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Kyrgyz Republic: Selected Issues and Statistical Appendix

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KYRGYZ REPUBLIC

Selected Issues and Statistical Appendix

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Approved by the European II Department

February 5, 2003

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I. Overview

1. **The Selected Issues paper addresses the key policy areas figures prominently in this dialog with the authorities.** Specifically, the paper studies the sources of growth, the cost competitiveness of export, and trade restrictions in the region which are all linked to the achievement of the growth and poverty reduction targets of the National Poverty Reduction Strategy (NPRS). In addition, the paper addresses the issues of agricultural taxation and fiscal aspects of environment.

2. **In 2002, output stagnated after two years of growth at above 5 percent.** This raises the question on the sustainability of the development path observed since 1996. **Chapter II** tackles this issue by analyzing the source of growth since 1996 and the prospects in the medium term. Starting with a growth accounting framework, an aggregate production function identifies the contributions to growth from labor, capital, and total factor productivity. Output growth in the Kyrgyz Republic appears to have been driven mainly by total factor productivity. The section concludes that with an investment-to-GDP ratio at about 20 percent, the NPRS growth target could be achieved.

3. **For a small open economy, growth prospects largely depend on foreign trade. Chapter III** is devoted to an analysis of competitiveness. Despite an apparent real exchange depreciation between 1995 and 2000, Kyrgyz nongold and nonenergy exports have lost shares in their main markets since mid-1990s. This was only in part compensated by increasing domestic market shares in 1996-2001. The section analyzes the development of competitiveness since 1995 with indicators ranging from real exchange rates based on consumer prices and unit labor cost to internal exchange rates. It suggests that weak export performance cannot be explained by the developments of the Kyrgyz Republic's cost competitiveness.

4. **One possible hypothesis is that, in response to the stronger competitiveness of Kyrgyz exports, the neighboring countries intensified trade restrictions against the country. Chapter IV** studies these impediments to trade. In particular, restrictions on exports imposed by Kazakhstan affect not only bilateral trade but also reduce Kyrgyzstan's access to world markets. The section estimates that the cost imposed by the restrictions amount to about 10 percent of the value for a truck-load of tobacco and well above 100 percent for a truck-load of fruits.

5. **Chapter V focuses on a specific structural problem in taxation.** Although agriculture constitutes about 35 percent to GDP, it contributes only about 4 percent of state tax revenues. The chapter studies the effects on tax collection of extended VAT to large agricultural producer's sales in the domestic markets. The estimated increase for state tax revenues would be 0.5 to 1.1 percent to GDP depending on how effectively these taxes would be collected.

6. **Finally, Chapter VI analyzes the fiscal aspects of environmental protection which are both specific to the Kyrgyz Republic and relevant for the whole region.** The chapter reviews possible means to address the environmental problems.

II. Sources of Growth[1]

7. **In the Kyrgyz Republic, like in other transition countries, output declined sharply during the initial period of moving from plan to market.** Real GDP growth resumed only in 1996. This chapter analyzes the sources of growth in 1996-2002 in a growth accounting framework (Box 1).

Box 1. Growth Accounting Framework

We model the production process with a Cobb-Douglas production function:

(1) $$Y_t = A_t K_t^{\alpha} (L_t)^{1-\alpha}$$

where K is the physical capital stock and L is labor input. A is total factor productivity (TFP) which captures anything not explained by K or L.

Taking logarithms and differentiating, we obtain the following growth accounting equation:

(2) $$\frac{dY}{Y} = \frac{dA}{A} + \alpha \frac{dK}{K} + (1-\alpha)\frac{dL}{L}$$

Equation (2) decomposes the growth rate of output into the growth rates of the capital stock, labor, and TFP.

The capital stock K was calculated recursively by the perpetual inventory method:

(3) $$K_{t+1} = I_t + (1-\delta)K_t$$

where I is the level of real fixed capital formation and δ is the rate of depreciation of the existing capital stock.

We assume that the rate of depreciation was 5 percent, which is within the range of 4-10 percent used in similar studies. The initial capital stock was estimated based on Easterly and Fischer (1995). In particular, we assume that the 1990 capital stock as a share of net material product (NMP) was identical to the capital stock as a share of GDP in the same year. NMP was increased by a factor of 1.3, as is customary to correct it for a GDP estimate to include the services sector. The time series data for real GDP (Y), real fixed capital formation (I), the capital stock (K), and labor (L) between 1992 and 2006 are presented in Table II-1. The income share of capital α is assumed to be 0.3, which is in line with similar studies.

[1] Prepared by Joerg Zeuner with contributions from Paulo Medas.

A. Growth Dynamics in 1996-2002

8. **In 1996-2002, the Kyrgyz economy grew at an average rate of 4.7 percent a year.** Following four years of output contraction, growth rebounded in 1996 and peaked at 10 percent in 1997. Economic activity slowed with the 1998 Russian financial crisis, but accelerated to over 5 percent in 2000 and 2001. In 2002, real GDP declined slightly for temporary reasons. First, a large landslide in the Kumtor gold mine prevented access to high grade ore reducing the value added of mining by 37 percent.[2] Second, energy production fell by 7 percent as demand for water from the Kyrgyz reservoirs for irrigation was exceptionally low in the neighboring countries.[3] Agriculture, industry, and the services sector have been driving the growth in 1996-2002. Within agriculture, the output of grain, tobacco, fruit and vegetable grew by more than 10 percent a year while animal husbandry expanded only little. In industry, gold production rose rapidly with the new Kumtor gold mine, manufacturing of construction materials recovered, but machine building, light industry, and food processing remained stagnant. The volume of services began to grow in 1996 with an average rate of growth of 5.4 percent since.

