

KYRGYZSTAN

UNITARY COUNTRY

EURO-ASIA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - LOWER MIDDLE INCOME Local currency - Kyrgyzstani som (KGS)

POPULATION AND GEOGRAPHY

AREA: **199 900** km²

POPULATION: **5.835** million inhabitants (2014),
an increase of 1.7 % per year (2010-2014)

DENSITY: **29** inhabitants/km²

URBAN POPULATION: **35.7%** of national population

CAPITAL CITY: **Bishkek** (14.7% of national population)

Sources: World Bank Development Indicators, UNDP - HDI, ILO

ECONOMIC DATA

GDP: **19.4** billion (current PPP international dollars)
i.e. 3 324.8 dollars per inhabitant (2014)

REAL GDP GROWTH: **3.6%** (2014 vs 2013)

UNEMPLOYMENT RATE: **8.2%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **211** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **34.8%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.655** (medium), rank **120**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
459	63	9	531
AYIL OKHMOTUS AVERAGE MUNICIPAL SIZE: 12 712 INHABITANTS	40 RAYIONS + 12 CITIES OF OBLAST SIGNIFICANCE + 11 CITIES OF RAYION SIGNIFICANCE	7 REGIONS (OBLASTS) + MUNICIPALITIES OF BISHKEK AND OSH	

MAIN FEATURES OF TERRITORIAL ORGANISATION. Kyrgyzstan is a unitary State with 3 levels of local governments. Local self-government system is made up of 459 local communities gathering groups of villages, towns and districts for the first tier: 440 ayil districts and 19 township councils. Second tier consists in the rayon level, including 40 rayions together with 12 cities of oblast significance and 11 cities of rayon significance. Third tier of government are oblasts (regions) and the cities of Bishkek and Osh which enjoy a special status. Local budgets are subjected to the approval of local councils (keneshs).

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. LGs in Kyrgyzstan have been devolved a list of 23 competences of local importance by the Law on LSG and Local State administration of 2008, covering all public utilities (potable water provision, sewerage and public sanitation, transportation and roads maintaining, waste collection, etc.) as well as establishing the rules of land use and house building at the respective territory, culture, emergency and local security services, and economic development. Besides, the law states a list of functions that can be delegated to local governments (administrative acts, pre-school education, environment protection, etc. However, the 2008 law does not state for a clear definition of function and their division between tiers of local government and central State government, inducing overlapping competences. LGs bodies are often obliged to fulfill additional tasks without corresponding financial resources, so as sometimes local governments bodies are unable of fulfilling their core functions to use their own resources to fund other, delegated but unfunded, state functions. This issue is to be addressed in the next decentralization reform that should be designed after the adoption of the new Constitution in 2010. Drafts have been done but this is still not implemented.

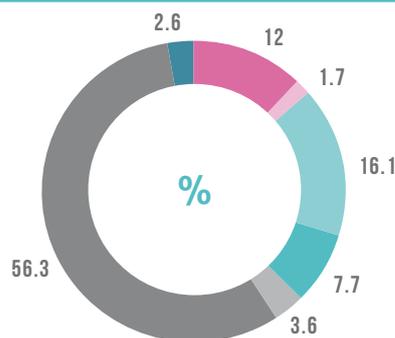
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	5.8%	19.8%	100%
CURRENT EXPENDITURE	5.4%	-	93.3%
STAFF EXPENDITURE	3.0%	29.1%	51.9%
INVESTMENT	0.4%	8.5%	7.3%

The legal basis for fiscal policy and administration in the Kyrgyz Republic is still in the process of formation. The Draft Law on Local Self Government attempts to make improvements to the issue of delineation of functions and responsibilities, and emphasizes the requirement for provision of corresponding finances. Local governments spend almost all their budget on current expenditures, which can be explained by their important role in the sector of education. Only 7.3% of subnational budget was spent on investment expenditures in 2013.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



Local governments in Kyrgyzstan have been delegated important responsibilities, in particular related to education. This put a high fiscal burden on local authorities, as education spending, on average for all subnational government units, take up to 56% of local budgets, which leaves little resources to cover other responsibilities, such as housing (16%), health (8%), recreation, culture and religion (4%).

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	5.9%	20.7%	100%
TAX REVENUE	2.9%	14.3%	49.4%
GRANTS AND SUBSIDIES	2.4%	-	40.6%
OTHER REVENUES	0.6%	-	10.0%

The law does not permit the central governments to interfere in the budget decisions of local governments, however “de facto” state provides influence on local governments budgets. Tax Service bodies and authorized tax officers from the local government bodies collect local taxes and fees.

TAX REVENUE. Local taxes encompass the land and property taxes. The parliament introduced the Law on “Local Taxes and Fees” in 1994. This law has later been reorganized to become section VIII of the Tax Code of 1996. Thus, the Tax Code of 1996, and then the New Taxation Code in 2009, has put order but also limits on what was devolved to local governments. Local governments are not permitted to introduce new taxes, but they can set tax rates for some taxes. Local councils are allowed to set benefits as well as exemptions from some local taxes and duties up to 30% (for instance, the land tax, for lands unsuitable for agriculture - according to a climatic zoning coefficient).

GRANTS AND SUBSIDIES. Local governments benefit from conditional intergovernmental transfers to cover for expenditures delegated from the State. Mainly, categorical grants must provide the local budget with the deficient amount of finances required for education calculated upon the minimum standards of educational expenditures per 1 student. The central governments also reallocate subnational individual income taxes and subnational VAT taxes. Local governments also perceive unconditional equalization grants, allocated monthly, according to an amount adopted each financial year, as well as conditional incentive grants (sponsorship) for priority social infrastructure projects.

OTHER REVENUES. In addition to the property and land taxes that make up most of local own revenues, local governments may collect various fees and taxes.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	0.4%	0.9%

Local governments in Kyrgyzstan are allowed to access financial markets, as well as to borrow to municipal banks (Aiyl bank, rural bank), with the necessary consent of the corresponding local kenesh and the Ministry of Finance of Kyrgyz Republic. Local debt is limited to 20% of previous debt obligations of the local government annual revenue.

A joint- study of:



Sources: IMF-GFS • Закон Кыргызской Республики “О местном самоуправлении и местной государственной администрации” от 29 мая 2008 №99 • Association of municipalities of the Kyrgyz Republic • INTRAC (2011) , Decentralisation in Kyrgyzstan • T. Moldogaziev (2012), Fiscal Decentralization and Revenue Stability in the Kyrgyz Republic, 1993-2010, Eurasian Journal of Business and Economics, 5 (9), 1-20