Territorial organisation and subnational government responsibilities

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 rayion 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

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.
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%).

Local governments in Kyrgyzstan are allowed to access financial markets, as well as to borrow to municipal banks (Aiył 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.

Outstanding debt

Local governments in Kyrgyzstan are allowed to access financial markets, as well as to borrow to municipal banks (Aiył 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.