

Kyrgyzstan

Status Index (Democracy: 4.08 / Market economy: 5.43)		4.76	Management Index		4.19
HDI	0.702		Population	5.1 m	
GDP p. c. (\$, PPP)	1,751		Population growth¹	1.6%	
Unemployment rate²	8.6		Women in Parliament	6.7%	
UN Education Index	0.93		Poverty³	n/a	
			Gini Index	34.8	
Source: UNDP: Human Development Report 2005. Figures for 2003—if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² EBRD: Transition Report 2004. ³ Population living below \$ 1 (1990-2003).					

A. Executive summary

When Kyrgyzstan emerged as an independent state in 1991, the former Soviet republic faced the double challenge of political and economic transformation. More than a decade later, the country's stateness is largely consolidated. The monopoly on the use of force rests with the state, all citizens have the same civil rights regardless of their ethnic origin, the constitution ensures separation of church and state, and state administration operates countrywide, albeit to varying degrees of success.

The democratic quality of Kyrgyzstan's polity, however, underwent a reverse development that turned from genuine democratization in the early years of independence to a progressive limitation of democratic achievements since the latter part of the 1990s. Kyrgyzstan has consequently lost its early reputation as an "island of democracy" in Central Asia. Formally democratic institutions are subjected to the interests of the political leadership, and paternalistic networks have colonized the state's bureaucracy with their own logic.

Elections in 2000 and February 2005 were characterized by gross unfairness in favor of the ruling elite and included de facto restrictions on freedom of assembly and on the media, which was already largely controlled by the political leadership. Separation of powers is substantially constrained by the dominance of the president's executive powers. The judiciary is not independent from the influence of the executive branch of power and lacks adequate material and intellectual resources to act impartially. Consequently, civil rights are in reality not universally guaranteed. Additionally, corruption is a widespread problem at all levels of state governance. Political parties are used to support the election campaigns of individual candidates but are not deeply rooted in society. Interest groups and other organizations of civil society exist on a wider scale than in other Central Asian countries. Their political

influence is rather limited, but numerous local non-governmental organizations do play important roles in their communities.

In socioeconomic terms, Kyrgyzstan is a low income country with an overall medium level of human development due to relatively good education and health indicators. The government introduced key reforms to establish a market economy in the early 1990s. These reforms included liberalization of prices, convertibility, and privatization of small and medium-sized enterprises. Poverty, which emerged as a consequence of de-industrialization and structural reforms, and then increased drastically and reached its peak after the 1998 Russian economic crisis. Since then, the government has achieved macroeconomic stabilization and relatively stable economic growth. While poverty levels have decreased moderately, the economy remains vulnerable to external shocks particularly because a substantial part of export earnings stems from a single gold mine. With large external debts and little means to invest in human resources and physical infrastructure, Kyrgyzstan relies heavily on external assistance. At the same time, only a radically improved business environment will provide the conditions needed to reap lasting benefits from the assistance made available.

B. History and characteristics of transformation

Kyrgyzstan faced the double challenge of political and economic transformation when it gained independence in 1991. During the first few years after independence, 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. Citizens had many and varied opportunities to express their interests openly and legally, make their 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 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 in 1994, 1996, 1998 and 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 were curtailed and its oversight functions were reduced to a minimum. It was excluded from the government-building process. With the persecution of some independent journalists as early as 1997, freedom of speech and press was gradually restricted.

Resistance stirred both inside and outside the legislature against these limitations on the rights of democratic participation. A broad but fragmented opposition formed. The conflict between the government and the opposition intensified in January 2002, triggered by the arrest of Representative Beknazarov who had repeatedly criticized the government for making foreign-policy concessions. Soon, however, foreign policy issues retreated into the background. Domestic questions gained new significance.

Together with political parties critical of the government, human rights organizations and non-governmental organizations held rallies, organized protest marches and participated in hunger strikes. Demonstrators began articulating their dissatisfaction with the government and its administrative inactivity, corruption and lack of sociopolitical competence. The regime initially attempted to use restrictive measures, such as banning demonstrations and making mass arrests, to halt the protest actions. Instead, these measures only served to further provoke the demonstrators.

In March 2002, resistance culminated in violent clashes between demonstrators and the police in Aksy, in southern Kyrgyzstan. Five civilians were killed. As a result, the government under Prime Minister Bakiev resigned in May 2002 and President Akaev installed a commission to make suggestions for political reforms. By the end of the year, however, discussions with the opposition had reached a deadlock, and Akaev used a referendum in February 2003 to introduce changes to the constitution that increased his powers. It was only by late 2004, during the run up to parliamentary and presidential elections scheduled for 2005, that the opposition regrouped under the leadership of new prominent figures. Among them was former Prime Minister Bakiev, who announced his intention to run for the presidency in 2005.

In economic terms, the government had started making key reforms in the early 1990s. Small and medium-sized businesses were privatized, prices were liberalized, control over the exchange rate was relinquished and convertibility of the currency was achieved. In 1998, Kyrgyzstan was the first country in Central Asia to join the WTO, a move accompanied by a comprehensive liberalization of the country's foreign trade. International organizations provided key support to the economic transformation process. Indeed, Kyrgyzstan received the most international aid per capita of all the countries in Central Asia.

