

# Kyrgyz Republic:

## Growth Rebounds, Risks Remain



THE WORLD BANK

Kyrgyz Republic Economic Report No.5  
March 2014



# Kyrgyz Republic:

## Growth Rebounds, Risks Remain

---

Kyrgyz Republic Economic Report No.5  
March 2014



**THE WORLD BANK**  
Washington, D.C.

Government Fiscal Year: January 1–December 31  
Currency Equivalents: Exchange rate effective as of September 30, 2013  
Currency Unit = Kyrgyz Som (KGS)  
USD 1.00 = KGS 48.6197  
Weights and Measures: Metric System

---

## Abbreviations

BOP	Balance of Payments
BKR Customs Union	Belarus-Kazakhstan-Russia Customs Union
CAR	Capital Adequacy Ratio
CIS	Commonwealth of Independent States
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
HDI	Human Development Index
KGS	Kyrgyz Som
NATO	North Atlantic Treaty Organization
NBKR	National Bank of the Kyrgyz Republic
NPL	Non-Performing Loan
NSSD	National Strategy for Sustainable Development

## Contents

Abbreviations	ii
Acknowledgments	iv
Overview	v
<b>A. Recent Political Developments</b>	<b>1</b>
<b>B. Recent Economic Developments</b>	<b>2</b>
Economic Growth	2
Inflation	3
External Accounts	5
Employment and Labor Markets	7
Poverty	9
<b>C. Economic and Structural Policies</b>	<b>10</b>
Fiscal Policy	10
Monetary and Exchange Rate Policies	11
Structural Reforms	12
<b>Outlook</b>	<b>15</b>
Appendix	17

## List of Figures

Figure 1. Growth was broad-based in 2013	2
Figure 2. The non-gold economy has been growing at 5–6 percent in recent years	2
Figure 3. Remittances inflows continued growing in 2013, albeit at a slower pace	3
Figure 4. Private consumption remains the most dominant component of aggregate demand	3
Figure 5. Headline inflation slowed in 2013	4
Figure 6. The FAO’s food price index came down in 2013, mainly due to a fall in cereal prices	4
Figure 7. The current account deficit remains sizeable	5
Figure 8. Gold exports pushed up exports during the last quarter of the year	5
Figure 9. Administrative employment data suggest labor participation is improving	7
Figure 10. A freeze on public sector wages brought down average real wages in 2013	7
Figure 11. Agriculture is the only sector to employ fewer people in 2012 than 2002	8
Figure 12. Labor productivity has fallen across most sectors between 2002 and 2012	8
Figure 13. Wages in the Kyrgyz Republic are loosely tied to labor productivity	8
Figure 14. The self-employed and children are most at risk of being in poverty	9
Figure 15. Completion of secondary and tertiary education helps reduce the risk of poverty	9
Figure 16. The fiscal deficit was lower than originally projected in 2013	10
Figure 17. The REER is broadly appropriate	12
Figure 18. The performance of the Kyrgyz Republic against the Doing Business indicators is mixed	13
Figure 19. There has been a mild improvement in the Kyrgyz Republic’s “control of corruption” ...	14
Figure 20. ...as well as their implementation of the “rule of law”	14

## List of Tables

Table 1. Selected Fiscal Indicators	11
Table 2. Selected banking and monetary sector indicators	12

## List of Boxes

Box 1. The impact of international food prices on domestic inflation in the Kyrgyz Republic*	4
Box 2. Changes in labor productivity 2002–2012	8

---

## Acknowledgments

The World Bank regular economic reports on the Kyrgyz Republic are published every six months. This report was prepared by a team comprising of Evgenij Najdov (Senior Economist), Bakyt Dubashov (Economist) and Helen Edmundson (Economist). The report benefited from the guidance of Ivailo Izvorski (Sector Manager) and Alexander Kremer (Country Manager).

## Overview

**Political stability has been maintained.** The Kyrgyz Republic's three-party coalition has tackled a number of events during 2013, including mayoral elections in the country's biggest cities—Bishkek and Osh—road blockages around Kumtor, the country's largest gold mine, as well as tense negotiations on the future of the mine; and clashes in the south of the country. The government has navigated through these difficult times, quashing a motion of no confidence in Parliament.

**An agreement between the Kyrgyz Republic and Centerra Inc.—the majority stakeholder in Kumtor—was accepted by Parliament in early 2014.** While the details of the agreement still need to be worked through, this is a positive development, which will hopefully ease political tensions and create more certainty for investors.

**A surge in gold output and solid growth in the non-gold sectors contributed to an impressive 10.5 percent expansion of the Kyrgyz economy in 2013.** This is the highest growth the country has seen since independence. Gold output soared in the second half of the year, bringing 2013 output to almost double 2012 levels, partly due to the low base effect created by disruptions to gold production at Kumtor. The non-gold economy expanded at 5.8 percent, with the services sectors and construction performing particularly well. Domestic demand continues to play an important role, as a result of rising private sector wages and remittances inflows (both growing, albeit at a slower rate than in 2012), and faster growth in credit to the private sector.

**Smaller increases in food prices than in recent years, and relatively stable energy prices helped bring inflation down.** Consumer prices inflation slowed to 4 percent in the 12-months through December 2013, down from 7.5 percent in 2012. Net of food and energy-related prices, core inflation also fell, but to an elevated 7.2 percent.

**Expenditure controls and robust revenue outturns have brought the fiscal deficit down to 3.5 percent of GDP.** A wage freeze for most of the public sector was the main cost saving measure. Controls on goods and services spending, alongside lower capital expenditures helped bring expenditures down further. Strong growth and changes to tax policy supported a small increase in revenues as a share of GDP. The resulting fiscal deficit is much lower than the originally estimated 5.2 percent of GDP. However, the sustainability of the fiscal deficit is uncertain, given the pressure government is likely to face to increase wages, and the potential fall in revenues from the closure of the Manas transit center in 2014.

**Preliminary estimates suggest the trade deficit and current account deficit remained high in 2013.** While gold exports grew strongly, especially during the final quarter of the year, non-gold formal exports fell by 6 percent year-on-year. Meanwhile, imports grew at 13 percent, partly supporting the government's investment program, and partly as a result of strong domestic demand. The current account deficit is expected to stay high in 2013, although less than the 15 percent of GDP recorded in 2012.

**The nominal exchange rate has come under pressure in 2014.** The National Bank of the Kyrgyz Republic has intervened four times this year, compared to just once during 2013. This follows a 20 percent devaluation of the Kazakhstan tenge. The real exchange rate remains appropriate although additional downward fluctuations in regional currencies could affect the competitiveness of Kyrgyz goods and services.

**Medium term growth is expected to moderate to 5 percent, however, a number of risks remain.** The exceptional performance of gold output in 2013 is unlikely to be repeated in 2014. The rest of the economy is expected to continue expanding at 5–6 percent. A slowdown in the Russian economy, declining gold prices, and uncertainty created by the recent fluctuations in the exchange rate could adversely affect this outcome.



## A. Recent Political Developments

**Half-way in its tenure, the government of the Kyrgyz Republic continues to navigate a number of challenging political situations.** The authorities appear to be making progress on the Kumtor issue. In addition, a motion calling for a vote of no confidence of the government was easily knocked back. However, the December protests in Osh following the jailing of an opposition Member of Parliament over fraud and corruption allegations, and a recent armed incident on the border with Tajikistan, are reminders of the country's fragility.

**The protracted negotiations between the Kyrgyz Republic and Centerra appear to have been resolved.** At the end of December 2013, the government sent a draft agreement, outlining a new deal with the Canadian investors Centerra, Inc., to Parliament, which was subsequently passed in February 2014. The agreement replaces the 33 percent shares of the Kyrgyz Republic in Centerra for a 50 percent share in Kumtor and also recognizes the validity of the 2009 contract between the country and Centerra, including the tax regime. As part of the new deal, Centerra has agreed to forfeit a \$100 million payment from the Kyrgyz Republic and at the end of the mine's planned life in 2026, the country will have the right to increase its ownership by up to 67 percent for a price equal to fair market value. The number of Kyrgyz nationals in management positions in the joint venture will also increase. The Parliament has set some conditions for the full ratification of the agreement, including on environmental and mining issues—limiting the area of the mine. The Government and Centerra, Inc. are yet to comment on the decision of the Parliament. While tensions are still present, the recent resolution should help appease resentment that has been brewing among both politicians and the general public, as well as send out positive signals to investors.