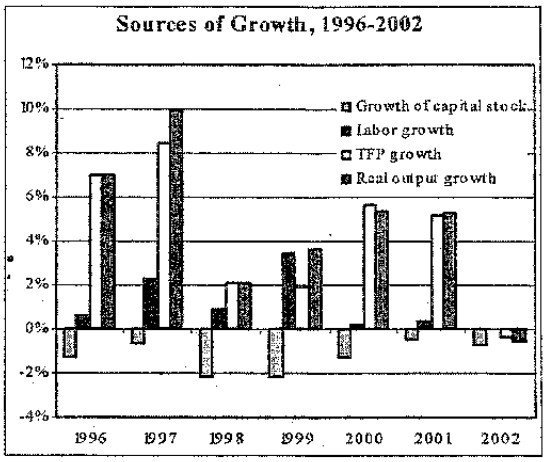
Growth by Sector, 1996-2002

(Volume, in percent)

	1996	1997	1998	1999	2000	2001	2002
Industry	3.9	39.7	5.3	-4.3	6.0	5.4	-13.1
Construction	0.0	-17.0	-27.7	-2.0	29.7	15.6	-0.1
Agriculture	15.2	12.3	2.9	8.2	2.6	6.8	3.2
Transport and communications	9.8	4.6	-1.8	3.1	5.7	-3.0	2.0
Services and others	5.3	9.8	6.9	3.5	5.7	3.2	3.4

[2] In 2001, Kumtor accounted for 9.0 percent of GDP.

[3] The electric energy generated by water release is exported under barter trade arrangements.



9. **Growth accounting suggests that the capital stock has declined each year since independence, contributing negatively by 1.2 percentage point to growth in 1996-2002.** The gross investment ratio—19.7 percent of GDP on average during this period—has not been sufficient to replace the depreciation of capital. Capital declined despite extensive investment in gold production and infrastructure, the latter under a donor-financed Public Investment Program (PIP) which peaked at 9.4 percent of GDP in 1999. Under the PIP, main projects have been in road building and energy. Nongold, nonenergy industrial investment remained very low until 1999 followed by a strong recovery in 2001, especially in food industries. Similarly, investment in agriculture have increased significantly since 1998.

10. **Employment started to recover in 1996, increasing by an average rate of 1.2 percent since and contributing 0.8 of one percentage point to real GDP growth.** Employment increased mainly in agriculture and the services sector absorbing the decline in the construction and industrial labor forces. Employment growth in agriculture and services—more than 200,000 employees—was, however, larger than the decline in other sectors suggesting that a large part of the increase came from hidden unemployment because open unemployment did not diminish. While the exact level of hidden unemployment is not known, some estimates suggest the true unemployment to be as high as 20 percent compared to a 3-4 percent official unemployment rate, or about 8 percent as measured according to the methodology recommended by the International Labor Organization (ILO).

Employment by Sector, 1992-2002

(In thousands)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Industry	163	161	147	125	111	102	101	90	80	79	76
Construction	62	53	47	40	35	34	30	26	25	24	24
Agriculture and forestry	382	390	420	473	471	483	490	524	531	532	532
Transport and communication	51	51	52	47	49	47	44	37	35	33	33
Services and others	342	346	335	316	334	335	335	323	329	332	335

11. **Improving total factor productivity was the main source of growth as the impact of rising employment has been offset by a declining capital stock.** Indeed, 4.3 percentage points of the 4.7 percent average growth can be attributed to TFP growth. This growth pattern is consistent with the standard analysis of a transition country's production

possibilities curve.[4] During the transition period, the Kyrgyz Republic has been below its production frontier because of widespread inefficiencies inherited from the Soviet planning economy. Moving towards the production frontier reflects mainly efficiency gains as the contribution of factor inputs has been relatively small. In this respect, however, the applied employment data may overstate the role of the TFP because the presumed reduction in hidden unemployment excluded from labor input.

12. **There are several specific factors—some temporary, others permanent—that explain the recovery in TFP growth.** First, the production structure has become more productive. Although usually a reallocation of resources from industry to agriculture and services is associated with a deceleration of productivity growth, in the Kyrgyz case the opposite appears to be the case. A large part of the industry used to be linked to the Soviet military complex which became nonviable overnight. Finding alternative uses for such capacity has not been easy and, as restructuring of these enterprises has proceeded slowly, the aggregate productivity growth in industry has remained low or even negative in many branches. A continuous decline of machine building and other heavy industries suggest that restructuring is still taking place. Thus, the resource transfer to agriculture and services has spurred economy-wide productivity growth.

13. **The Kyrgyz land reform has laid a permanent foundation for TFP gains in agriculture.** Abstracting from the expansion of arable land and the two bad harvests, productivity growth in agriculture has been robust throughout 1996-2002. For example, yields in grain cultivation improved by 13 percent between 1995 and 2000. During the same period, yields improved by 14 percent in tobacco growing, 52 percent in vegetable farming and 33 percent in fruit cultivation. These efficiency gains resulted from the privatization of state and collective farms and allowance of private land ownership. New peasant farms together with household plots produced almost 90 percent of total agriculture output in 2000 although they covered only about 60 percent of the arable land. Collective farms, in contrast, produced less than 8 percent of total output with more than 20 percent of the arable land.

14. **While the aggregate capital stock has declined, it has become more efficient as old vintages of capital were replaced through new market-determined investment.** Between 1995 and 2002, the capital output ratio declined from 5.8 to 3.9, a decline common to transition economies. In industry, where most of the dismantling of obsolete capital supposedly took place, investments of more than $200 million a year in 1995-96 in the Kumtor gold mine with new technology have been an important factor boosting TFP growth. In the energy sector, high exports to Uzbekistan and Kazakhstan were reflected in TFP growth although the sector has remained inefficient with domestic tariffs far below cost recovery levels, low cash collection, and high technical and commercial losses. Higher energy investments in 1999 and 2000, in part reflecting increased donor financing, have slowed the deterioration of the supply network, however.

