

Kyrgyzstan

Cold War on Gaming

In 2011 the Kyrgyzstan's parliament voted to ban gambling throughout the country. The bill, 'On the Prohibition of Gambling Activities in the Kyrgyz Republic No. 191' was passed with almost no opposition and followed repeated warnings from politicians that gambling had become a major social problem. It came into force on January 1 2012.

Casinos and slot halls that were operating in 2011 were ordered to shut down and the idea was to later move casinos to designated areas, much like their neighbours had undertaken in Kazakhstan and Russia.

The problem was, however, that unlike their neighbours, Kyrgyzstan hadn't determined any specific areas before introducing the blanket ban and the project to open specific casino zones failed to get approval.

As casinos were forced to shut up shop thousands of casino workers took to the streets to protest the sudden changes whilst smaller establishments such as gaming halls were also closed. The closure meant a huge drop in tax revenues, an increase in unemployment figures

and was a huge shock to an industry, which had, until this point, enjoyed a fairly successful gambling market.

Then a few years later the government introduced a second ban which targeted all forms of sports betting and bookmakers via the 'On Amendments and Additions to Certain Legislative Acts No. 74' introduced in April 2015.

The laws in Kyrgyzstan banned all types of gambling activities including casinos, gambling machines, computer simulators, virtual casinos, gambling via the internet and IT services. Basically the whole country's gambling markets were wiped out. Online gambling is also banned although players access many offshore online casinos and bookmakers.

Gambling had originally begun in Kyrgyzstan after independence with a steady rise of casino and sports betting outlets. They were mostly located in hotels plus gaming halls in the clubs and bars.

They existed on a semi-legal basis but with a dominant Islamic religion gambling was never fully accepted, however, and the ban came after reports of a huge spike in gambling addiction problems and an increase in crime. There was a constant battle with authorities over illegally run operations and the police would regularly close down these locations but had little luck in wiping out the grey market completely. So the idea to just ban the lot was introduced.

Clearly this backfired and as with any ban as the door on the legal gambling market closed, the door to the black market opened even wider and the number of illegal venues simply entered without knocking.

Lotteries were set up and mushroomed whilst the number of casinos virtually doubled during

this time, and illegal bookmakers simply remained open and continued to operate.

At the time of the ban officials estimated the number of casinos to be around 21 plus 300 gaming halls. The city of Bishtek had two well known casinos - Casino Bishtek and Xanadu Casino at the Hyatt Bishtek which later re-opened as the X.O Club, a Storm International VIP Club before closing under the new law.

Storm International Marketing and PR Director, Lavrentiy Gubin, commented: "Our casino XO was opened in the Hyatt Regency Hotel in Bishtek in May 2009. The top class property offered 12 table games and 30 slots. We had to close the casino in June 2010 because of the Kyrgyz Revolution of 2010. Before that the casino was doing well and the first year of operations gave us strong confidence for the future success of the project, we started to gain our share in local business at the same time attracting players from Chinese Ürümqi.

"The revolution and collateral violence forced us

As the government realised blanket prohibition had failed it cited new proposals to legalise gambling in 2016, underscored by the need for tax revenues, whilst also understanding that enforcing a ban is considerably harder than introducing a ban.

to shut down our business in Bishtek, which was a great pity for the company and we couldn't hope to resume our business as it was clear that the gaming business would be banned by the new government sooner or later after the revolution, which is what happened in January 2012."

Two years after the ban there were said to be over 50 clandestine casinos in operations, whilst in the city of Osh alone, it is said there were over 500 gambling halls both legal and illegal prior to the law in 2011. There are constant reports of illegal operations being discovered. In May this

year the Ministry of Internal Affairs reported 26 illegally operating casinos in Bishtek and one in Osh.

NEW LAW PROPOSALS

As the government realised the blanket prohibition idea had failed the government cited new proposals to legalise gambling in 2016 basically saying the country needed the tax revenues, whilst also understanding that enforcing a ban is considerably harder than simply introducing a ban.

The Ministry was quoted as saying at the time:

Essential information and facts about Kyrgyzstan:

Capital	Bishkek
Total Area	199,951sq.km
Population	5,789,122
Median age	26.5 years
Religion	Muslim (75%), Russian Orthodox (20%)
Ethnic Groups	Kyrgyz (73%), Uzbek (14%), Russian
Languages	Kyrgyz (official) 71%, Uzbek (14%), Russian (official)
Currency	Soms (KGS)
Government type	Parliamentary Republic
Chief of State	President Sooronbay Jeenbekov (since 2017)
Head of Government	Prime Minister Muhammedkalyi Abylgaziev (since April 2018)
Elections	President elected by vote for six year term. Next due in 2023. Prime Minister nominated by majority party or coalition and appointed by President.



“In adopting the law, we were guided by good intentions to protect vulnerable people, who become addicted to gambling. However the ban on gambling activities has led not to its stoppage but to its movement into the shadows.”

“For the reported period we have failed to eradicate the illegal activities of casinos, as well as the activities of gaming machine rooms. The illegal market is accompanied by the development of criminal organisations that take control of most of these institutions.”

The gambling ban cost the government around KGS500m per year in lost tax revenue and saw 10,000 people lose their jobs. It was said 65 per cent of the revenue spent in casinos came from foreign clients.

So in December 2015 the Ministry of Economy submitted a draft resolution ‘On Approval of Drafts Laws’ to approve foreign only gambling facilities at a new international trade and exhibition centre to be built near Manas Airport near the capital Bishtek.