**Progress on accession to the Customs Union (CU) has slowed, following a request from the Kyrgyz authorities for additional concessions from the CU members.** A roadmap for the accession of the Kyrgyz Republic to the CU was developed by the Eurasian Economic Commission (EEC) in late-2013. The Kyrgyz government subsequently announced that the "road map" was prepared without the involvement of the Kyrgyz side and did not address important demands of the Kyrgyz authorities, including exemptions from the common external tariff (CET) for around 2,600 goods; granting free economic zone treatment for the large wholesale markets in the Kyrgyz Republic; guaranteed investments; improved labor mobility; and resources to upgrade border-crossing points. While acknowledging in his annual address that "(the Kyrgyz Republic),... does not have many choices ..."; President Atambayev was also quoted during a December 24, 2013 high-level meeting of the EEC that the Kyrgyz Republic would join the CU only if the country's economic interests are considered. Discussions are ongoing between both sides.

**Clashes erupted between Kyrgyz and Tajik border guards in January 2014.** Both sides have since agreed to work towards resolving the outstanding issues but tensions remain high.

## B. Recent Economic Developments

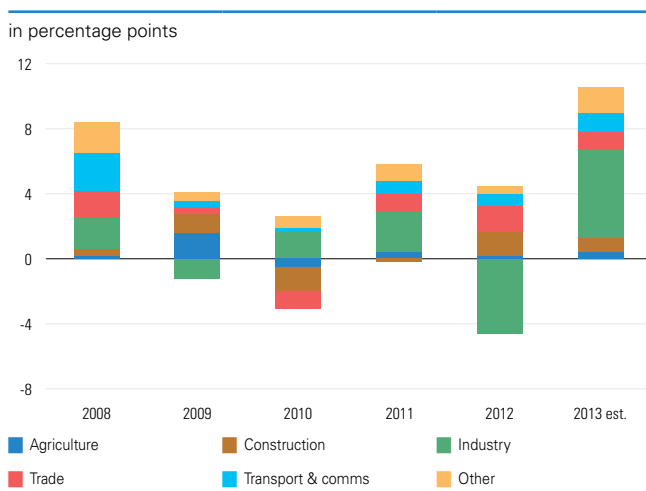
### Economic Growth

Growth rebounded strongly in 2013 to 10.5 percent, with production at Kumtor, the country’s main gold mine, contributing almost half. After a slow start, gold production from Kumtor exceeded expectations. At over 600 thousand ounces, gold output was almost double the amount mined in 2012, when production fell because of a glacier movement. Over 50 percent of gold was mined during the last quarter of the year once the high-grade deposit was reached.

In general, the non-gold sectors of the economy performed well, especially construction and services. Non-gold growth for 2013 is estimated at 5.8 percent, up from 5.0 percent in 2012. While lower than last year, growth in construction continued in the double digits in 2013 contributing close to 1 percentage point of total growth, supported partly by the government’s investment program. Meanwhile, continued growth of the tourism sector, combined with strong domestic demand, helped keep growth in hospitality services above 11 percent. Domestic demand also supported growth in trade, and transport and communications—each contributed around 1.3 percentage points to total GDP growth. Subdued external demand for Kyrgyz products (especially textiles) kept non-Kumtor industry growth (mainly driven by manufacturing) at a modest 3.5 percent. Finally, the agriculture sector expanded moderately, at 2.9 percent, despite more favorable weather conditions than in 2012, suggesting structural issues could be impeding faster growth in the sector (Figure 1).

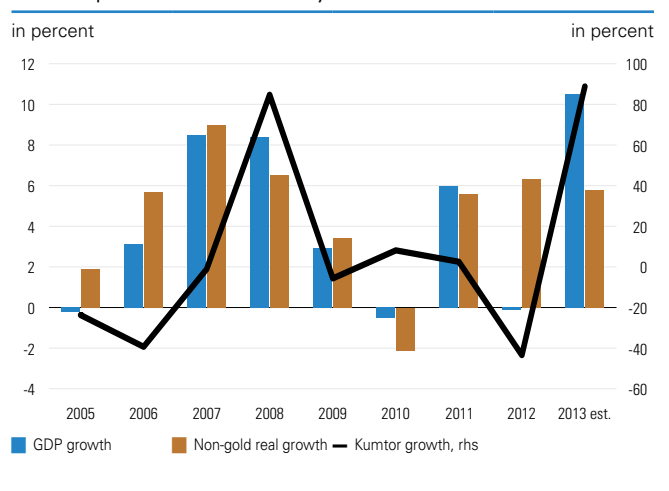
For the third year running, the non-gold economy has expanded in the range 5–6 percent. This highlights the “enclave-like” nature of gold production relative to the rest of economy as well as the increasing importance of domestic demand due in part to robust remittance inflows, and increasing credit to the private sector (Figure 2). Continued growth in the non-gold economy will help reduce the volatility that currently characterizes the Kyrgyz economy, as well as reduce the country’s vulnerability to shocks.

Figure 1. Growth was broad-based in 2013



Source: Kyrgyz authorities.

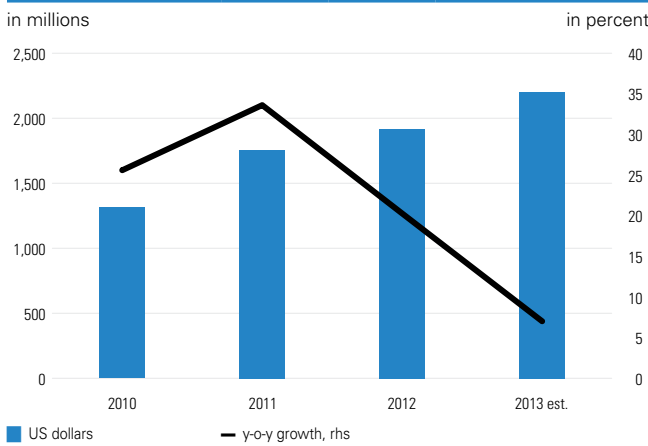
Figure 2. The non-gold economy has been growing at 5–6 percent in recent years



Source: Kyrgyz authorities.

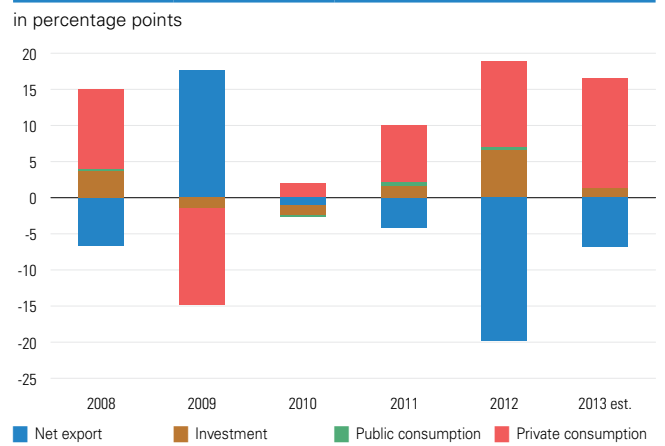
Private consumption was behind most of the increase in aggregate demand in 2013. Growth in private sector wages helped offset a fall in public sector earnings. Wage growth, combined with rising inflows of remittances continued to stimulate private consumption in 2013 (Figure 3). Increased credit to the private sector further stimulated strong domestic demand, especially in manufacturing (93 percent credit growth year on year), and agriculture (54 percent credit growth year on year). In 2013, loans with a maturity of at least three years grew faster than all other loan types (close to 50 percent of GDP), which could suggest growing investor confidence.

**Figure 3.** Remittances inflows continued growing in 2013, albeit at a slower pace



Source: Kyrgyz authorities.

**Figure 4.** Private consumption remains the most dominant component of aggregate demand



Source: Kyrgyz authorities.

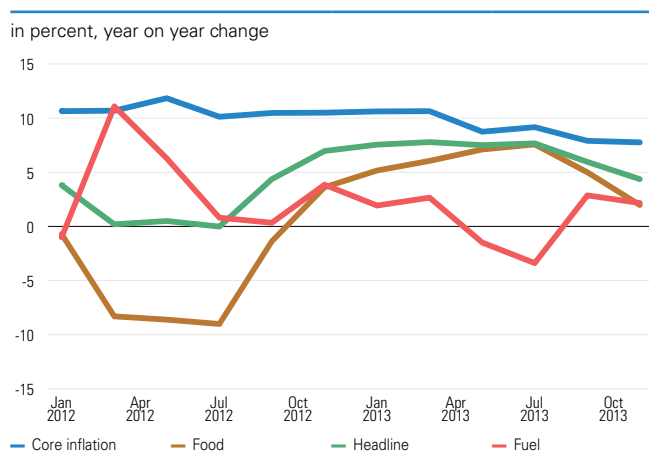
After a sluggish start to the year, investment levels and exports picked up. In December 2013, investment was up 2.3 percent, year-on-year (y-o-y), mainly driven by higher foreign direct investment as a result of transactions made by Kumtor. The mining sector accounted for the largest share of investment in fixed assets (around a third of total investment), followed by transport and communications, manufacturing and energy. Public sector investment remained strong, mostly financed through foreign loans and grants. The contribution to growth from net exports continues to be negative, although faster growth in gold exports during the final quarter of 2013 helped moderately reduce its drag on growth (Figure 4).