The transformation sponsored by these outside forces did not prevent the country from sliding deeper into poverty. Because it lacks resources and foreign investment, suffers from de-industrialization and has a high foreign debt burden, Kyrgyzstan is confronted with a difficult economic situation. Although a favorable economic environment since 1999 has helped to reduce poverty, the country's economy is still

structurally weak, and growth is not yet sufficient to restore social cohesion and to ensure that socioeconomic grievances do not turn into violent conflict.

C. Assessment

1. Democracy

1.1. Stateness

The state's monopoly on the use of force is de jure established throughout the Kyrgyz Republic. Armed raids by Islamic extremists in 1999 and 2000 in the southwestern region bordering Tajikistan and Uzbekistan (now Batken oblast) have not recurred since security efforts were seriously stepped up and the anti-Taliban war in Afghanistan destroyed the organizational base of the insurgents. Sporadic incidents such as a bomb explosion in a Bishkek market in 2002 have caused concern, but thus far have not threatened the state's de jure monopoly on the use of force.

However, popular trust in the performance of the state's security forces is not very high, suffering from widespread corruption and the arbitrary application of legal standards by law enforcement agencies.

In 2003, Kyrgyz authorities reported several cases of Uzbek border guards violating the common border in attempts to prevent illegal traders and local citizens of both countries from entering or leaving Uzbekistan. In one incident, a 21-year-old citizen of Kyrgyzstan was shot dead by Uzbek frontier guards, sparking diplomatic protest by the Kyrgyz government. Although the situation calmed down during 2004, the incidents demonstrated that the complicated and often illogical demarcation of state borders in the Ferghana Valley is a permanent source of dissatisfaction, and that Kyrgyzstan's sovereignty over its own territory is not fully respected by Uzbek security forces.

All citizens in Kyrgyzstan have the same civil rights. After the breakup of the Soviet Union, Kyrgyzstani citizenship was largely granted based on residency rather than ethnicity. Ethnic Russians in the North and ethnic Uzbeks in the South constitute considerable minorities enjoying the same civil rights as any other citizens. However, some complain that in practice ethnic Kyrgyz enjoy privileged access to career opportunities in state service and other prominent positions.

Kyrgyzstan's constitution clearly separates the state from religious institutions or religious cults, and prohibits any defining influence by religious authorities on state

matters. The state is defined as a secular order and the political process is effectively secularized.

The state has a differentiated administrative structure throughout its territory. Large parts of this structure have been inherited from the Soviet system, although many institutions underwent structural reform after independence. Underfunding, corruption, and the subversion of formal institutions by informal networks of patronage undermine the proper functioning of administrative structures at all levels of government, from the national down to the local self-government layer of administration. In some areas, however, administrations work more effectively than in others, some institutions are less corrupt than others, and some territories are better governed than others. A comprehensive process of decentralization has yet to bear fruit. In general terms, awareness among civil servants of the importance of good governance has been raised by a recent nation-wide campaign in 2004, “Year of social mobilization and good governance.”

1.2. Political participation

The president, the national parliament, representative bodies at lower levels of government and the heads of local self-government bodies are all elected directly by the population. However, the electoral process – including registration of candidates, access to the media and opportunities to campaign freely in all parts of the country – is severely biased in favor of pro-regime candidates. In 2000, international election observers under the leadership of the OSCE concluded that parliamentary and presidential elections fell short of important standards for a free and fair vote. Parliamentary elections in February 2005 drew similar criticism.

The power of the elected president to rule is not restricted; he holds the effective power to govern. Other democratically elected officeholders do not effectively command guaranteed autonomous decision-making powers insofar as their authority is diminished by the national government’s de facto power to interfere at will.

In general, freedom of association and freedom of assembly are accepted by the national government. Civic groups can usually associate and assemble freely, while political parties, unless they are pro-presidential, are eyed with greater suspicion. On the eve of national elections, opposition parties or candidates that appear to pose a threat to the president are systematically obstructed although, as a rule, they are not prohibited.

While freedom of expression is constitutionally guaranteed, it is often subject to de facto restrictions when issues of concern to the government are touched upon. The

electronic and printed media are largely under the control of the government or individuals loyal to the president. Many journalists practice self-censorship, aware of their vulnerability to government pressure. In a number of cases, allegations of libel or inciting social unrest were used to silence media outlets that had remained independent. Since 1997, Freedom House's annual Freedom of the Press reports have rated the media in Kyrgyzstan as "not free," with a marked decline in the numerical rating since 2002. In 2004, an independent printing press supported by foreign donors was allowed to begin operations in Bishkek. Since then, a number of oppositional newspapers have been produced that would otherwise have encountered difficulties in being published. The overall climate, however, has not substantially improved. Instead, upcoming elections in 2005 have led to renewed pressure on journalists.

