit fluctuates greatly in relation to the GDP. Since independence, national debt has grown to a level no longer manageable for Kyrgyzstan. More than 40 % of all state expenditures go to debt service. There exists neither an effective auditing system, nor transparent planning and execution of the national budget. Multiple subsidiary and shadow budgets exist side-by-side with the consolidated budget. Ad hoc expenditures such as increases in military spending are yet another burden on a national budget already running a deficit. For years, international organizations have been pushing for administrative reform and modernization, but they have had only limited success.

The Soviet-era administration still works inefficiently. Its performance is poor. There is no problem-oriented or goal-oriented political coordination among the individual administrative branches and ministries. Decisions are blocked by mutual obstruction and conflicts of responsibility and authority. During the period under study, local bodies for autonomous administration were introduced. They were given insufficient legal and financial autonomy, however, and thus are scarcely able to accomplish anything. The services provided by the government (protection of property rights, assurance of functioning markets, provision of infrastructure, and development of human resources) remain inadequate and impede the progress of development and transformation.

Large portions of the state are controlled by private interest groups ("state capture"); state resources are distributed on the basis of patronage networks. Corruption remains a key feature of the governing and administrative culture and is fought only selectively at best. Although the independent media continually uncover cases of corruption, they are only prosecuted in the rarest instances, i.e. only when used to eliminate political opponents. The ruling elite uses existing cultural and social resources to legitimize economic and political reform

blockades. Referring to the lack of democratic and market-economic traditions, their justification for blockades is that “Kyrgyzstani” traditions (hierarchical thinking, hostility to opposition, personalism, nepotism, and instrumentalization of the law) persist. In doing so, they are discrediting both their cultural legacy and the policy of reform.

#### **5.4 Governance capability**

Although leading political actors react to mistakes and political failures by instigating changes, the changes turn out to be so marginal that their policy remains trapped in the long-established routines. Innovative policy initiated by younger generations is blocked by older, Soviet-era politicians. These political stakeholders have proven themselves unable to master complex learning. Instead, they block reforms they consider a threat to their policies and interests. This continues even though decisive reforms are especially needed in the economic arena, to create the conditions required for efficient allocation of production factors and to prevent mismanagement of economic resources. Because this mismanagement is what happens, though, the stakeholders increasingly suffer from a loss of authority in the eyes of the population, which sees their capacity to enact reforms as dwindling. There hardly seems to be any alternatives, however. Large portions of the population feel unable to recognize any relevant political actors who could move forward with the urgently needed reforms.

#### **5.5 Consensus-building**

All important political actors are formally in agreement that democracy and a market economy are the goals of development, but some parties’ understanding of these concepts remains doubtful. Antidemocratic actors exist who want to undo the economic, political and societal reforms achieved so far, but they have not had the opportunity to erect any blockades.

However, it is not impossible for these actors, such as members of the Islamic Hizb-ut Tahrir, to become short-term veto actors and fundamentally threaten the secular government with a demand to establish a caliphate. These veto actors are particularly established in the south of Kyrgyzstan, where the inhabitants feel isolated as a result of the government’s human resources policy.

During the period under study, these cleavages between southern and northern Kyrgyzstan, which had always existed, deepened because the government neglected to create a consensus able to transcend conflict lines. The government is attempting to promote solidarity but is unable to reinforce it because of its incoherent and inconsistent policy.

## 5.6 International cooperation

Political actors are working closely with bilateral or multilateral donors but are not using the international aid to improve their policies. The government is dependent on broad and long-term international support to finance its depleted national budget and tries to attract as many foreign donors as possible. In doing so, it is cleverly taking advantage of the geostrategic significance Kyrgyzstan has gained since September 11. With the stationing of troops from the anti-terror coalition and from the CIS security alliance, it has managed to secure an important source of income for the highly indebted country that will contribute to the country's short and medium-term stabilization, but also hinder important political and economic reforms.

Investments made by the anti-terror coalition, together with aid from multilateral and bilateral creditors—including the IMF, the World Bank, and the Asian Development Bank—are providing crucial support to a political elite that is showing itself more and more unwilling to implement reform. It is doubtful whether the stakeholders will use the money they are receiving to treat the sources of the emerging problems by moving forward with the reform process, restructuring the infrastructure and companies, and cushioning the economic transformation's social hardships. It is much more likely that they will use the money to cover up the defective developments and payment bottlenecks generated by the stagnation of the reform process.

## 6. Overall evaluation

In view of the starting conditions, current status, and evolution achieved, as well as the actors' political achievements (management), this assessment concludes the following:

*(1) Starting conditions:* The transformation's starting conditions were positive on the whole. Before the period under study, Kyrgyzstan had already achieved considerable success in democratic and economic development, despite a lack of democratic traditions and market-economic experience. Knowing how poor in resources the country is, the political elite placed western development goals on the agenda in order to attract foreign investment, and succeeded in doing so. A pluralistic, if unstable, party system arose; many civic organizations were founded, including some very able groups; a critically reporting press developed. The elections more or less complied with international standards. Fundamental human rights were guaranteed. Comprehensive economic reforms were carried out, and controls were lifted on prices and currency exchange rates. Foreign trade was liberalized in the course of joining the WTO, and the purchase of land was even made legal.

(2) *Current status and evolution:* Kyrgyzstan's political transformation has lost ground. Authoritarian structures and practices became entrenched during the period of time covered by this report. Reforms that had already been achieved were rescinded. This particularly applies to the areas of political representation and integration, the government system's institutional efficiency, the rule of law and citizens' support of the political system. The economic transformation has only come a short way. Political decision makers have not succeeded in qualitatively reinforcing the economic transformation. The ambient structures for a market economy-based regime were not fundamentally changed. Fundamental reforms still need to be undertaken in the following areas: establishment of healthy capital and banking markets, reduction of the concentration of companies, long-term curbing of corruption, and socially responsible expansion of the market economy.

(3) *Management:* The actors' performance has proven ambivalent. While they were able to maintain the level reached in the economic transformation process despite the international economic crises, the political transformation process lost ground. In their attempts to secure their own positions, the stakeholders followed a zigzag course marked by ad hoc measures, lack of any clear plan, and short-term political gain. During this process, important democratic reforms were revoked, and scheduled reforms such as administrative reform, the fight against corruption) were not carried out.

## **7. Outlook**

The ambivalent transformation picture emphasizes the opinion shared by many observers that Kyrgyzstan, despite all the transformation successes achieved so far, still has a long way to go. Successes in transformation achieved so far are not so much due to the achievements of "internal" actors but rather to long-term interference from international donors that the local stakeholders allowed to occur. Key strategic problems to be solved in the medium term for democratic reform center on the areas of the rule of law, the government system's institutional efficiency, stabilization of the patterns of democratic representation and attitudes, and building up an effectively functioning administration system.

Key problems for economic reform remain the socially responsible expansion of the market economy, continuing the reform of the existing organization of market and competition, and securing the sustainability of the economic development. However, the implementation of these urgently necessary reforms appears possible only under two conditions: first, whether the bilateral and multilateral donors currently heavily involved in Kyrgyzstan insist on long-term and continued reforms, and, second, whether there are political changes, possibly as the result of a regime change due in 2005. The Kyrgyzstani elite's readiness to implement reforms will be critical for whether the persistent political crisis can be ended. An enormous amount of integration work will be necessary to persuade the

conflicting, radicalizing actors in Kyrgyzstani society to deviate from their current course of confrontation with the governing elite. If the regime succeeds in improving political participation chances and undertaking a redistribution of existing resources, Kyrgyzstan could win back its lost image as an “island of democracy” and as a market economy leader.