The strong growth experienced in 2013 has trickled into 2014. The year has started well, with preliminary data for January showing 9.1 percent growth y-o-y. Aside from gold, the non-gold economy expanded 6.7 percent with domestic demand continuing to drive growth.

## Inflation

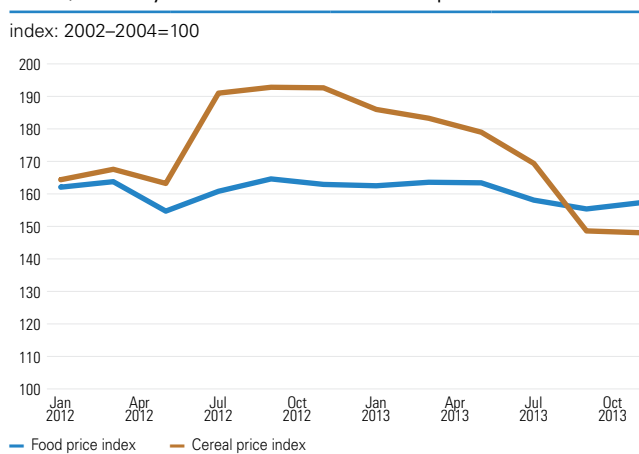
Headline inflation slowed in 2013, because of lower domestic fuel prices and a fall in international food prices. Inflation stayed in the single digits throughout 2013, concluding at a yearly average rate of 6.6 percent

**Figure 5. Headline inflation slowed in 2013**



Source: The National Bank of the Kyrgyz Republic.

**Figure 6. The FAO's food price index came down in 2013, mainly due to a fall in cereal prices**



Source: FAO.

(Figure 5).<sup>1</sup> Declining international food prices, especially wheat, helped limit the effect of domestic food price increases due to the large share of imported food in the Kyrgyz Republic's overall consumption basket (Box 1). Prices of locally produced fruit, meat and dairy products all increased during 2013, compared to a 0.8 percent fall in local bread prices following a fall in global cereal prices: the FAO's Food Price Index in 2013 was on average 1.6 percent lower compared to 2012, mainly as a result of declining cereal (by 7.2 percent), sugar (by 17.9 percent) and oils (by 13.8 percent) prices (Figure 6). At the same time, stable global energy prices and a

**Box 1. The impact of international food prices on domestic inflation in the Kyrgyz Republic\***

Food and fuel account for around 64 percent of the consumer price index (CPI) in the Kyrgyz Republic. Food represents the largest share at close to 57 percent, with bread, at 20 percent of overall CPI, the largest food component. Compared to countries in Central Asia, particularly Tajikistan and Uzbekistan, the Kyrgyz Republic has relatively similar food and fuel shares in the CPI. Compared to the median rate in other developing and emerging economies (31 percent), this rate is exceptionally high.\*\*

Food staples account for around 50 percent of the Kyrgyz Republic's food basket. The country is a net food importer, relying in particular on imports of wheat, potatoes and vegetable oils. Domestic prices of food stuffs linked to these products are therefore heavily influenced by global prices. The prices of the other food staples (fruits, dairy, meat) are mainly determined locally.

There is a strong correlation between global food prices and headline inflation. During 2004–2011, domestic food inflation was found to be heavily influenced by international food prices (correlation of 0.87). Given the importance of food in the overall CPI, this also translates into a strong correlation with headline inflation (0.80).

The Kyrgyz Republic generally employs administrative measures to offset the impact of rising food prices. Measures to offset higher prices of imported goods have included import duty reductions on the main food staples as well as export bans for flour and grain. To soften the blow on household incomes, blanket increases to public sector salaries and pensions were introduced during the food price shock in 2007–8.

\*Largely drawn from Al-Eyd, A., et al (2012), "Global Food Price Inflation and Policy Responses in Central Asia," IMF Working Paper 12/86.

\*\*World Economic Outlook, 2011, p109, IMF.

1 Annual inflation peaked in April 2013 (compared to April 2012) at 8 percent, and then moderated afterwards to 4 percent by December 2013 (compared to December 2012).

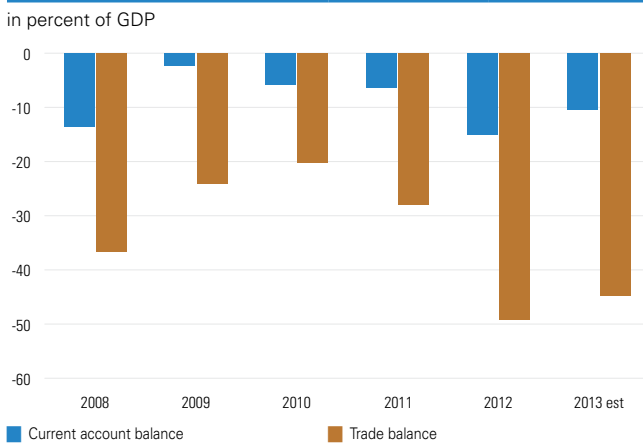
fall in local prices (coal prices declined by around 6 percent) have dampened domestic energy and fuel inflation. Notably, crude oil prices have been remarkably stable during the past 3 years, hovering around \$105 a barrel.<sup>2</sup>

**Net of food and fuel prices, core inflation eased to an elevated and above headline inflation level of 7.8 percent on average in 2013.** Strong domestic demand, driven by increasing credit to the private sector and rising remittances, are key factors supporting high core inflation. Twelve-month core inflation fell into single digits for the first time since September 2010.

## External Accounts

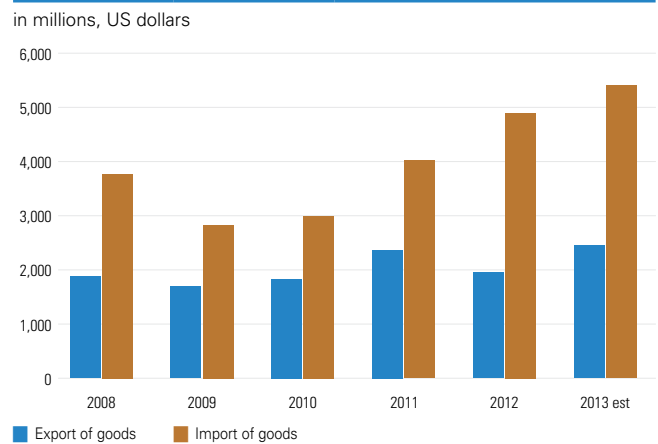
**The current account deficit is expected to remain high in 2013.** The recovery of gold exports in the last quarter of 2013, in addition to robust services exports and remittances, is expected to have slightly improved the current account compared to 2012. However, the deficit is likely to remain in the double-digits and above levels registered prior to 2012 (Figure 7).

**Figure 7.** The current account deficit remains sizeable



Sources: Kyrgyz authorities and World Bank staff estimates.

**Figure 8.** Gold exports pushed up exports during the last quarter of the year



Sources: Kyrgyz authorities and World Bank staff estimates.

**Export growth rebounded in 2013, mainly due to the surge in gold shipments.** Merchandise exports rose 3.8 percent in 2013, with gold exports up 31 percent following a 44 percent decrease in 2012 (Figure 8). Most of this increase came during the last quarter of the year following exceptional gold production at Kumtor. Terms of trade losses because of lower gold prices—that fell to \$1,412 per troy ounce on average in 2013 from \$1,670 per troy ounce in 2012—amounted to \$135 million, or 1.9 percent of GDP<sup>3</sup>

**Officially recorded exports of non-gold products fell by 6 percent in 2013, with a particularly strong decline for electricity, textiles and dairy products.** Electricity exports fell by more than 67 percent in 2013 compared to a year ago, which resulted in a loss of more than \$20 million of export earnings. This was due to

<sup>2</sup> The World Bank's Commodity Markets Outlook, January 2014, provides a useful overview of the causes of volatility in oil prices during 2011 and 2013.

<sup>3</sup> Average gold prices are taken from the World Bank's Commodity Price Database.

strong domestic demand reducing the amount of energy available for export. At the same time, 2013 was a difficult year for Kyrgyz textiles producers, with Turkey and China pushing down the Kyrgyz Republic's market share in Russia, following Russia's accession to the WTO. Finally, an import ban introduced by the Kazakh authorities against Kyrgyz milk processing companies (due to product safety issues) adversely affected dairy exports.