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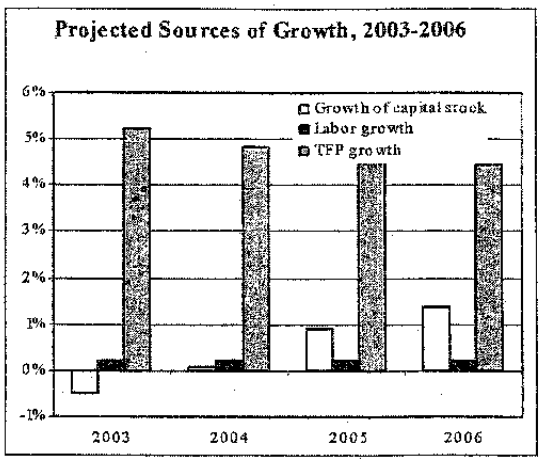
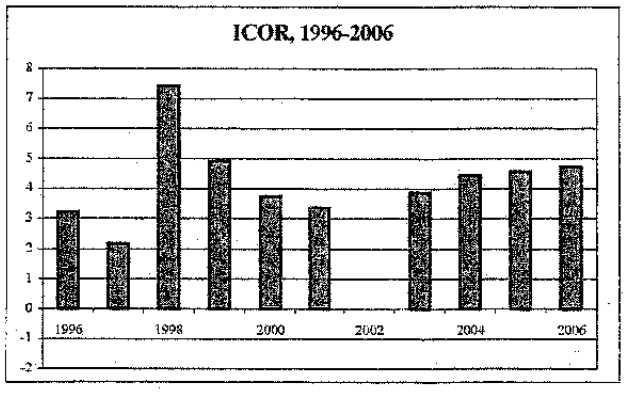
[4] See, e.g., Havrylyshyn, et al. (1999).

B. Requirements for Sustained Growth

15. **The authorities project real GDP to increase by 5 percent a year during 2003-06.** This is expected to be achieved through a 4 percent TFP growth while labor and capital would each contribute one-half of one percentage point to growth. In 2003 and perhaps in 2004, Kumtor should contribute positively to growth but in 2005, gold production would start declining with lower availability of ore and weakening quality of deposits. To achieve the medium term growth target, the negative impact of the declining gold production needs to be offset by other industries, mainly nongold, nonenergy manufacturing, agriculture, and services, in particular tourism. In this respect, it is encouraging that real GDP excluding gold and energy, increased already by 3.5 percent in 2002.



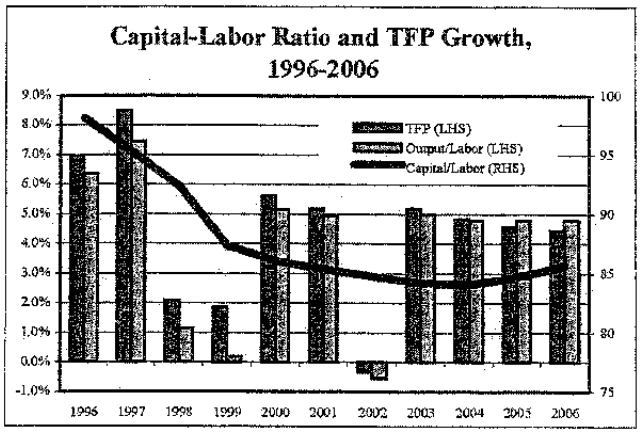
16. **On the supply side, a 5 percent growth requires continued improvements in TFP based on higher capital efficiency.** A continuation of the recent investment trends at about 20 percent of GDP with an incremental capital-output ratio (ICOR) of about 4, as experienced in 1996-2002 on average, would be consistent with the 5 percent growth target. The medium-term saving-investment balance analysis foresees private investment to be the driving force of capital accumulation as the foreign financed PIP will be streamlined. The increase in national savings by 3 percentage points of GDP in 2003-2006 would reflect further fiscal adjustment and improving enterprise profitability as real wages are expected to grow less than productivity in view of the high (hidden) unemployment. The share of foreign savings to finance investment would increase by 1.3 percentage points of GDP. Overall, the projected increase in total savings at 4 percentage points would allow a similar increase in the investment ratio implying that the capital stock would start growing in 2004. This would lead to a capital deepening as capital growth would outpace labor growth. In this case, the 5 percent growth target could be achieved even if the ICOR would decline somewhat in 2003-2006.



17. **A more efficient use of labor provides another source of TFP growth.** The fact that employment has responded very sluggishly to output variations suggest significant rigidities in the labor market. The high hidden unemployment in part reflects the lack of financial discipline in enterprises, in part an ineffective social safety net, including a poor

unemployment insurance system, and prohibitively high separation compensations. These are key impediments to better labor mobility and more efficient use of labor.

18. **In the medium-term, growth should follow a more standard pattern with stronger labor productivity gains than total factor productivity growth.** In 1996-2001, growth reflected strong TFP growth with such gains surpassing improvements in labor productivity as the use of capital become more efficient. In response to the new market-based incentives, the capital-labor ratio declined as obsolete capital was substituted by new capital. As the capital-output ratio converges to a more stable level, labor productivity gains should accelerate and overcome TFP growth by 2005. This would be due to the expansion of the capital stock, starting in 2004, accompanied by a reallocation of labor to more efficient uses, reflecting a reduction of hidden unemployment and increased capital-labor ratio. This assumes further structural reforms conducive to improvement in the investment climate and flexible labor markets.