1.3. Rule of law

Though constitutionally guaranteed, separation of powers is substantially constrained by the dominance of the national executive branch and, in particular, the president. In fact, the constitution itself is not free of contradictions, as it places the president above the branches of power, while simultaneously referring to him as the highest state official with the power to define the guidelines of the state's domestic and foreign policy. In de facto politics, a large majority in parliament is loyal to the president and exercises review functions only, to the extent that this does not affect the president himself. Regular parliamentary criticism of the government or the prime minister is part of a ceremonial ritual that leaves the president above the political fray. Nonetheless, below the level of outright opposition, parliamentary discussions in the law-making process are not entirely meaningless.

Effective judicial oversight of government and law enforcement agencies does not exist. The judiciary is institutionally differentiated, but in high-profile cases executive authorities appear to exercise significant influence over the judiciary. The impartiality of lower-level court decisions is additionally restricted by insufficient staff training and equipment, poor wages and corruption.

In Transparency International's Corruption Perception Index, Kyrgyzstan is ranked among the most corrupt nations in the CIS. The fight against corruption among officeholders has enjoyed high prominence in official rhetoric for many years. A number of changes in the law have recently been introduced with a view toward curbing opportunities for extortion. Nevertheless, corruption is endemic among civil servants at all levels. It seems to be closely connected to the functioning of informal networks, and therefore difficult to eradicate. Prosecution under the law appears to be selective, concentrating on individuals critical of the government and/or the president.

Civil rights are negatively affected by the lack of legal constraints on government action and the bureaucracy's selective application of the law. While civil rights command general respect, they are often subordinated to the allegedly higher interest of the state. The killing of five demonstrators by the police during the Aksy events in 2002 showed that security forces were not prepared to react appropriately to the expression in public of political discontent. Cases of torture in pre-trial detention exhibit disrespect for both the presumption of innocence and fundamental human rights. The suppression of political opposition has increased since 2000, with prominent opposition figures being removed from the political scene under dubious circumstances. Human rights activists suspect that the Kyrgyz government's support for the war in Afghanistan has emboldened it, as diplomatic consequences from human rights violations have become less likely to emerge.

1.4. Stability of democratic institutions

State institutions, including the administrative system and the judiciary, exist and function in accordance with the constitution, thus possessing formal democratic legitimacy. Their performance does not lack stability or continuity, but their autonomy is severely restricted by presidential power. In addition, institutional performance is often marked by bureaucratic arbitrariness, corrupt practices and a low level of legal education among employees.

To the extent that they exist and function properly, democratic institutions are widely accepted and not contested. In fact, opposition leaders and other government critics deplore the insufficient democratic quality of many institutions. At the same time, however, efforts by the government to restrict the democratic quality of certain institutions, such as the national parliament, have rarely met with effective resistance among the political elite or the population.

1.5. Political and social integration

There is no stable, socially rooted party system in Kyrgyzstan. Many government candidates for parliament run on the ticket of a pro-government bloc that represents hardly more than the interest of the president and the political elite itself that stands for election. Others, who are prominent enough, do not even need this kind of support. Opposition parties gained new relative strength before elections in 2005 but are thus far only scantily rooted in any particular social group as a whole. They, too, depend largely on a few leading figures who are often former allies of the president. Consequently, the programmatic polarization between parties is not very significant.

Parties do not fundamentally differ on policies but rather on issues of civil liberties and—even more importantly—of power and personality.

The landscape of interest groups is not very closely knit although the situation is arguably the best of all countries of post-Soviet Central Asia. Labor unions lost their influence after the break-up of the Soviet Union and do not play an important role. Most of the business associations and other professional organizations that exist are careful not to damage their relations with the government. In cases of conflict, the pulling of strings behind the scenes is usually preferred to public lobbying, and the number of players involved is very restricted.

For a considerable part of Kyrgyz society, ‘democracy’ is still an alien concept and many wonder if democracy is not the true culprit for economic decline and social injustice as a result of the liberal beginnings of Kyrgyzstan’s transformation in the early 1990s. Nonetheless, all significant political forces claim to pursue a democratic or democratizing agenda. Even changes to the constitution geared toward enhancing the powers of the president were passed off as achievements of further democratization. Beyond mere rhetoric, waves of protest in 2002 as well as reaction to the rigged 2005 parliamentary elections indicate that a desire for more participation and voice in the political process has a solid basis in the population—at least among those who feel disadvantaged. At the same time, hopes for democratic change are often mixed with cynicism as to the effects attempts at democratization would be able to produce. The ruling elite’s ability to misuse formally democratic institutions for the purpose of consolidating its power has helped to undermine the belief in democratic procedures.

After 1990-91, voluntary associations of citizens and other forms of social self-organization evolved quickly and more vividly than in any other country of the region. The process has been assisted ever since by international aid agencies and other organizations. After 2001, the volume of support increased considerably, often directly or indirectly financed by the U.S. government, but also by European governments, the European Commission, UNDP or private sponsors such as the Soros Foundation. As a result, numerous new non-governmental organizations have emerged in recent years. While some of them seem to exist only with a view to implementing foreign aid programs, many organizations play important roles in their local communities. Often, local NGOs interact actively with local self-government bodies or officially endorsed traditional authorities, which contributes to increasing trust among the population.