**Strong domestic demand kept imports, and the trade deficit high in 2013.** Imports increased 13 percent y-o-y in US dollar terms in 2013. Russia remained the most important import partner, accounting for 30 percent of official imports, mostly reflecting the Kyrgyz Republic's reliance on Russian energy. Around 20 percent of official imports came from China (garments, machinery and electric equipment and metals) and around 10 percent from neighboring Kazakhstan (minerals, foodstuffs and chemicals). Russia and China continue to provide imports to complement the infrastructure projects they are helping finance in road construction and energy. The officially recorded trade deficit was \$4,050 million or 56 percent of GDP in 2013, 0.8 percentage points of GDP higher than in 2012.

**A relatively successful tourism season has helped improve the services balance.** According to preliminary data, services exports increased by 28 percent, while services imports increased by 8.5 percent in 2013. Aside from hospitality and catering, the transport and communications sectors contributed positively towards an almost positive service trade balance during this period.

**Despite relatively lackluster growth in the Russian economy—the destination for most Kyrgyz migrants—remittances continued growing in 2013.** While the Russian economy only expanded 1.3 percent in 2013, unemployment remained low at 5.6 percent; real wages and expenditures in retail trade continued growing (albeit at a slower pace); and housing construction reported double-digit growth. These factors help explain why Kyrgyz migrants, who are mainly employed in construction (male workers) or in retail or as domestic-workers (female workers), continue to find income generating opportunities in Russia.<sup>4</sup>

**Capital inflows remained adequate to finance the country's large current account deficit.** Reinvested earnings (mainly from Kumtor) and loans from parent companies help explain the 72 percent (y-o-y) growth in FDI in the first 9 months of 2013. Net borrowing by the public sector amounted to \$295 million.

**The Kyrgyz Republic remains at moderate risk of debt distress with the external debt to GDP ratio expected to decline over the medium term.** The most recent Bank-Fund Debt Sustainability Assessment (DSA) confirmed that the risk of debt distress in the Kyrgyz Republic is "moderate."<sup>5</sup> While none of the debt indicators exceed their thresholds, the country remains vulnerable to large shocks reflecting a combination of growth, exchange rate, and overall external demand deterioration. In 2013, total external debt is estimated to have increased slightly to around 83 percent of GDP from 81.3 percent a year ago, largely due to higher liabilities based on foreign direct investments. At the same time, external public and publicly guaranteed debt (PPG) is estimated to have declined to around 44 percent of GDP by the end of 2013 from 46 percent at the end of 2012, mostly due to stronger economic growth and debt forgiveness arrangement with the Russian Federation.

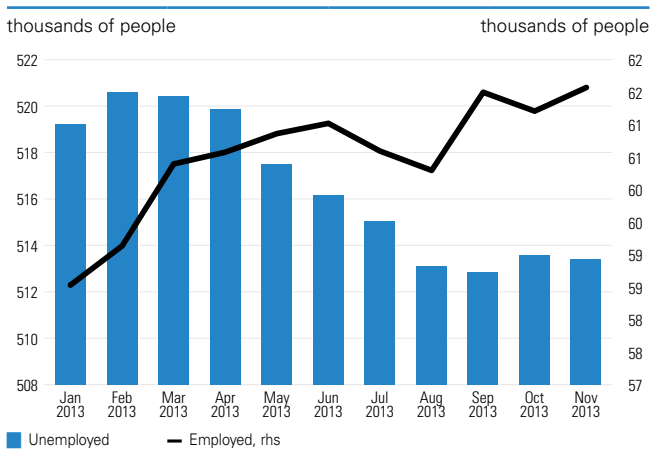
4 Information on employment destinations for Kyrgyz nationals is taken from Heleniak, T. (2011). *Harnessing the Diaspora for Development in Europe and Central Asia*. Washington, DC: The World Bank.

5 The latest DSA was conducted in October 2013.

## Employment and Labor Markets

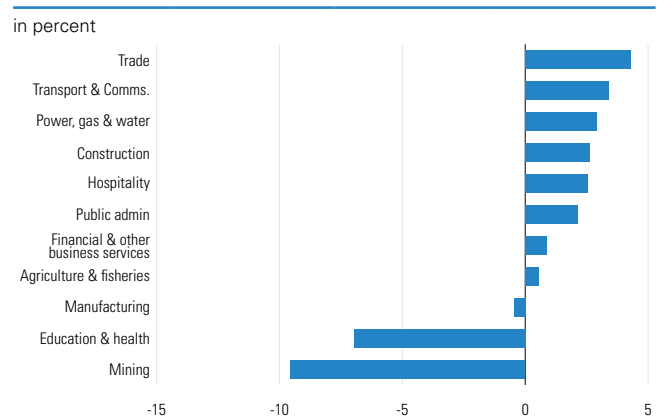
**Headline indicators suggest there were marginal improvements in employment during 2013.** The number of registered people in employment increased by around 8,500 during January–November 2013, and at the same time the number of registered unemployed fell by around 2,100 (Figure 9).<sup>6</sup> More comprehensive survey data, which is based on a wider assessment of firms and businesses than official registrations, is only available for 2012. While the absolute numbers between the two labor market sources are different, the trends are generally similar, suggesting the positive results observed in the administrative data for 2013 are reason for cautious optimism.

**Figure 9.** Administrative employment data suggest labor participation is improving



Sources: Kyrgyz authorities.

**Figure 10.** A freeze on public sector wages brought down average real wages in 2013



Sources: Kyrgyz authorities.

**Wage trends between the public and private sector diverged in 2013.** Public sector employment accounts for around 15 percent of total employment and while there were some wage increases for low paid civil servants (who represent less than 1 percent of all public employees) most other public salaries were held constant in 2013. This freeze had a noticeable effect on average real wages in the public sector, which in the first eleven months of 2013, were down by 4.7 percent compared to a year ago. On the other hand, wages in the private sector increased by 7.9 percent (1 percent increase in real terms), mainly in the trade and transport sectors (Figure 10).

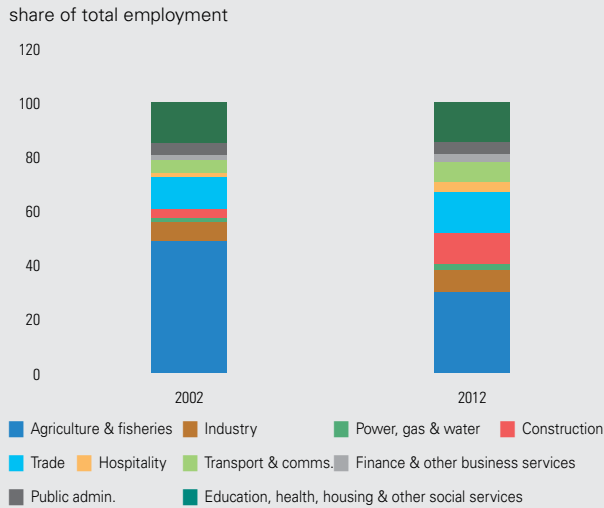
**Despite being one of the lowest paid sectors, labor productivity in agriculture has improved.** Output per worker in the agriculture sector is about 75 percent of industry, a vast improvement compared to 2000, when the output of an agricultural worker was around 33 percent of their industry counterparts. Indeed, agriculture has seen one of the biggest improvements in labor productivity over the past 10 years, increasing by over 50 percent. The sector outperforms labor productivity in hospitality—over twice as productive—while agriculture workers are paid half the average salary as someone who works in a restaurant or a hotel (Box 2).

<sup>6</sup> While at first glance these figures suggest more people may have entered the labor market, the administrative data used for these indicators omits several important sectors, notably in the private sector. Movements in the sizeable informal economy are not captured under these official statistics either.

## Box 2. Changes in labor productivity 2002–2012

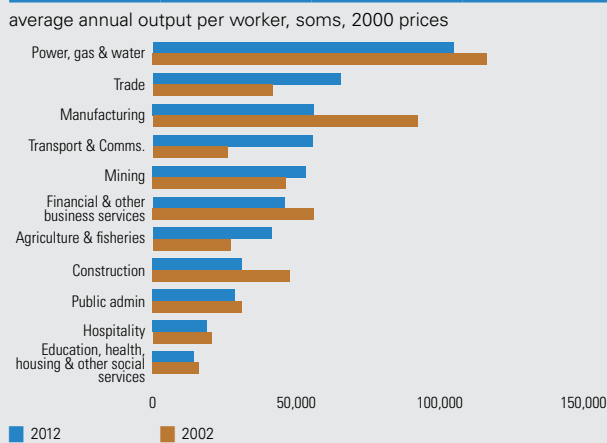
The employment structure in the Kyrgyz Republic has changed over the past 10 years, with people moving out of agriculture and into more urban based occupations in construction, hospitality, trade, and transport and communications (Figure 11). During the period 2002–2012, agriculture is the only sector where fewer people now work, with all other sectors gaining employees. Construction and hospitality have both witnessed a 16 percent growth in employment.