19. **On the demand side, foreign trade data for 1996-2002 suggest that growth has been largely supported by import substitution (see Chapter III) while net exports have remained negative.** In the medium term, the stronger supply capacity should translate into higher export growth provided that the cost competitiveness can be maintained. As discussed in Chapter IV, reducing trade restrictions imposed mainly after the 1998 Russian crisis by the neighboring countries is also an important condition for achieving the 5 percent medium term growth target.

References

Easterly, W. and S. Fischer, "The Soviet Economic Decline," *World Bank Economic Review*, 9(3), September 1995, pp. 341-371.

Havrylyshyn, O., et al., "Growth Experience in Transition Countries, 1990-98," IMF Occasional Paper No. 184, 1999 (Washington: International Monetary Fund).

Table II-1: Kyrgyz Republic: Real GDP and Factor Inputs, 1992-2006

(In billions of soms; unless otherwise indicated)

Year	Real GDP	Real Fixed Capital Formation	Capital	Labor (in thousands)	TFP (Index, 1995=100)	Ouput/Labor Ratio (Index, 1995=100)	Capital/Output Ratio (Index, 1995=100)	Capital/Labor Ratio (Index, 1995=100)
1992	17.3	2.5	68.1	1,836	140	139	68	95
1993	14.6	2.1	67.2	1,681	127	129	80	102
1994	11.7	1.5	65.9	1,645	105	105	97	103
1995	11.1	2.4	64.1	1,642	100	100	100	100
1996	11.9	2.7	63.2	1,652	107	106	92	98
1997	13.0	1.8	62.8	1,689	116	114	83	95
1998	13.3	1.7	61.5	1,705	118	116	80	92
1999	13.8	2.2	60.1	1,764	121	116	75	87
2000	14.5	2.7	59.4	1,768	127	122	71	86
2001	15.3	2.6	59.1	1,774	134	128	67	85
2002	15.2	2.7	58.7	1,775	134	127	67	85
2003	16.0	3.0	58.4	1,779	141	133	63	84
2004	16.8	3.5	58.5	1,782	147	140	60	84
2005	17.7	3.8	59.0	1,786	154	147	58	85
2006	18.6	4.1	59.8	1,789	161	154	56	86

Source: Authorities; World Economic Outlook; and Fund staff estimates.

III. An Assessment of External Competitiveness[5]

A. Background

20. **Since 1997, exports of gold have contributed significantly to economic growth.** As the output of the Kumtor mine—the only large producer of gold—will begin to decline in the medium term and new gold projects are not likely to offset this decline, sustained growth will require strong competitiveness of other exports and domestic producers. This section investigates the competitiveness of the Kyrgyz economy.

B. Developments in Export and Import Market Shares

21. **The literature on competitiveness suggests that a good indicator of competitiveness should measure the evolution in a country's market shares of traded goods abroad and at home.**[6] Thus, changes in export volumes relative to the trading partners' import volumes would be an appropriate measure for exporters' competitiveness. On the import side, development of imports relative to domestic demand would serve as an indicator of domestic producers' competitiveness. Due to the lack of volume data disaggregated by country, this analysis is limited to the evolution of dollar exports and imports.

22. **Measured by export market shares,** Kyrgyz nongold and nonenergy exporters have lost ground in their main markets since mid-1990s. Table III-1 summarizes the geographic distribution of exports to the main CIS and non-CIS markets. While economic growth picked up in the CIS region during the second half of the 1990s, Kyrgyz exports to main CIS countries declined and market shares were lost. In Russia, the share of Kyrgyz goods in its imports declined from 0.16 percent to 0.12 percent between 1995 and 2001. In Kazakhstan, this share fell more, from 1.24 percent to 0.47 percent. Of the three largest trading partners in the CIS, Kyrgyz exports maintained their market share only in Uzbekistan. This was primarily due to the strategic importance of the Kyrgyz electricity exports to Uzbekistan (associated with the release of water from the Kyrgyz reservoirs for irrigation in Uzbekistan). Excluding energy, however, the Kyrgyz market share declined as much as in Kazakhstan. Meanwhile—thanks to gold exports—the market share in non-CIS countries remained relatively stable.

23. **At home, the share of Kyrgyz goods in total domestic demand remained broadly unchanged between 1995 and 2001 (Table III-2).** The share of imports of total domestic demand increased to 43 percent in 1998 from 31 percent in 1995. In 2001, however, importers' market share had fallen back to 31 percent. This suggests that the country's

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[5] Prepared by Alexander Pivovarsky.

[6] See Lipschitz, et al. (1991).

domestic markets experienced strong import substitution following the sharp devaluation in 1998.

C. Level of Competitiveness

24. **Does the real exchange rate explain declining exports?** A standard approach to address this question is to investigate whether the level of the real exchange rate is overvalued. In 1997, Krajnyak and Zettelmeyer estimated "equilibrium" dollar wages for a number of transition economies by regressing actual dollar wages on productivity and human capital in a panel of 85 countries. This approach was "inspired by the way in which macroeconomic practitioners often form a judgment of the international competitiveness of a country, namely by comparing the country's average dollar wage with that of other countries which are considered "similar" in terms of the remaining determinants of profitability or unit cost, such as the quality and quantity of human and physical capital" (p. 9, Krajnyak and Zettelmeyer 1997).

25. **According to this study, in 1995, the average dollar wage in the Kyrgyz Republic was at about 32-41 percent of the predicted "equilibrium" level, suggesting that the real exchange rate was highly undervalued (Table III-3).** For comparison, dollar wages in Kazakhstan were at 55-80 percent and in Russia at 36-45 percent of the predicted equilibrium. Thus, based on the degree of undervaluation of dollar wages, the Kyrgyz Republic was more competitive than Russia and Kazakhstan. Overall, a competitiveness index[7] suggested that Kyrgyz exports had a 20-30 percent competitive edge in its export markets in 1995. Building on this finding, the following section investigates how has the competitiveness developed since then.