2. Market economy

2.1. Level of socioeconomic development

Key socioeconomic indicators show a mixed level of development. In terms of GDP per capita, Kyrgyzstan is among the poorest countries in the world. However, the composite Human Development Index suggests medium human development for Kyrgyzstan, mainly due to relatively high levels of education and health inherited from the Soviet Union. According to World Bank data, monetary poverty in Kyrgyzstan reached its historical peak in 1999, after the Russian financial crisis, when the poverty level reached 55%. Since then, this indicator has markedly improved, falling to (a still high) 41% in 2003. The main source of improvement in this area was the alleviation of rural poverty. Despite partial success, however, the rural population remains disadvantaged and continues to be much poorer than urban residents.

Women are underrepresented in politics while playing an important role in non-governmental organizations. Minority ethnic groups, such as Uzbeks and Russians, experience disadvantages or discrimination in certain areas of activity. However, this kind of social exclusion is not deeply ingrained in society, and converse examples can also be cited.

Inequality has increased as a result of economic reforms after 1991. Indicators such as the Gini coefficient show that the highest level of inequality existed in 1997. Since then, the situation has improved. Today, the extent of inequality is comparable to Germany and lower than in most countries of the world, suggesting that it has not reached levels that preclude social cohesion.

2.2. Organization of the market and competition

The fundamentals of market-based competition are institutionally and de jure guaranteed. The dense tangle of economic regulations originating in the Soviet era was reduced by a wide-ranging small-scale privatization and deregulation. Agriculture, including land, was privatized during the 1990s. Competition suffers, however, from corrupt bureaucracies and courts that do not guarantee the uniform application of the rules of the game for all market participants. A good deal of activity takes place in the informal sector in services, street trading and subsistence farming.

The state has retained monopoly rights in the areas of telecommunications, power, gas, and aviation. Long-declared intentions to continue with privatization in these

“strategic” sectors received renewed commitment when the government privatized the Kumtor gold mining company in June 2004. The transaction brought the largest company in the country, whose output accounts for around 10% of GDP, into majority private ownership. However, the concentration of media outlets in the hands of a few people close to the president indicates that oligopolies (or de facto monopolies) are not avoided where there is no political interest to do so.

Kyrgyzstan has pursued a policy of simultaneous regional and multilateral trade liberalization. In 1998, the country became the first—and thus far only—Central Asian country to accede to the WTO. At the same time, however, it is tied into a complex architecture of agreements within the CIS, including both a network of bilateral free trade agreements and a regional integration agreement, the Eurasian Economic Community. Thus, Kyrgyzstan operates in a dual trade policy environment. However, major trading partners are not WTO members and important exports, such as electricity and water, are not subject to WTO regulation. As a consequence, WTO disciplines are seldom put to a test before Kyrgyz authorities by trading partners, thus reducing pressures to achieve higher standards in economic governance and lower transaction costs.

The banking system and capital markets are sectors of particular concern. Since 1999, the EBRD Transition Report has rated Kyrgyz reform efforts in the financial sector as not very successful. The legal environment is weak and political interference gives reason for concern. According to a 2005 World Bank report, the real sector is faced with high real interest rates, expensive collateral-based credit, and a very limited long-term financing.

2.3. Currency and price stability

Since 1993, inflation and foreign exchange policies have largely followed the guidance of international financial institutions such as the IMF and World Bank, leading to full current account convertibility and yielding impressive results in comparison with other CIS economies. The 1998 Russian crisis caused a serious setback impacting all macroeconomic indicators, and brought average annual inflation back to 37% in 1999 after it had been reduced to 12% in 1997. However, a stable macroeconomic policy succeeded in bringing inflation and exchange rate volatility down to all-time lows by 2001. Since then, the indicators have remained stable. In this context, the National Bank was commended by the IMF for its “skillful monetary and exchange rate management.”

Kyrgyzstan’s large external debt, a consequence of generous external lending in the 1990s, remains a risk for macroeconomic stability. The problem is now monitored closely by both the Kyrgyz government and the international financial institutions.

Following its first agreement with the Paris Club in 2002, and upon completion of conditions that included keeping the budget deficit within narrowly circumscribed limits, Kyrgyzstan achieved further debt restructuring from the Paris Club in March 2005.

2.4. Private property

Private property, along with state-owned property and other forms, is constitutionally guaranteed. Property rights and the regulation of the acquisition of property are defined in the civil code, the land code and other legal documents. Under the civil code a proprietor has the right to possess and dispose of property at his or her discretion, but de facto transactions of this sort are circumscribed by other provisions in the law. The land code prevents agricultural land from being transferred into foreign ownership, though foreigners have the right to receive interest from land parcels within certain areas for up to 50 years, or lease land from Kyrgyz entities for 99 years. Realization of all transactions involving land rights is dependent on a new land registration system becoming fully operational.