**Figure 11.** Agriculture is the only sector to employ fewer people in 2012 than 2002



Source: Kyrgyz authorities, Bank staff calculations.

**Figure 12.** Labor productivity has fallen across most sectors between 2002 and 2012

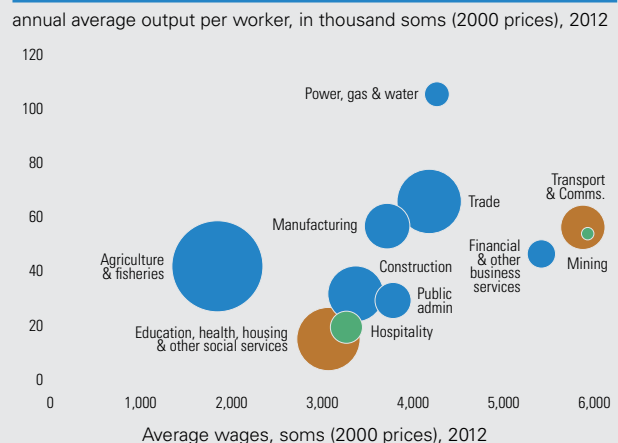


Source: Kyrgyz authorities, Bank staff calculations.

During this structural change, labor productivity (as measured by average annual output per worker) has increased in the agriculture sector as well as in mining, trade, and transport and communications. In all other sectors, labor productivity has deteriorated (Figure 12). This is particularly noticeable in manufacturing, where output per worker has fallen to two thirds of its level in 2002. Most of this decline happened in the mid-2000s, and while labor productivity was starting to pick up again in 2010 and 2011, the contraction in output in the Kumtor gold mine pushed labor productivity back down again in 2012.

A basic decomposition of labor productivity between 2002 and 2012 shows that most of the improvements in labor productivity have come from within sector improvements, rather than gains from people moving to more productive sectors. This suggests there may be rigidities in the Kyrgyz labor market that are preventing people from

**Figure 13.** Wages in the Kyrgyz Republic are loosely tied to labor productivity



Source: Kyrgyz authorities, Bank staff calculations.

moving between jobs. A comparison of wages against labor productivity and employment size suggests that people are not fully migrating towards those sectors with higher compensation (Figure 13). This could be due to restrictions on the mobility of labor or the limited ability of people to transfer or change skills into different sectors. Furthermore, while there is a mild correlation between labor productivity and wages, it is not particularly pronounced—construction and hospitality workers are paid almost twice as much as people



employed in agriculture, and yet their output is equivalent to only 75 percent or 50 percent of agriculture respectively.

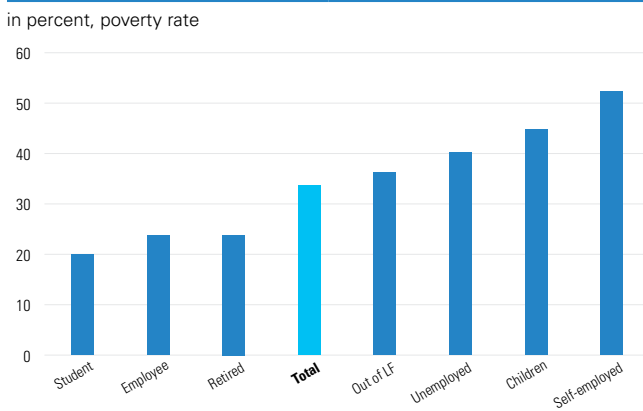
These initial findings provide a snap shot of how the labor market in the Kyrgyz Republic is evolving. Further analysis is required to understand the drivers of these changes in labor productivity, which could include price effects (e.g. higher real food prices in 2012 compared to the early 2000s); improved application of knowledge and sector specific skills; inefficient use of capital; the impact of non-wage sources of income (e.g. food for people working in agriculture) and data errors whereby employment data has omitted people working in the informal sector.

## Poverty

**Broad-based growth in 2013 suggests poverty could have stabilized.** Poverty levels have deteriorated since 2008, following a number of shocks, including political upheaval, contraction in growth and increases in food prices. Strong growth in 2013, combined with low food prices, stable energy prices, and resilient remittances, should have helped halt, if not reverse the negative trends of earlier years. In addition, the government introduced increases to pensions, and some social allowances, which may have helped those households most at risk of falling into poverty.

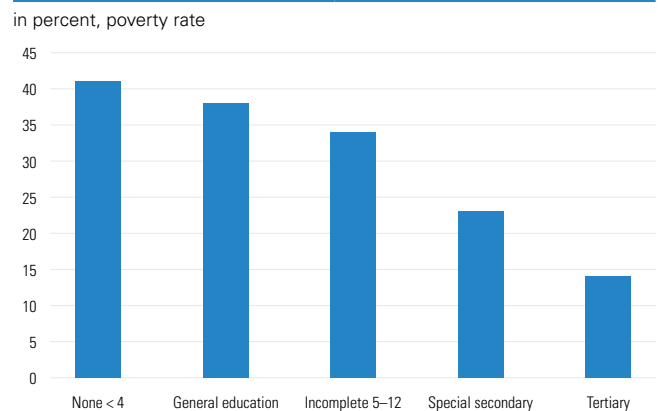
**Aside from children, the self-employed, or people detached from the formal labor market, are most at risk of falling into poverty in the Kyrgyz Republic.** Over half of all self-employed people are living in poverty, reflecting the subsistence nature of employment of most self-employed people in the Kyrgyz Republic.<sup>7</sup> Estimates show that almost half of all under-14 year olds were living in poverty in 2010; this compares to between 20–25 percent of 45+ years old. At the same time, 30 or 40 percent of people with basic or little education—general education or below—are also likely to be living on less than \$2.50 a day. Ensuring opportunities for Kyrgyz Republic’s young people therefore remains essential, so as to avoid losing a generation to poverty (Figures 14 and 15).

**Figure 14.** The self-employed and children are most at risk of being in poverty



Source: <http://datavizint.worldbank.org>, 2010 data.

**Figure 15.** Completion of secondary and tertiary education helps reduce the risk of poverty



Source: <http://datavizint.worldbank.org>, 2010 data.

<sup>7</sup> A large proportion of people classed as self-employed live in rural areas and work on small plots of land or farms. The food they produce is mainly subsistence rather than cash crops.

## C. Economic and Structural Policies

### Fiscal Policy

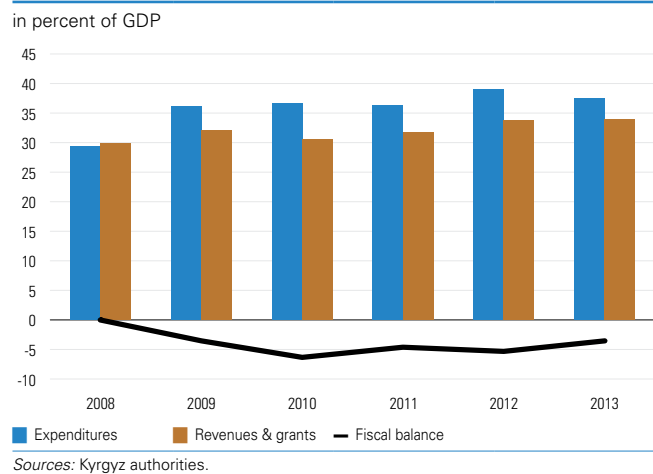
**Restrained government spending and robust revenues helped bring the fiscal deficit down to 3.5 percent of GDP in 2013.** This is much lower than the 5.2 percent of GDP the authorities targeted in the 2013 budget, and the 5.3 percent of GDP recorded in 2012 (Figure 16). Financing sources exceeded the financing requirements, resulting in an increase in government deposits and improvement in the budget's liquidity. The IMF, the World Bank, ADB, and China were the main sources of finance for the fiscal deficit.