D. Developments in Competitiveness

26. **Real exchange rate movements are reported in the IMF's INS database for a number of countries.** The measure is derived by using a ratio of consumer price inflation (CPI) in the reporting country relative to that in trade partner countries. The CPI-based real exchange rate index has some significant weaknesses, however, especially in transition economies. First, it includes a large share of nontradable goods. Second, significant shares of these countries' consumer baskets are allocated to goods and services with prices regulated by the state (e.g., public utilities). Therefore, also other measures were used to reduce the potential bias. One alternative is the producer price (PPI) based real exchange rate. Producer prices may reflect better relative cost developments than consumer prices. Another alternative measure is a unit-labor-cost-based real exchange rate index which directly addressed the main cost component of production.

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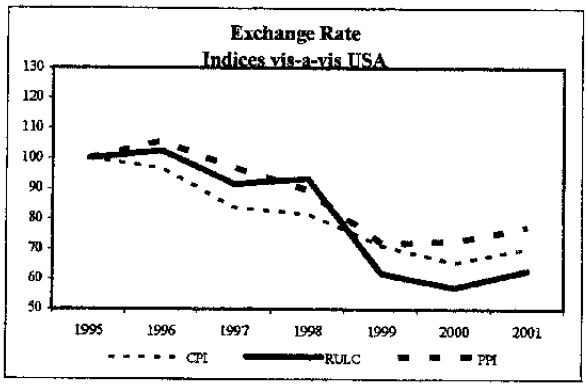
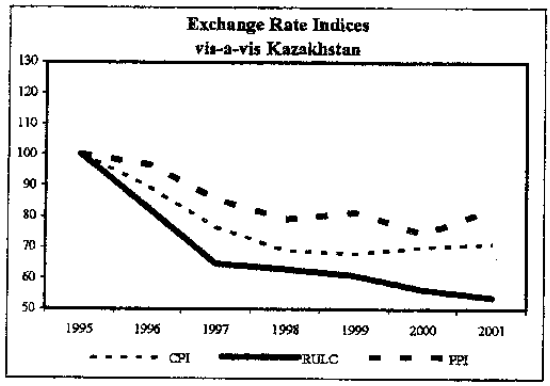
[7] A ratio of equilibrium to actual dollar wages in the Kyrgyz Republic divided by a trade-weighted average of the equilibrium to actual dollar wage ratios in trading partners countries.

27. **Internal real exchange rates—i.e., relative price of tradable and nontradable goods—have also been used in the literature to measure competitiveness.** Usually, the price index in manufacturing is used as a proxy for the tradable goods sector and prices in agriculture as a proxy for the nontradable goods sector. If relative prices for nontradable goods increase, resources are expected to shift to this sector, which would lead to a deterioration of external competitiveness and a worsening of the trade balance. In the case of the Kyrgyz Republic, it may not be appropriate to use agricultural prices as proxies for nontradables because agriculture also produces tradable goods. An alternative approach—used recently in a study of Ukraine—was applied here. This approach uses the world market producer price index as a measure of the tradable goods prices and the domestic PPI (and CPI) as a measure for nontradable goods prices.[8]

28. **Several real exchange rate indices were calculated vis-à-vis the United States (as a proxy for industrialized countries), Kazakhstan, Russia, and Uzbekistan (the main CIS trading partners).** All indices suggest that the Kyrgyz real exchange rate (RER) depreciated vis-à-vis the U.S. dollar between 1995 and 2001. Recently, however, the depreciation has leveled off and the RER was broadly stable in 2000-01. In 2001, the CPI-based RER was approximately 40 percent below the 1995 level. The trend was similar for the RER index based on PPI—the PPI-based index was 23 percent below its 1995 level. The relative unit labor cost index (RULC) vis-à-vis the US declined by 37 percent in 1996-2001.

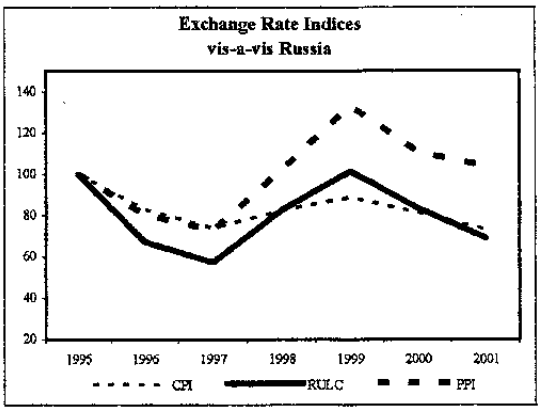


29. **The competitiveness improved also vis-à-vis Kazakhstan.** By 2001, the CPI-based real exchange rate had depreciated by almost 30 percent since 1995. At the same time, the PPI-based index was 18 percent below the 1995 level, and the RULC had declined by 46 percent. By all indices, the depreciation took place mainly in 1996-98.

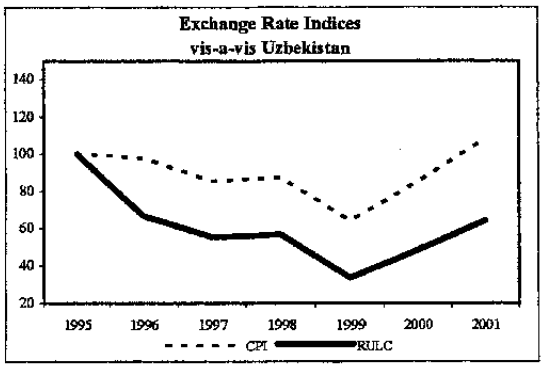


[8] See Berengaut, et al. (2002).