Privatization of small- and medium-sized state-owned enterprises made rapid progress in the early stages of post-Soviet reform. The privatization program stalled in the late 1990s when large enterprises were up for sale. To date almost 70% of state-owned enterprises have been privatized, but the number of large enterprises divested remains small, and the state continues to own more than 200 medium and large enterprises, including a number in the energy, gas, communication, and aviation sectors. The government has recently been seeking to revitalize the privatization program and approved a state property privatization policy to the year 2005 based on a new law on privatization.

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. Formally, the current system of social protection in the Republic comprises payment of social benefits (a unified monthly benefit and a social benefit), special assistance provided to some categories of citizens, and the provision of social services to needy families and individuals. In 2002, nearly 500,000 poor families had “social passports” entitling them to receive certain social benefits. The amount of funds transferred through the official system remains inadequate to substantially reduce the risk of poverty and economic exclusion. Similarly, the retirement pension system is under funded. Under a National Poverty Reduction Strategy, adopted in 2002 and updated in 2004, the

social protection systems are to be reformed. While no quick results can be expected, the problem is on the political agenda. 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. Consequently, citizens excluded from traditional networks, such as retirees of European ethnicity or unmarried women, are particularly vulnerable.

There are no significant legal barriers to equality of opportunity in Kyrgyzstan but gender and social background are reasons for differential treatment in many situations. Women have significant access to higher education and public office, but will rarely rise to leadership positions. Patronage networks play an important role in providing opportunities. Their mechanisms allow for vertical mobility—thus reducing the importance of material well-being—while at the same time excluding outsiders to the networks.

2.6. Economic performance

The Kyrgyz economy consolidated its recovery during the period under study, which had been temporarily disrupted by the effects of the 1998 Russian crisis. Real GDP growth was 6.7% in 2003 and 7% from January to September 2004. However, this followed zero growth in 2002 solely attributable to the contraction of gold exports following an accident in the Kumtor mine that year, demonstrating the vulnerability of the economy to singular external shocks.

Given the country's large external debt, its negative current account balance and the unlikelihood of a meaningful budget surplus in the medium term, Kyrgyzstan's ability to invest in its human resources, through education, health and social benefits, or in its infrastructure development depends on continued international commitment to debt restructuring and grant financing. On a positive note, controlled inflation and a positive dynamic in most other macroeconomic indicators suggest that cooperation with the international community is bringing positive, albeit modest, results and is thus likely to continue.

2.7. Sustainability

Environmental concerns are often taken into account rhetorically, but remain weak when they conflict with efforts to accelerate growth. Existing ecological risks, such as salinized soils in areas of cotton production or the contamination of drinking and irrigation water near uranium depots, are acknowledged but not adequately tackled due to lack of financing.

Institutions for education, training, research and development exist in important segments, but are very heterogeneous on the whole, with clear deficits in research and development. There has been a marked decline in state investment since independence. However, the private or semi-private educational and research sector is rather developed and unconstrained. Experts warn of the danger of an increase in illiteracy rates from under 2% in 1990 to more than 20% in 2010.

3. Management

3.1. Level of difficulty

Structural constraints on governance have remained high during the period under review. Before 1992, Kyrgyzstan was already among the poorest republics of the Soviet Union and heavily subsidized through its budget. After independence, it suffered disproportionately from the break-up of Soviet trade patterns and production chains. A small domestic market, low levels of diversification and limited manufacturing capacities restricted the economy's potential for new investment.

The country's land-locked and largely mountainous geography poses an additional barrier to trade and exchange. Inadequate roads and communications infrastructure complicate attempts at improving administrative governance and addressing local needs effectively.

Despite weak traditions of civil society from the Soviet period, Kyrgyz society was marked by a surprising increase in civic engagement and activity in the 1990s supported by a widespread reorientation toward traditional social bonds.

Despite Kyrgyzstan's ethnic and cultural diversity, the country's main line of conflict, if not cleavage, appears to be the long-standing and widening North-South divide. It is primarily rooted in perceptions of inequality in socioeconomic opportunities among southerners who feel disadvantaged and discriminated against by the political elite in the northern capital of Bishkek. However, more socially inclusive policies and decentralized governance with substantial local participation could significantly reduce tensions and contribute to overall social peace more easily than would be the case if irreconcilable ethnic cleavages dominated society. Apart from the North-South divide, Kyrgyz society is structured by competing clans as well as ethnic and religious allegiances, though none of these barriers is insurmountable or necessarily leads to conflict.

Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	3
		Latest parliamentary elections ¹ :	20.2. and 12.3.2000
1. Head of State:	<i>Askar Askajew</i>		
2. Head of State:	<i>Kurmanbek Bakijew</i>	Cabinet duration:	05/02- present
Head of Government:	<i>Nikolai Tanaev</i>		
		Number of ministries:	14
		Number of ministers:	20
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Number of ministries/ ministers denotes the situation on 1 January 2005.</p> <p>¹2005 results were declared invalid after a popular revolt</p>			

3.2. Steering capability

References to ‘long-term perspective’ and ‘strategic planning’ abound in the political leadership’s official rhetoric. Documents such as the 2002 National Poverty Reduction Strategy (2003-2005, updated in 2004), the National Human Rights Program (2002-2010), and the National Decentralization Strategy (2002-2010), testify to the government’s ambition to achieve social development according to long-term programs. Most of these documents claim to strengthen democratic participation, institutions of market economy and the social inclusiveness of reforms.