**A combination of higher growth and tax policy changes helped keep revenues high in 2013.** The government introduced a number of tax policy changes in 2013, including: an increased sales tax on mobile telecommunications, changes to income tax in the mining sector, and higher excise duties on alcohol and tobacco. Income tax collection in 2013 fell to 4.9 percent of GDP, from 6.2 percent of GDP a year ago, owing to lower income taxes from the Kumtor gold mine—Kumtor made an advanced tax payment in 2012 against tax liabilities in 2013. This was largely off-set by the robust performance of customs and excises, which grew by 0.3 percentage points of GDP each, to reach 3.4 and 1.2 percent of GDP respectively. Value added tax continues to be the largest single source of revenues providing 8.6 percent of GDP (same as in 2012), while the sales tax contributed 1.9 percent of GDP to the budget. Social contributions added 4.8 percent of GDP to government revenues, largely unchanged from 2012.

**A nominal wage freeze for most of the public sector was a key factor in the 2013 fiscal adjustment.** Wages were held constant for most of the public sector in 2013, bringing total wages and salaries expenditures down to 7.9 percent of GDP from 8.7 percent of GDP in 2012. Lower paid public servants, especially those in the civil service, were granted a pay rise in the second half of the year, but this did little to the overall impact of a freeze on the rest of the public sector. Capital spending fell from 7.7 percent of GDP in 2012 to 7.0 percent of GDP in 2013, which is still high compared to the levels seen throughout most of the 2000s. While spending on goods and services also declined (by 0.3 percentage points of GDP), due to controlled spending on utilities and transport, a large part of the reduction reflects the wage freeze in the health sector—health services are financed through output-based mechanisms and are recorded as purchases of goods and services in the state budget (Table 1).

**There are concerns that the reduction in the fiscal deficit in 2013 may be temporary, given the one-off nature of public sector wage freezes.** The government is likely to come under pressure to increase wages given inflation is averaging around 5–7 percent. Furthermore, ad hoc wage freezes could impact the public

**Figure 16.** The fiscal deficit was lower than originally projected in 2013



sector's ability to attract and retain qualified staff. The government has introduced a civil-service reform package which should help improve the transparency and planning of future wage decisions. However, the package will take time to fully implement. At the same time, significant infrastructure gaps suggest capital spending will need to stay around 7 percent if public services, such as electricity provision and road quality, are to be improved.

### Structural reforms remain imperative for medium fiscal sustainability and improved public service delivery.

Reducing the fiscal deficit over the medium-term remains one of the key objectives of the government's mid-term economic program. The 2014 budget targets a slight widening of the deficit to 4.3 percent of GDP, mostly reflecting the decline in revenues due to the close of the Manas Transit Center. The deficit is projected to decline to 3.6 percent and 2 percent of GDP in 2015 and 2016, respectively. While fiscal adjustment is expected to come from restraining current spending, the policies required to bring the fiscal deficit down have not yet been developed. There are a number of areas where expenditures could be brought down and social outcomes improved e.g. better targeting of social welfare programs, but these reforms could take time to implement.

**Table 1. Selected Fiscal Indicators**

in percent of GDP		
	2012	2013*
Total revenues and grants	33.8	34.0
Tax revenues	25.5	25.6
Non-tax revenues	5.6	5.6
Grants	2.5	2.6
Total expenditure (incl. net lending)	39.0	37.4
Current expenditures	31.8	30.5
Wages	8.7	7.9
Transfer and subsidies	3.5	3.5
Transfer to SF	3.4	3.8
Interest	0.9	0.9
Goods and services	9.1	8.8
Capital expenditure	7.7	7.0
Net lending	-0.4	-0.1
Overall balance	-5.3	-3.5

Source: Kyrgyz Republic authorities.

\* 2013 figures are preliminary

## Monetary and Exchange Rate Policies

**The central bank tightened monetary policy during the second half of the year to bring down core inflation.** The National Bank of the Kyrgyz Republic (NBKR) increased its key policy rate from 2.6 percent in December 2012 to 4.2 percent in December 2013. Despite this increase, the rate still remains negative in real terms. Money and credit have yet to be impacted by the rate change, reflected in the slowdown in growth of broad money (M2)—a key intermediate target for the central bank—from 23.8 percent in December 2012 to 20.8 percent in December 2013 (y-o-y). Growth in credit to the private sector increased to 34.5 percent (y-o-y) in December 2013 from 28.5 percent a year earlier, with most of the expansion in industry and agriculture. The impact of the credit expansion over monetary aggregates was off-set by increased deposits of the government in the NBKR.

**The nominal exchange rate has come under pressure in early 2014.** Interventions in the foreign exchange market were limited during 2013 with the central bank making a single intervention in April 2013. However, the NBKR has already intervened four times in 2014. While the exchange rate depreciated by 3.8 percent against the US dollar during the whole of 2013, it lost 4.9 percent of its value during the first 6 weeks of 2014. The NBKR has modest capacity to defend its value. Foreign exchange reserves only cover around 3 months of

imports of goods and services. The coverage of monetary aggregates at around 90 percent of broad money (M2) and 180 percent of currency in circulation (M0) are more re-assuring.

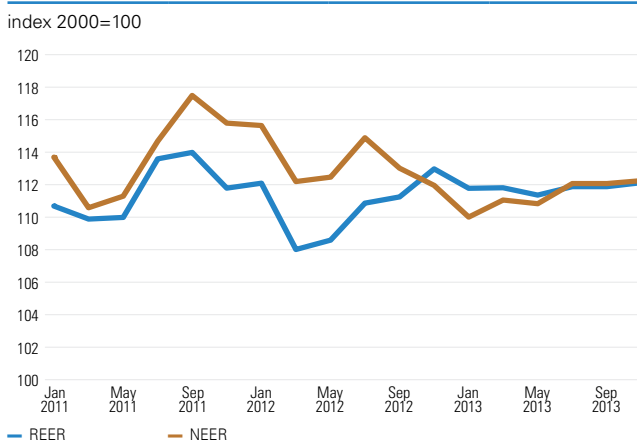
**While the real effective exchange rate is broadly appropriate, the recent devaluations of currencies in the region could put it under pressure.** According to the most recent IMF assessment, the real effective exchange rate is appropriate and in line with macroeconomic fundamentals (Figure 17). The adjustment in the nominal som exchange rate has kept the real exchange rate in line with the Russian ruble and Kazakhstan tenge—which devalued by 20 percent on 11 February, 2014. However if the som were to devalue faster than its neighbors, this could push up the price of imports, adversely affecting businesses relying on imports, as well as households consuming mostly imported food. On the upside, the competitiveness of Kyrgyz products would be restored in traditional markets.

**The banking sector remains sound and able to support growth.** While the capital to risk-weighted asset ratio fell to 25 percent in 2013 owing to an increase in credit to the private sector, it remains well above the legal minimum threshold of 12 percent, suggesting there is significant capacity in the sector should opportunities for growth emerge. Other financial indicators also indicate improvements in the stability of the sector. Non-performing loans (NPLs) for example, declined to 5.5 percent in 2013, the lowest level since 2009 (Table 2).

## Structural Reforms

The Kyrgyz Republic scores relatively well on “the ease of doing business”, as measured under the World Bank’s Doing Business (DB) survey, however there is variability across the indicators. The Kyrgyz Republic was ranked 68 in the 2014 DB publication. This places the Kyrgyz Republic at 12 in the Eastern Europe and Central Asia (ECA) region (second in Central Asia to Kazakhstan) and second out of the low income countries assessed by the DB team.<sup>8</sup> While registering a business, getting credit, registering a property and protecting investors are all ranked within the top 25 countries, getting electricity, paying taxes and the trading environment

Figure 17. The REER is broadly appropriate



Source: National Bank of the Kyrgyz Republic.

Table 2. Selected banking and monetary sector indicators

in percent, unless otherwise indicated

	2012	2013*
Gross official reserves (millions US dollars)	2,067	2,238
Gross official reserves (months of imports)	3.9	3.3
Nominal exchange rate (som per US\$ p.a.)	47.01	48.44
Real effective exchange rate (annual change)	-0.1	-0.4
Credit to the private sector (annual change)	26.2	34.5
Nonperforming loans (as a share of total loans)	7.2	5.5
Return on equity	18.5	18.0
Return on assets	3.0	2.8

Source: Kyrgyz Republic authorities.

\* 2013 figures are preliminary

8 Rwanda is the best performing low-income country.

continue to hamper the business environment (Figure 18).<sup>9</sup>

**Recent reforms in tax administration and inspections should help ameliorate some of the burden facing businesses.** Tax administration is a major constraint in the Kyrgyz Republic with 32 percent of firms identifying it as a barrier to do business, compared to only 20 percent in the rest of ECA. An Asian Development Bank (ADB) funded project to automate tax returns has recently concluded, and while not yet fully operational, the system's e-filing capabilities could vastly reduce the time taken by businesses filing tax receipts as well as the possibility for corrupt activities. The reduction in the number of tax forms, and simplified accounting rules for small and micro enterprises represents another positive step towards more efficient tax administration. Progress is also being made in the area of risk-based inspections, although more needs to be done to improve the accountability and transparency of the existing system.