The complex proposed was planned as a business venue as well as providing entertainment, hotels, commercial facilities and gambling complex with the intention of improving investment and tourism in the country. The complex would be 30 hectares in

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size and would include three hotels, shops, exhibition and conference halls and other commercial complexes. It was expected to attract an investment of around \$200m.

The gambling facilities would have been for foreigners only and a second project in Issyk-Kul was also considered aimed at increasing the flow of visitors into the country.

But the Ministry of Economy withdrew the bill in May 2016 due to lack of public support and the project has been suspended and there have been no further plans to reintroduce gambling since.

Aicholpon Jorupbekova at Kalikova Associates law firm in Kyrgyzstan said: “To my knowledge and according to information from the draft bills

database, there are no draft bills introducing gambling or mitigating the prohibition of gambling.

“Moreover according to information from the media, the President of the Kyrgyz Republic, when meeting with the head of State Service for Combating Economic Crimes, noted the importance of combating economic crimes, including illegal conduct of gambling activities. Therefore we believe that there are no plans regarding the introduction of gambling.”

There is however the lottery. In May 2016 the President signed the law no. 78 ‘On Lotteries’ defining the legal basis for state regulation regarding the lottery. It replaced the previous Law on Lotteries No. 146 which was issued in 2009.

Before the law changes there were around 30 lottery operators, all of them private enterprises which have since been banned to make room for the state national lottery.

The law divided the lottery into two categories instant lottery and lottery number draw. The organisers of the lottery are divided into:

- a) Incentive lottery – state bodies determined by the government and non-state economic entities basically for advertising purposes to stimulate the sale of goods/services.
- b) Organiser of the state lottery – state bodies determined by the government and to boost the government budget.
- c) Professional lottery – legal entity formed by a

decision by the government in the form of state enterprise mostly for profit.

The launch of the lottery under the brand ‘Kyrgyz Lotto’ was held this summer and tickets, although cannot be bought online, can be bought via ticket offices throughout the country costing KGS100 for a ticket.

The State Lottery Company issued the first tickets of the lottery Ala-Too under the brand Kyrgyz Lotto and the first draw was held at the end of August with a Toyota Camry 70 car as first prize plus 10 smart phones and other smaller cash prizes, whilst the idea is to fund national sports, culture, education and science via the lottery. The tender for the implementation of the lottery business in Kyrgyzstan was won by Korean Company

Nanum Lotto Co. Three companies entered the tender – Kyrgyzstan’s Astra Club Ltd, Serbia’s Elbet and Korea’s JSC Nanum Lotto. Nanum has been involved in lottery activities for 10 years and is the main operator of the Korean state lottery. Planned annual revenue for the lottery is said to be KGS359.4m in the first year (tickets sales of KGS1.70bn).

OTHER REVENUE

The economic situation in Kyrgyzstan at the moment isn’t great. The GDP has dropped by 0.2 per cent over the first seven months of 2018 and the state budget deficit is growing. There is also geopolitical tensions and uncertainty in the stock market. The decline is partly due to a downturn in production at the Kumtor gold mine in 2018. Recently talks have been held to encourage Russian businesses to invest in

Reports

KRYGYSTAN MARKET



The country's best known foreign investment project is the US\$450m development of the Kumtor Gold mine, one of the largest in the world and the largest gold mine in Central Asia. There are 65 other areas for potential prospecting interest to gold mines also in Kyrgyzstan. Although Kyrgyzstan as a country sees itself as a trailblazer for democracy in Central Asia, there is still a huge underlying current of repression, corruption and governmental control.

Kyrgyzstan, mostly in five economic areas – garment industry, agricultural products, tourism, information technology and medicine. In 2017, trade between the country and Russia amounted to \$1.5bn and increased by 12.4 per cent compared to the year previously. Kyrgyz exports were \$265m and imports \$1.3bn.

Kyrgyzstan is still a poor country and the government has privatised much of its ownership shares in public enterprises. There was a severe drop in production in the 1990s and slow growth rate in recent years as the global financial crisis hit along with declining oil prices. Projected real GDP for 2018 is 3.3 per cent whilst GDP was \$7.16bn (2017) and per capita of \$1,144. Unemployment is around 7.1 per cent. Tourism, although not huge, saw 2.9 million visitors at the end of 2016. There were over 107,000 companies working within the tourism industry by the beginning of 2018 and the tourism industry contributes around six to eight per cent to GDP. Infrastructure is improving but needs significant capital

investment. Kyrgyzstan boasts some striking sights including Lake Issyk-Kul the second largest alpine lake in the world and the Tian Shan mountain range and part of the historic Silk Road.

It is a rugged, beautiful, landlocked country sharing its borders with China, Kazakhstan, Tajikistan and Uzbekistan. Geographically it is quite isolated thanks to a high mountainous terrain which has also preserved its ancient culture. It gained independence in 1991 when it became a unitary parliamentary republic although still endures ethnic conflicts, transitional governments and economic problems with violent revolutions back in 2005 and 2010.

With a population of around 5.7 million there are ethnic divisions between north and south whilst the country's first two post Soviet presidents were removed from power by popular discontent. Sooronbay Jeenbekov is now the country's fifth president whilst Social

Democrat Muhammedkalyi Abylgaziev became Prime Minister earlier this year after the previous government was dismissed. The previous Prime Minister Sapar Isakov was fired by the President in April after a no-confidence motion was passed.

The country is divided into seven provinces and economically relies on mineral extraction, agriculture and income from citizens working abroad. It has three main export industries – precious metals, clothes and fruit and vegetables.

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