These documents were often drafted in close collaboration with – and at times on the initiative of – international donor organizations, which has raised questions among local and international observers as to the seriousness of the government’s own commitment. The sheer number of such programs suggests an issue in prioritizing them. In addition, government activities that run contrary to the official agenda and curb civil rights or annul earlier progress in the areas of free speech and assembly counter the democratizing rhetoric of many of these documents. At the end of the period under review, the political leadership appeared increasingly paralyzed with regard to any new policy initiatives, as the question of succession to President Akaev, who is due to step down from office in October 2005, had taken center stage in politics.

The political leadership is usually able to transform complex reform policies into legislative initiatives, but effective implementation is notoriously weak. In response, new programs are continuously being drafted, calling into question the general value of many documents. While inadequate implementation can often be traced back to bureaucratic inertia and vested interests inside the government apparatus, at times

lack of commitment among the political leadership, which is not willing to abandon control or maneuvering room, lies at the heart of the problem.

As far as the technical side of policies is concerned, the political leadership has repeatedly demonstrated its ability to learn from past mistakes or failures. General readiness to seek advice and react upon it exists, not least vis-à-vis international partners. The absence of any clearly identifiable political ideology, other than some general notions of a secular state and a socially responsible market economy, facilitates a flexible adjustment of policies. However, such flexibility ends when changes in policies or procedures could possibly bring about changes in the relative strength of competing actors, and thus reduce the ruling elite's chances to stay in power.

3.3. Resource efficiency

Ongoing efforts to improve state administration, effect decentralization, and relieve state authorities of unnecessary responsibilities have continued to drive positive results for the efficient use of economic and human resources, although their scope remains modest and often resources are still not used for their stated purpose. For leadership positions at all levels personal loyalty is a far more important selection criterion than professionalism. Investment in the training of administrative staff is less than adequate. Salaries in the state sector are, as a rule, too low to discourage employees from the abuse of public office. The past two years have seen significant efforts to push administrative and political decentralization forward and react to obvious deficiencies in the process. Results, however, remain to be seen and local governments are still the weakest link in the chain, both with regard to resources and competencies on the one hand and skills and expertise on the other.

The budget process, from planning through implementation to auditing, lacks transparency and is fraught with legal contradictions and procedural shortcomings, although a recent reform, enacted in 2003-2004, promises a guaranteed share of state revenues to local governments and increases opportunities for local assemblies to adopt meaningful budgets.

The government frequently fails to coordinate conflicting objectives or interests within its ranks and to reduce counterproductive effects of one policy on another. Major reform efforts, such as decentralization, have suffered from competing interests on the part of different ministries and administrative levels. Horizontal coordination depends on informal links as often as formal ones, and is therefore not structurally ingrained. Parallel structures inside the government and the president's administration increase the demand for coordination rather than its supply.

In 2004, Transparency International ranked Kyrgyzstan 122nd of 146 countries surveyed in its annual Corruption Perceptions Index – or, along with all its Central Asian neighbors, among the world’s 25 most corrupt nations. While official anti-corruption campaigns have been regular events on the political calendar, actually dating back to Soviet times, their impact has been very limited thus far. Corruption is not just deeply ingrained in the system, it is also part of quasi-institutionalized informal practice, and consequently far more difficult to combat than merely through adequate legislation. In terms of power politics, the pervasiveness of corruption is a useful tool in the hands of the ruling regime that can be used to discredit and prosecute almost every former government official, should he or she consider joining forces with the opposition.

3.4. Consensus-building

The Kyrgyz political elite displays general agreement on the goal of building a socially responsible market economy. Important steps, such as the privatization of agricultural land—a sensitive issue in almost all CIS countries—are not challenged by major actors inside or outside the government. Consensus on democracy, by contrast, exists only superficially. Many important actors, including the political leadership, appear to consider democracy a means of balancing requirements of limited participation and selected input from society with guaranteed positions of power rather than a method of transferring restricted power for a limited period of time. Opposition is often discredited as ‘destabilization,’ and the prospect of a change in power as a ‘revolution’ that must be avoided at all costs. During the February 2005 parliamentary election campaign, e. g., senior government figures made frequent references to political events in Ukraine and Georgia, linking them to extremism and foreign ‘interference,’ and predicting that similar events would meet an unwelcome reception in Kyrgyzstan. International election observers criticized this demonization of potential political change for its negative impact on the pre-election environment.

No veto powers exist in Kyrgyzstan outside the political leadership under President Akaev. Due to the leadership’s own fragile commitment to reforms, however, this does not imply that proponents of democratic and market reforms are in a position to push forward with their agenda.

