

## KYRGYZSTAN



Located in Central Asia on the historical Silk Road, Kyrgyzstan is a mountainous country with a rich natural heritage such as high peaks, glaciers, lakes and other attractions. The country gained its independence in 1991 after the collapse of the Soviet Union and embarked on a transition to a

democratic system of governance and market economy. For the past 20 years the country has experienced many upheavals of political, economic and social nature. In March 2005 and April 2010, as a result of popular resentment with the ruling regimes the then-presidents were toppled.

In June 2010 a large scale ethnic conflict took place in the south of the country which led to hundreds of deaths. Several thousand people were injured, while hundreds of thousands fled the conflict area. The government was able to stabilize the situation with support of the international community that offered humanitarian assistance, support for infrastructural reconstruction projects and efforts on re-building trust.

After the events of April 2010, a national referendum endorsed a new Constitution which defined the parliamentary form of government. Kyrgyzstan has become the first parliamentary republic in Central Asia. Today, the country of 5.65 million is a host to a growing private sector and a vibrant civil society. It is a member of many international organizations, including the UN, World Trade Organization and Shanghai Cooperation Organization.

The global 2011 Human Development Report ranks Kyrgyzstan 126th (out of 187 countries) with a Human Development Index rating of 0.62 which means that the country is in the lower part of the group of countries with medium human development, pointing to regional and urban/rural disparities as well as inequalities between men and women. Kyrgyzstan is on the 66th place out of 146 countries on the UNDP Gender Inequality Index.

The country's 2010-2011 Millennium Development Goals progress report indicates that the country is unlikely to meet the MDGs for child and maternal mortality, tuberculosis, sanitation, and gender equality, although it is on track on reduction of extreme poverty, access to basic secondary education, and access to improved water sources. Despite some progress, one cannot yet speak of sustainable tendencies. Structural problems in the economy and the global financial crisis jeopardize the progress that has been achieved. The latest expert assessment show that April and June 2010 increased the risk of not achieving the MDGs by 2015.

Poverty fell from over 62% in 2000 to 32% in 2009, but after the latest events it rose to 38% in 2012 with an increasing proportion of the poor being female. UNICEF estimates that every second child in the country lives in poverty. The poverty level is also characterized by sharp regional disparities. In some areas it reaches 50%. Extreme poverty is at 4.5%.

The overall situation in the country can be characterized by a number of other following ratings and indices produced by international organizations:

- Corruption Perception Index country (Transparency International): Kyrgyzstan ranks 164th out of 183 countries;
- Economic Freedom 2012 (Heritage Foundation): Kyrgyzstan has dropped by 88 positions;
- Doing Business (World Bank): Kyrgyzstan ranks 70th out of 183 countries;
- International ranking of peaceful life (OSCE): Kyrgyzstan ranks 114th out of 153 countries;
- Global Competitiveness Index 2011-2012 (World Economic Forum); Kyrgyzstan ranks among 142 countries as follows: the Global Competitiveness – 121th, ease of customs clearance procedures - 134th; ease of obtaining loans – 131th; Intellectual Property Protection – 138th.

The Kyrgyz Republic's close proximity to fast-growing China, Russia and Kazakhstan provides an opportunity for it to expand its exports. Even after a decade and a half of transition, production in the Kyrgyz Republic is mostly concentrated on primary agricultural goods (cotton, tobacco and hides), services, extractive industries (gold mining), construction materials and light industry.

Kyrgyzstan is classified as one of two low-income countries in the Europe and CIS region with \$2200 GDP per capita (by purchasing power parity in 2010). The economy grew 3.9% per annum in 2000-2005 and 3.7% in 2005-2010. In 2011 the economy grew 5.7%.

The country's economy is largely informal (40-60% GDP by different estimations), especially in the service sector and agriculture. In 26% of households, at least one family member is working abroad. The total number of labor migrants from Kyrgyzstan is estimated between 700 thousand to 1 million, with majority of them working in the Russian Federation. The amount of remittances from migrants in 2011 was about \$1.7 billion, around 30% of GDP.

Import growth rates significantly outpace export growth rates, resulting in a negative trade balance that exceeded \$3 billion in 2012.

Significant amounts of aid in the form of soft loans and grants are channeled to Kyrgyzstan by the international community. During the years of independence, the country has accumulated massive external debt, about \$3 billion USD.