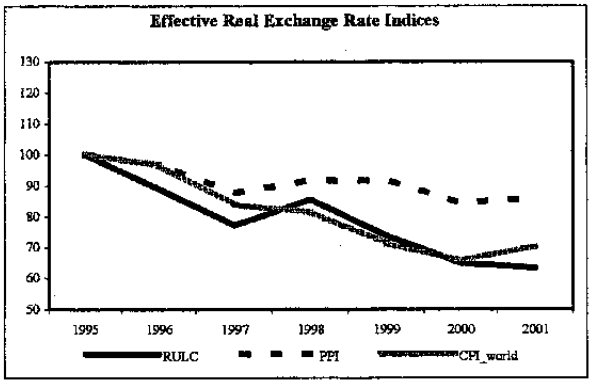
30. **The competitiveness of Kyrgyz exports in the Russian market deteriorated between 1995 and 1999 when measured by the PPI-based index.** In contrast, CPI and RULC-based indices do not suggest weakening. Since 1999, however, Kyrgyz exports have become more competitive by all three indicators. In 2001, the CPI, PPI, and RULC-based RERs vis-à-vis Russia were about 10-20 percent below the 1999 level. Overall, the CPI and RULC-based RERs suggest a 30 percent depreciation between 1995 and 2001.



31. **Relative to Uzbekistan, Kyrgyz goods became more competitive between 1995-99 when measured by both the CPI and the relative unit labor cost indices.**[9] However, the next two years saw a sharp reversal. Overall, compared to 1995, the CPI-based RER against the Uzbek sum had appreciated by 8 percent by 2001, while the relative unit labor cost index had depreciated by 36 percent.

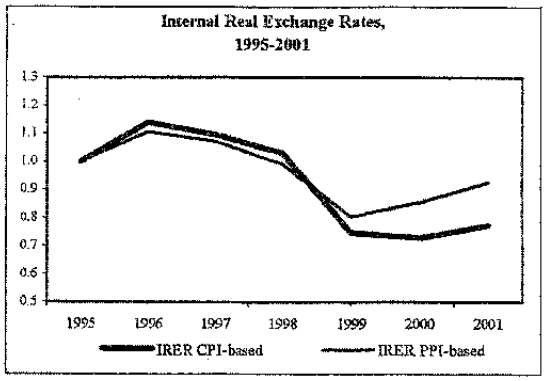


32. **The Effective Real Exchange Rate Indices (REER) show the evolution of the CPI-based REER indices vis-à-vis the country's top ten trading partners.** This index is based on the IMF's INS which assigns weights to countries' currencies based on their 1995 trade flows. Since 1995, however, the Kyrgyz trade structure has changed substantially. Thus, using trade weights in 2000 was preferred. Also by these indices, Kyrgyz exports have become more competitive compared to 1995. For example, the unit labor cost index was 27 percent and the PPI-based index 12 percent below the 1995 level in 2001.



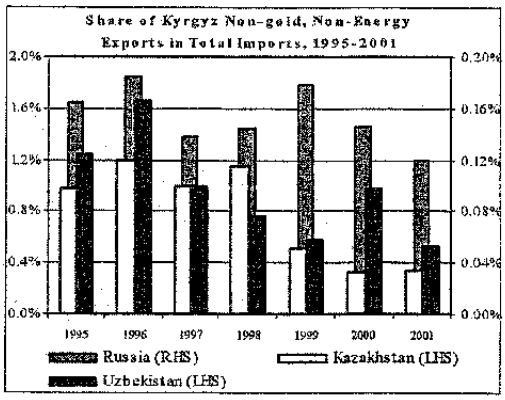
[9] The calculations used the official exchange rate.

33. **Following Berengaut et al. (2002), an index for the world market prices of tradable goods was calculated as a weighted average of the producer price indices of five major industrial countries (the United States, Germany, France, the United Kingdom, and Japan) with SDR weights during 1996-98.** Based on this data and using the exchange rate, PPI and CPI data, internal real exchange rate indices (IRER) were designed (Table III-4). These indices suggest a significant real depreciation between 1995 and 1999 but some real appreciation thereafter. However, in 2001, the internal real exchange rate was still clearly below the 1995 level by both indicators.



E. Conclusions

34. **This section suggests that the weak export performance since mid-1990s cannot be explained by competitiveness developments.** In fact, Kyrgyz competitiveness improved when measured by a variety of external and internal competitiveness indicators. However, the data suggest that there were two distinct stages in real exchange rate developments, the pre-Russian crisis and post-crisis periods. The depreciation mainly took place in 1996-98 with stabilization or some appreciation starting in 1999. A closer look at the market shares during these two periods reveals that real depreciation did support exports. In Russia (until 1999) and Kazakhstan (until 1998), market shares were maintained, or even increased, although in Uzbekistan gains were achieved only in 1996. That export market shares were lost after the Russian crisis despite a strong level of competitiveness suggest that other factors played a role. A need to seek other than relative price explanations for the weakening of export performance since 1998/99 is also consistent with the fact that on the import side, the stronger competitiveness has indeed produced market gains since 1998/99.



35. **One possible hypothesis is that, in response to the stronger competitiveness of Kyrgyz exports, the neighboring countries increased trade restrictions.** Indeed, such was the early response in many CIS countries following the Russian crisis. The next section investigates this issue.

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Berengaut, J. et al., "An Interim Assessment of Ukrainian Output Developments, 2000-01," IMF Working Paper 02/97, 2002 (Washington, International Monetary Fund).

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Krajnyak, K. and J. Zettelmeyer, "Competitiveness in Transition Economies: What Scope for Real Appreciation?" IMF Working Paper 97/149, 1997, (Washington, International Monetary Fund).