Kyrgyzstan’s political leadership cannot be commended for successfully bridging important cleavages and depolarizing conflict during the period under study. The political leadership has not pursued a consistent policy in recent years with respect to Kyrgyzstan’s main line of conflict, the perceived North-South divide. The management of the 2002 ‘Aksy’ crisis, when several protestors died after police

opened fire on a crowd of demonstrators, was marked by an apparent lack of understanding on the part of the ruling elite of the true character of the conflict. When events threatened to further escalate, President Akaev released pressure by promising to hold officials involved in the incident accountable and accepting the resignation of the government. Yet the course and results of the investigation did not satisfy public demands. Later, Akaev announced a number of political reforms, but as soon as the political situation had calmed down he backed down from earlier announcements. He then used the momentum to increase his power in a February 2003 referendum. With respect to inter-ethnic issues, the political leadership is careful to avoid any signs or rhetoric of ethnicity-based discrimination although many ethnic non-Kyrgyz perceive recruitment policies for senior government posts as proof of this sort of discrimination.

In a number of issue areas, the Kyrgyz political leadership has promoted policies that hold the potential to encourage citizen engagement and increase social capital. Some of the efforts in question involve structural reforms, such as the decentralization of state governance. Others are related to public campaigning—the official declaration of the year 2004 as a year of “Social Mobilization” being the best example. Qualitative research in selected policy areas suggests that some modest effects of this strategy may indeed have emerged but their sustainability will largely depend on structural reforms being pursued with greater commitment than in the past. Otherwise, there is a danger of disillusionment on the part of the population if the promise of engagement is followed by the experience of powerlessness.

The extent to which civil society actors in Kyrgyzstan are invited—and accepted—to participate in policy formulation depends largely on the issue areas in question. If the ruling elite has a vital interest in certain policies, dissenting opinions by civil society actors are unlikely to be taken into account. Nevertheless, in a number of areas (such as the budget process) and in particular at lower levels of government, public hearings and other forms of debate open to the public have increasingly gained foothold in recent years. While external donors have played a pivotal role in instituting such procedures, it remains to be seen whether they can keep the promise they hold in theory. Thus far, there is a tendency among many government authorities to go through the motions of supporting civil society participation that resemble Soviet practices of public citizen participation. In addition, informal influence on policy-making exerted by certain segments of the elite through personalized channels is also often mistakenly defined as civil society participation.

Coming to terms with past injustices is not a high priority in Kyrgyz society or politics. The Soviet period is not generally considered a period of injustice although the country’s elite paid a heavy toll during the Stalinist ‘purges.’ At any rate, the general opinion is that the perpetrators are to be sought in Russia. More recently, the

killing of four demonstrators by police forces during anti-government protests in 2002 sparked widespread protest and resulted in an official investigation. The conduct of the affair, however, left many protesters—especially in the South—with the impression that responsibility for the shootings rested largely at the very top of the political hierarchy and that the true perpetrators were left untouched.

3.5. International cooperation

Kyrgyzstan's political leadership is working closely with bilateral and multilateral donors but is only partially using the international aid to improve its 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 continues to take advantage of the geo-strategic significance Kyrgyzstan has gained since September 11, 2001. 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 that will contribute to the country's short and medium-term stabilization, but may also hinder important political and economic reforms. On the other hand, the government has been successful in fulfilling the conditions of an IMF Poverty Reduction and Growth facility, allowing it to achieve additional debt relief from the Paris Club in March 2005, and has continued to apply macroeconomic policies according to international recommendations. In other areas, such as electoral assistance, the leadership has increasingly distanced itself from international organizations, and in particular from the OSCE.

During the period under review, the Kyrgyz government has continued to lose credibility among international partners in terms of its commitment to democracy and human rights. As far as its economic reliability is concerned, Kyrgyzstan has stabilized its reputation as a relatively good (in regional comparison), but still high-risk investment place.

Kyrgyzstan's political leadership cooperates actively with neighboring countries in diverse bilateral, regional and international arrangements. Several agreements, covering issues of security, trade, customs, etc. include all or a number of CIS countries. There are also agreements with China (in the security-related Shanghai Cooperation Organization) and Europe (as in the case of the OSCE). Cooperation with Kyrgyzstan's former Soviet neighbors, however, is strained by mutual distrust and the suspicion that the large countries of the region, in particular Uzbekistan, will use every opportunity to increase their regional dominance. As a counterweight, Russia is another important regional partner for Bishkek while the Western community plays an important role as a source of development aid. Kyrgyzstan's compliance with the rules set by regional and international organizations is above

average in a regional context. With regard to its obligations vis-à-vis the OSCE or international human rights norms, however, Kyrgyzstan's performance has deteriorated since 2000 and adjusted downward to poor regional standards.