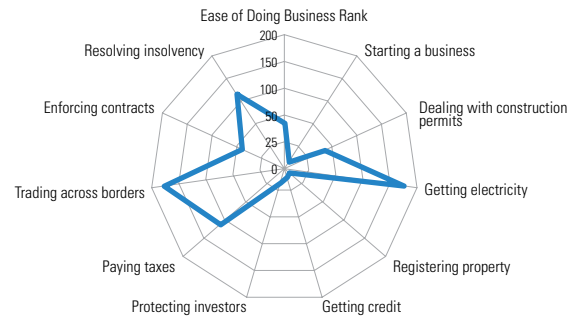
**Despite progress in customs automation, the trade facilitation environment remains difficult to navigate.** The introduction of ASYCUDA based software is a welcome addition to the borders and trading posts of the Kyrgyz Republic. The automation of checks and balances should help reduce corruption, as well as improve transparency and reduce the time taken by importers and exporters. In addition, the Ministry of Justice has issued a resolution reducing the number of documents needed to trade down to 2 from 8. While these measures are praiseworthy, more needs to be done to address the poor trading environment, as reflected in the Logistics Performance Indicators (ranked 130 out of 155 in 2012), and the Doing Business trading across borders indicator (182 out of 189).

**The World Trade Organization's (WTO) 2013 Trade Policy Review noted several positive developments in the Kyrgyz Republic, while also highlighting areas for improvement and issues relating to the Customs Union.** The WTO praised the Kyrgyz Republic for the reforms put in place so far, including the country's open trade regime—the average MFN tariff at 5 percent is one of the lowest among WTO members. At the same time, they also flagged issues that need further reform, including reducing the number of bound tariff rates (currently over 90 lines) and improving the way SPS measures are managed. Following the Kyrgyz Republic's confirmed intention to accede to the Russia, Kazakhstan, Belarus Customs Union, the WTO stressed the importance of remaining open and minimizing any disruptions to the trading environment, which could be significant given the enormity of the endeavor.<sup>10</sup>

**Improvements in governance and transparency indicators suggest public finance management reforms could be taking effect, though overall scores still remain low.** The Kyrgyz Republic's rankings under Transparency International's corruption index and the rule of law and control of corruption sub-scores under the

**Figure 18.** The performance of the Kyrgyz Republic against the Doing Business indicators is mixed

Rank, 1 = best performing, 189 = worst performing



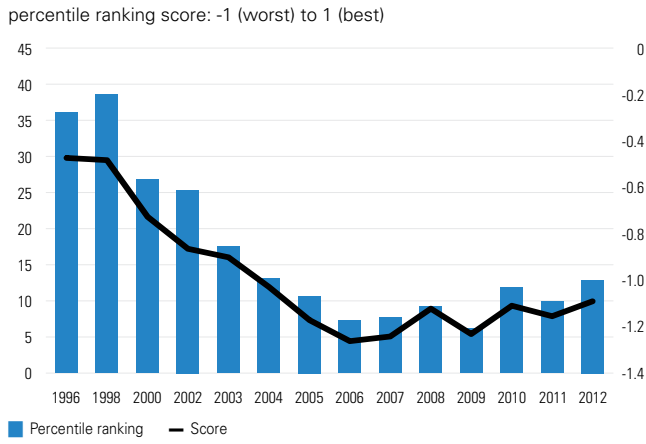
Source: National Bank of the Source: Doing Business 2014, Understanding Regulations for Small and Medium-Size Enterprises, Kyrgyz Republic.

<sup>9</sup> The Kyrgyz Republic was ranked 127 in the 2014 Doing Business report for Paying Taxes. While this is a large improvement from the 168 rank in 2013, the shift is due to a change in how the DB team calculates the total tax rate in the Kyrgyz Republic, rather than a reflection of a tax policy change.

<sup>10</sup> The Kyrgyz Republic Trade Policy Review was released in November 2013, and can be found at : [http://www.wto.org/english/tratop\\_e/tpr\\_e/s288\\_e.pdf](http://www.wto.org/english/tratop_e/tpr_e/s288_e.pdf)

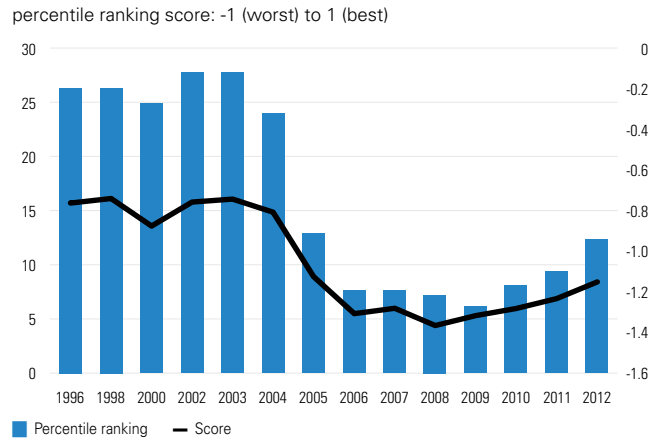
Worldwide Governance Indicators all registered an improvement in 2012 (Figures 19 and 20).<sup>11</sup> This is possibly a reflection of recent reforms including the introduction of e-procurement; the open budget portal; and the ongoing process of declaring and verifying assets of senior public officials.

**Figure 19.** There has been a mild improvement in the Kyrgyz Republic’s “control of corruption” ...



Source: Worldwide Governance Indicators.

**Figure 20.** ...as well as their implementation of the “rule of law”



Source: Worldwide Governance Indicators.

**Anti-corruption measures continue to be at the top of the government’s agenda.** The President of the Kyrgyz Republic signed a decree in November 2013 “On measures to address the causes of the political and systemic corruption in government structures.” This decree mandates 15 key ministries to present their anti-corruption plans and initial results to the Defense Council. Alongside these measures, the State Television and Radio Corporation have been authorized to launch a public education campaign to cultivate zero tolerance of corruption among the country’s citizens. The agenda on controlling corruption does however remain large and will require continued commitment.

<sup>11</sup> The Kyrgyz Republic moved up to 150 (out of 177 countries) in Transparency International’s corruption index in 2013, from 154 (out of 176) in 2012. The score however remains the same.

## Outlook

**GDP growth is expected to moderate to 5 percent in 2014, as expansion in the mining sector slows.** Previous GDP forecasts were around 6 percent for 2014, with strong contributions from gold output. These earlier projections assumed the recovery of gold production from 2012 would continue into 2014. The unprecedented output from Kumtor in the last half of 2013, however, suggests growth from gold will be flat in 2014.

**Domestic demand is expected to continue driving growth in the non-gold sector to around 5–6 percent.** Growth of credit issued to the private sector, increases to social allowances, rising wages, and strong workers' remittances are likely to continue driving private consumption in the medium-term. Public investment will also play a role, as government continues ramping up capital spending to address significant infrastructure gaps (the 2014 budget envisages a 17 percent increase in investments). A preliminary assessment of the external environment; the potential of the banking sector; and preliminary budget projections, suggests these factors will continue stimulating domestic demand and thus non-gold growth for the next 2–3 years.

**While external forecasters expect gold prices to stabilize in 2014, there are number of downside risks.** Recent industry estimates project a mild increase in the annual average gold price in 2014 (around 2 percent, compared to a 20 percent fall a year ago). A slightly weaker outlook of emerging markets has reduced their attractiveness, meaning investors could turn their attention back to gold. There are however, relatively large differences between industry forecasts, possibly as a result of a number of uncertainties. In particular, a rise in US interest rates following improved growth prospects, combined with more optimistic views of emerging markets' financial systems could push down demand and therefore the price for gold. If gold prices were to drop below \$1,000 per troy ounce, Kumtor's profitability could suffer.

**A slowdown in the Russian economy would dampen growth prospects in the Kyrgyz Republic.** GDP is forecast to expand around 2.5 percent in the Russian Federation in 2014, however, volatility during January may mean turbulences are set to continue, bringing forecasts down. Growth rate projections may be adversely affected by lower than anticipated growth in China, and a continuation of tapering in the US, putting additional pressure on the ruble. This would negatively affect the Kyrgyz Republic, as a country that relies heavily on Russia as a consumer of Kyrgyz products, and as an employer of Kyrgyz workers. While remittances have remained strong in recent years, stalling investment activities could reduce the number of jobs available for migrant workers.