Table III-1. Kyrgyz Republic: Geographic Structure of Exports, 1995-2001

(in millions of U.S. dollars, FOB prices)

	1995	1996	1997	1998	1999	2000	2001
Total	408.9	531.2	603.8	513.6	453.8	504.5	476.2
CIS countries	269.2	393.9	319.3	230.6	183.3	207.4	168.5
Russia	104.8	134.6	98.8	83.7	70.7	65.1	64.5
of which electric energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Uzbekistan	70.0	115.8	101.5	38.5	46.6	89.4	48.0
of which electric energy	25.5	36.5	64.4	16.1	31.6	64.3	34.7
Kazakhstan	66.8	112.5	87.1	85.5	45.0	33.4	39.0
of which electric energy	13.8	33.8	16.4	9.3	15.8	11.6	10.4
Other CIS countries	27.7	31.0	31.8	22.8	21.1	19.5	17.0
Non-CIS countries	139.7	137.3	284.5	283.1	270.5	297.1	307.6
Excl. gold	...	...	100.1	97.3	87.4	101.8	83.0
Switzerland	1.8	0.9	162.3	1.1	18.1	34.1	124.2
Germany	2.1	28.1	18.1	192.2	148.2	144.6	94.4
China	68.5	36.4	31.6	15.7	25.3	44.1	19.4
Other non-CIS countries	67.4	71.9	112.7	74.1	78.9	74.3	69.6
Memorandum							
Total exports excluding gold and energy	259.1	396.8	263.4	263.7	183.0	187.6	174.5
Total imports	522.3	837.7	709.3	841.5	599.7	554.1	467.2
Total imports excluding energy	334.2	598.2	502.6	634.6	478.2	425.7	346.4
Total trade turnover	931.3	1368.9	1313.1	1355.1	1053.6	1058.6	943.4
Total trade turnover excluding gold and energy	593.4	995.0	766.0	898.3	661.2	613.3	520.9
Non-energy and non-gold exports to:							
Russia	104.8	134.6	98.8	83.7	70.7	65.1	64.5
Uzbekistan	44.4	79.2	37.2	22.5	14.9	25.1	13.3
Kazakhstan	53.0	78.8	70.7	76.2	29.1	21.8	28.6
Kyrgyz exports (in percent) as share of total imports of goods of:							
Russia	0.16	0.18	0.14	0.14	0.18	0.15	0.12
Uzbekistan	1.95	2.43	2.69	1.31	1.81	3.50	1.92
Kazakhstan	1.24	1.70	1.21	1.28	0.80	0.49	0.47
Kyrgyz exports as share of total imports of goods of:							
Russia	100.0	113.0	83.9	88.1	109.3	88.7	73.3
Uzbekistan	100.0	124.6	138.1	67.3	92.6	179.5	98.6
Kazakhstan	100.0	137.1	98.0	103.5	64.3	39.4	38.3
Kyrgyz exports (in percent) as share of total imports of goods of:							
Russia	0.16	0.18	0.14	0.14	0.18	0.15	0.12
Uzbekistan	1.24	1.66	0.99	0.77	0.58	0.98	0.53
Kazakhstan	0.98	1.19	0.98	1.14	0.52	0.32	0.35
Kyrgyz nongold and nonenergy exports as share of total imports of:							
Russia	100.0	113.0	83.9	88.1	109.3	88.7	73.3
Uzbekistan	100.0	134.3	79.6	61.8	46.8	79.3	43.1
Kazakhstan	100.0	120.9	100.1	116.2	52.5	32.4	35.4

Source: Authorities.

Table III-2. Kyrgyz Republic: Functional Structure of Import, 1995-2001

(in millions of US dollars; CIF prices)

	1995	1996	1997	1998	1999	2000	2001
Total	**522.3**	**837.7**	**709.3**	**841.5**	**599.7**	**554.6**	**467.2**
Consumption	124.3	182.2	219.5	177.4	181.3	205.9	176.7
Raw materials	61.5	115.9	54.4	74.7	29.1	18.7	31.8
Intermediate goods	65.1	124.2	105.9	126.9	107.5	93.7	89.0
Investment goods	83.6	175.3	122.9	172.7	160.2	107.2	57.7
Energy products	187.9	240.1	206.6	207.3	121.8	129.2	121.0
Memorandum							
Total imports/Total domestic demand (in percent)	31.0	36.7	37.2	42.5	42.0	38.3	30.6
Consumption goods imports/Total domestic demand (in percent)	7.4	8.0	11.5	9.0	12.7	14.2	11.6
Total imports/Total domestic demand (Index)	100.0	118.6	120.1	137.1	135.7	123.8	98.8
Consumption goods imports/Total domestic demand (Index)	100.0	108.4	156.2	121.5	172.3	193.0	157.0

Sources: Kyrgyz authorities.

Table III-3. Kyrgyz Republic: Estimated Competitive Position in 1995 Compared to Selected BRO Countries

	Actual Wage (in US $)	Estimated Equilibrium Wage			Competitiveness Index 1/		
		Spec. 1	Spec. 2	Spec. 3	Spec. 1	Spec. 2	Spec. 3
Kyrgyz Republic	53	132	168	129	1.26	1.43	1.39
Belarus	75	333	292	276	1.94	1.55	1.82
Estonia	211	444	399	360	1.7	1.44	1.49
Kazakhstan	112	161	203	140	0.65	0.74	0.63
Latvia	195	308	279	251	1.09	0.91	0.96
Lithuania	124	194	196	167	0.91	0.85	0.85
Moldova	46	123	147	106	1.14	1.32	1.11
Russia	107	269	300	235	1.78	1.94	1.63
Ukraine	47	166	164	143	1.57	1.38	1.51

Source: Krajnyak, K. and J. Zettelmeyer, 1997, "Competitiveness in Transition Economies: What Scope for Real Appreciation?" IMF Working Paper 97/149 (Washington, DC: International Monetary Fund).