4. Trend of development

4.1. Democratic development

While Kyrgyzstan's stateness has remained stable over the period under review, the country's record in political participation and the rule of law has generally deteriorated. Tendencies that could already be observed during the less than free and fair parliamentary and presidential elections in 2000 consolidated throughout the period, producing a very unfavorable environment for a new round of general elections in 2005. Reports by independent election observers, such as the OSCE election monitoring mission, on parliamentary elections in February 2005 confirmed that no progress can be noted in areas other than technicalities, while basic standards for a free and fair vote were deliberately violated. In addition, seeking recourse to the law proved entirely useless for opposition candidates who felt disadvantaged by the authorities, casting doubts on the impartiality of the judiciary.

Existing democratic institutions have been sidelined by the political leadership's power games and have lost much of their leverage since the late 1990's. During the period under review, this trend consolidated without, however, constituting a qualitative shift.

4.2. Market economy development

Medium-term assessments of Kyrgyzstan's socioeconomic development cannot be based on the Human Development Index (HDI) because data are only available for the years 2001 and 2002. During this short period, which saw zero growth in 2002, the country's level of development declined drastically by 0.026 HDI points. Over a medium-term four year perspective, the overall balance is likely to look more favorable, given GDP growth rates above 5% in all other years. Because the life expectancy index remained stable between 2001 and 2002 and the education index moved upward slightly, the overall tendency was toward a slight improvement over the whole period from 2001 to 2004.

The institutional framework for market-based action has not changed significantly since 2001. Most achievements and the majority of problems related to reform efforts of the 1990s have continued to shape the institutional environment.

In terms of GDP growth, Kyrgyzstan has experienced an average annual increase of more than 4.5% during the four year period from January 2001 to December 2004. However, it is still too early to consider this positive development a qualitative leap in the country's economic development. Exports have been volatile during the period under review and the influence of a single enterprise, the Kumtor gold mine, on the country's overall performance demonstrates the vulnerability of the economy to short-term shocks.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	5.4	5.3	0.0	6.7	7.1 ¹
Export growth in %	11.2	-5.6	2.0	19.8	-
Import growth in %	-7.5	-15.8	25.6	22.2	-
Inflation in % (CPI)	18.7	6.9	2.1	3.1	4.1 ¹
Investment in million US Dollar (in % of GDP)	-7	-1	5 (0.3)	46	116 ¹
Tax Revenue in % of GDP	11.7	12.4	13.9	14.3	-
Unemployment in %	7.5	7.8	8.6	9.0	n/a
Budget deficit in % of GDP	9.7	5.2	5.1	5.2	-
Current account balance in billion \$	-0.091	-0.051	-0.063	-0.053 ¹	-

Sources: European Bank for Reconstruction and Development: Transition Report 2005; International Monetary Fund: Kyrgyz Republic: Statistical Appendix, February 2005 (IMF Country Report No. 05/31). Import/export percentage change: author's calculations; budget deficit: accrual deficit according to IMF data; UNDP Human Development Report 2004. ¹ EBRD estimate

D. Strategic perspective

Kyrgyzstan's immediate political future depends on the outcome of the presidential elections scheduled for October 2005. In general terms, there are two possible scenarios, one of which is considerably more likely than the other. According to the first and more likely scenario, President Akaev will solve the question of succession either by securing for himself another term in office or prolonging his grip on power through other means such as a state of emergency, or by installing a proxy from his family or circle of allies. Securing a clear victory for the "right" candidate in a general election should not be too difficult given the de facto subordination of electoral authorities and the courts to the government. The price of this scenario could be the alienation of Western partners and the reduction of aid flowing into the country.

According to the second scenario, protests against electoral fraud during parliamentary or presidential elections in 2005 will gain momentum in a way similar to Georgia in 2003 or Ukraine in 2004. The opposition will manage to mobilize those parts of the population that are tired of the old regime. Under the leadership of a prominent figure, they will present themselves as a united force and a viable alternative to the Akaev government. The government will be divided internally and will not be convinced of its ability to stay in power. The number of defectors will gradually increase and eventually the opposition will be able to take over political leadership positions.

The second scenario would herald a new era of democratization in Kyrgyzstan and would give pluralism and civil rights a new boost. Still, a number of structural problems in governance, such as corruption, inefficiency and lack of expertise in administration, will remain for a long time and haunt any new government. Under the first scenario, both a consolidation of authoritarianism and a gradual opening to the demands of the opposition are possible. Thus, while democratic “miracles” cannot be realistically expected, Kyrgyzstan has reached a fork in the road where its political leadership is faced with the chance to steer the process toward a more democratic, more open society, or else run the risk of being sidelined by forces that it is no longer able to control.

Economically, Kyrgyzstan has reached a point where the qualitative changes that are needed to consolidate growth over a longer period of time require structural changes in the country’s system of economic governance. This includes fighting corruption, reducing the room for administrative discretion and strengthening the impartiality of the judiciary. Kyrgyzstan made important strides toward a market economy in the 1990s. Failing to press ahead with further reforms in this area now increases the risk that the achievements of previous reforms will turn out to be insufficient for sustainable growth.

A new reform effort will also be needed to establish the systems of education, health and social security that are necessary to provide the population with basic services and the economy with skilled labor.