**On the upside, the recent resolution with Kumtor should help restore investor confidence.** Centerra's share prices have fallen by around 30 percent since September 2013, in part because of the uncertainties surrounding the Kumtor gold mine. Business leaders have expressed concerns that the protracted debate about the potential nationalization of the country's largest gold mine has harmed the broader investment climate. Despite significant mineral reserves of gold, uranium and coal, Kumtor remains the only operational mine in the Kyrgyz Republic. New gold mines—Ishtamberdy and Bosum—have been in the pipeline for the past three years but have yet to come online. Perhaps now the uncertainty alongside Kumtor has, for the moment, been resolved, other investors may feel more assured that their property rights will be protected.

**Investment in infrastructure—roads and energy—will also continue to support both short and medium term growth.** The largest investment projects include the rehabilitation of the Bishkek-Naryn-Torugart road, the

Osh-Batken-Isfana road and the Taraz-Talas-Suusamyр road; and the construction of the Kambar-Ata 1 and Upper Naryn hydro power plants. Aside from stimulating short term demand through standard investment multiplier effects, these investments should help improve both the quality and magnitude of medium-term growth.

**The 4.3 percent of GDP target for the budget deficit in 2014 may not be achieved given the closure of the Manas Transit center, and limited progress on structural spending cuts.** Until 2013, the Manas transit center contributed \$120 million a year to the budget, approximately 5 percent of total revenues. Its closure, combined with estimated lower gold export receipts in 2014 compared to 2013, will bring revenues down. Furthermore, the government is likely to come under pressure to increase wages in 2014 following the freeze for most public sector workers in 2013. Unless systematic expenditure cuts can be found elsewhere, the fiscal deficit could exceed the target of 4.3 percent of GDP.

**Low international food prices should help keep inflation around 6–7 percent in 2014.** Global food prices are expected to stay low in 2014, as the effects of the good harvests in 2013 roll into 2014. Low imported grain and wheat prices should help offset any price increases of locally produced foods in the Kyrgyz Republic. Core inflation is expected to remain elevated with monetary policy tightening having a limited effect on private sector credit growth.

**Inflationary pressures could materialize if larger adjustments are made to the exchange rate in response to developments in the region.** This could easily put inflation back into the double-digit levels. A 2005 study estimated the average long-run pass-through from exchange rate changes in a sample of developing countries at around 0.6–0.8 (meaning a 10 percent exchange rate change will increase inflation by 6–8 percent).<sup>12</sup> The Kyrgyz Republic shares some of the characteristics (including small size, import dependent, limited domestic production) of countries that had higher pass-through rates, suggesting the impact could be even greater.

12 Karim, BARHOUMI, (2005) "Exchange Rate Pass-Through Into Import Prices In Developing Countries: An Empirical Investigation." Economics Bulletin, Vol. 3, No. 26 pp. 1–14



## Appendix

## Appendix 1. Economic and Social Indicators – Kyrgyz Republic 2008–2015

	2008	2009	2010	2011	2012	2013	2014	2015
						(e)	projections	
<i>Income and Economic Growth</i>								
GDP growth (percent change)	8.4	2.9	-0.5	6	-0.1	10.5	5.0	5.0
GDP per capita (US dollars)	972	864	875	1,120	1,157	1,305	1,403	1,553
Private consumption growth (percent change)	12.6	-14.4	2.7	9.3	14.2	13.0	5.4	7.2
Gross domestic investment (percent of GDP)	20.2	22.9	23.9	24.1	26.7	26.9	27.0	27.0
Public	4.2	5.0	5.4	5.5	7.7	7.0	7.3	7.4
Private	16.1	17.8	18.5	18.6	19	19.9	19.7	19.6
Gross national savings (percent of GDP)	4.7	20.4	17.5	17.5	11.7	16.5	18.6	19.3
<i>Money and Prices</i>								
Consumer price inflation (percent change, year-end)	20.1	0	19.2	5.7	7.5	4.0	7	7
Consumer price inflation (percent change, annual average)	24.5	6.8	7.8	16.6	2.8	6.6	5.5	7
Nominal exchange rate (som per dollar, end-year)	39.42	44.09	47.1	46.48	47.4	49.2	...	...
Real exchange rate (2000=100)	111.0	103.0	111.3	112.5	112.6	113.4	...	...
<i>Fiscal</i>								
Revenues	29.9	32.1	30.5	31.8	33.8	34	32.1	30.8
Expenditures	29.3	36.1	36.6	36.3	39	37.4	36.4	34.4
Current	24.8	28.4	31	30.9	31.8	30.5	28.8	26.3
Capital	4.2	5	5.4	5.5	7.7	7.0	7.3	7.4
Fiscal balance before grants	-1.9	-8.6	-9.1	-7.8	-7.9	-6.1	-6.4	-5.2
Fiscal balance after grants	0	-3.5	-6.3	-4.6	-5.3	-3.5	-4.3	-3.6
External debt (millions of US dollars)	2,569	3,114	4,381	4,872	5,403	5,790	...	...
External public debt	41.2	52.8	55.1	45.9	45.9	43.7	...	...
Total public debt	48.5	58	60.3	50.1	50.5	47.8	...	...
Public debt service ratio (percent of revenues)	5.3	5.5	6.1	7.0	12.3	13.7	...	...
<i>External Accounts</i> <i>(In millions of US dollars unless otherwise indicated)</i>								
Export growth (percent change, constant prices)	9.1	-1.1	-11.7	16.5	-36.4	12.1	10.9	8.2
Import growth (percent change, constant prices)	13.6	-19.4	-6.9	13.7	35.9	12.8	6.0	6.7
Merchandise exports	1,874	1,694	1,833	2,365	1,951	2,447	2,525	2,610
of which: gold	464	530	668	1,006	525	737	675	644
Merchandise imports	3,767	2,828	2,993	4,022	4,897	5,407	5,678	6,024
Services, net	-96.8	-9.1	-231.1	-20.9	-253.3	...	...	...
Workers' remittances, net	1,430	1,012	1,313	1,755	1,917	2,200	...	...
Current account balance after grants	-843	-313	-384	-453	-757	-743	-619	-599
as percent of GDP	-16.4	-6.7	-8	-7.3	-11.7	-10.4	-8.4	-7.7
Foreign direct investment	410	190	438	694	292	535*	396	421

<i>Population, Employment and Poverty</i>								
Population (millions)	5.3	5.4	5.5	5.5	5.5	5.5	5.6	5.6
Population growth (percent change)	1	2.7	1.1	1.1	1.1	1.0	1.0	1.0
Unemployment rate (percent of labor force)	8.2	8.4	8.6	8.5	8.4	...	...	...
<i>Poverty headcount (percent of the population)</i>								
national poverty line <sup>1</sup>	31.7	31.7	33.7	36.8	38	...	...	...
At US\$ 1.25 a day PPP	6.4	6.2	6.7	5.0	...	...	...	...
At US\$ 2 a day PPP	20.7	21.7	22.9	21.6	...	...	...	...
Gini coefficient (income)	37.3	36.2	36.5	33.4	...	...	...	...
Life expectancy (years) <sup>2</sup>	68.5	69.1	69.4	69.6	70	...	...	...
<i>Other</i>								
GDP (billions of local currency units)	188	201	220	286	310	350	391	438
GDP (millions of US dollars) <sup>3</sup>	5,131	4,683	4,794	6,199	6,605	7,226	7,848	8,776
Doing Business Rank <sup>4</sup>	68	41	44	70	70	68	...	...
Human Development Index ranking <sup>5</sup>	0.616	0.617	0.615	0.621	0.622	...	...	...
CPIA (overall rating)	3.7	3.7	3.7	3.6	3.6	...	...	...
Economic Management	4.2	4.2	4.2	4.2	4	...	...	...
Structural Policies	4.2	3.8	3.8	3.7	3.7	...	...	...
Social Inclusion and Equity Policies	3.6	3.6	3.6	3.6	3.6	...	...	...
Public Sector Management and Institutions	3.0	3.0	3.0	3.0	3.1	...	...	...

(e) Indicates Bank Staff estimates, "..." indicates not available.

\* Data is only available for the first 9 months of 2013

<sup>1</sup>/Nationally reported poverty lines were re-estimated in 2008 and 2012

<sup>2</sup>/As reported by the Kyrgyz Republic National Statistics Committee

<sup>3</sup>/Based on a constant som per dollar exchange rate of 49.2

<sup>4</sup>/This indicator is ranked out of 175 countries in 2006 and 2007, 178 in 2008, 181 in 2009, 183 in 2010 and 2011, 185 in 2012 and 189 in 2013.

<sup>5</sup>/The HDI ranking in 2001 is in relation to 175 countries; from 2005 to 2008, to 177; in 2009, to 181; in 2010, to 169 countries; and, in 2011, to 187 countries.





THE WORLD BANK