1/ Estimated for each country as a ratio of equilibrium to actual dollar wages divided by a trade-weighted average of the equilibrium to actual dollar wage ratios of the country's six main trading partners.

Table III-4. Kyrgyz Republic: Internal Real Exchange Rate, 1995-2001

(Index, 1995=100; unless indicated otherwise)

	Producer Prices					Exchange Rates per U.S. dollar (Period average)						Exchange Rates per U.S. dollar						Dollar Producer Prices					SDR-weighted av. 1/	Som/$	KGZ CPI 2/	Internal Real Exchange Rate
	FRA	GER	JAP	UK	US	FRA	GER	JAP	UK	US	KGZ	FRA	GER	JAP	UK	US	KGZ	FRA	GER	JAP	UK	US				
1995	100.0	100.0	100.0	100.0	100.0	5.0	1.4	94.1	0.6	1.0	10.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1.00
1996	97.4	99.6	100.1	102.6	102.3	5.1	1.5	108.8	0.6	1.0	12.9	102.5	105.0	115.6	101.2	100.0	119.4	95.0	94.8	86.6	101.5	102.3	97.0	119.4	131.9	1.14
1997	96.7	100.7	101.6	103.6	102.3	5.8	1.7	121.0	0.6	1.0	17.4	116.9	121.0	128.6	96.4	100.0	160.7	82.7	83.2	79.0	107.5	102.3	92.5	160.7	162.8	1.10
1998	95.9	100.3	100.0	104.2	99.7	5.9	1.8	130.9	0.6	1.0	21.0	118.2	122.8	139.2	95.3	100.0	194.1	81.2	81.7	71.9	109.3	99.7	89.9	194.1	179.8	1.03
1999	94.6	99.3	96.7	105.4	100.6	6.2	1.8	113.9	0.6	1.0	39.2	123.3	128.1	121.1	97.5	100.0	362.8	76.7	77.5	79.8	108.0	100.6	90.2	362.8	244.3	0.75
2000	98.8	102.5	96.6	108.1	106.4	7.1	2.1	107.8	0.7	1.0	47.8	142.6	148.1	114.6	104.3	100.0	442.0	69.3	69.2	84.3	103.6	106.4	90.2	442.0	290.0	0.73
2001	99.8	102.9	97.0	110.9	107.6	7.1	2.1	118.6	0.7	1.0	48.4	141.8	144.5	126.1	108.4	100.0	448.1	70.4	71.2	76.9	102.3	107.6	89.7	448.1	310.4	0.77

Sources: Kyrgyz authorities; Fund staff estimates and projections; and WEO database.

1/ During the period January 1, 1996 - January 1, 1999, the weights in the SDR basket were: 39 percent for the U.S. dollar, 21 percent for the German mark, 18 percent for the Japanese yen, and 11 percent each for the French franc and the pound sterling.

2/ Period average.

IV. Restrictions on Foreign Trade in Central Asia: The Kyrgyz Perspective*

A. Introduction

36. **The Kyrgyz Republic has one of the most liberal trade regimes among the CIS countries (Table IV-1), and it became the first CIS country to join the World Trade Organization (WTO) in 1998.**[10] Despite these arrangements and improvements in cost competitiveness, export developments have been weak. Still, foreign trade plays an important role in the economy; in 2001 exports accounted for 37 percent of GDP, while imports of goods and services amounted to 36 percent. It appears that a significant obstacle to export-led growth has been the existence of numerous trade barriers imposed by the Kyrgyz Republic's neighbors. This chapter discusses these restrictions and analyzes their impact.

B. Structure of Trade

37. **In 2001, gold produced by the Kumtor mine accounted for 40 percent of the country's merchandise exports.** The dependence on gold causes several problems. First, the country's trade balance is subject to large swings because of gold price variations. Second, adverse natural circumstances (such as the recent landslide at the Kumtor gold mine) disturb gold production with significant impacts on overall economic activity. Third, Kumtor's gold reserves will be exhausted by the end of the decade. Unless the export base is diversified, the decline in gold exports could lead to serious balance of payments problems.

38. **The trade in energy (about 10 percent of exports) is restricted to CIS countries, and is mainly conducted under barter arrangements.** The Kyrgyz Republic exports electricity to Uzbekistan and Kazakhstan in exchange for petroleum products, natural gas, and coal. Since this trade is not market based, its volume depends on cooperation among the trading partners. The barter trade with Uzbekistan in particular is subject to large swings. Since Uzbekistan imports electric energy to ensure the availability of irrigation water, a good rainy season can reduce the demand for Kyrgyz electricity drastically, and vice versa. In 2002, for example, energy exports reached only half of the 2001 level, due to favorable rainfall patterns in Uzbekistan. These trade arrangements in the energy sector make it unlikely to be a source of rapid export growth in the medium term.

39. **The major markets for Kyrgyz exports within the CIS are Russia, Kazakhstan and Uzbekistan.** Among non-CIS countries, Germany and Switzerland have been the destination for gold exports. China is the largest recipient of nongold exports among the non-CIS countries. The pattern for imports is similar. Russia, Kazakhstan and Uzbekistan are the main source of imports from CIS countries. Among non-CIS countries, a large part comes

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[10] In 1999, in accordance with WTO commitments, the country adopted a tariff structure consisting of 12 bands and a maximum rate of 50 percent. By 2002, this had been simplified to a tariff structure comprising only four bands, with a maximum tariff at 20 percent and an average tariff rate of 5.1 percent.

* Prepared by Shekhar Aiyar.

from the United States, Turkey and Germany. In recent years, however, China has covered an increasing fraction of the market, and it replaced the United States as the largest single source of Kyrgyz imports in 2001. Table IV-2 shows the dollar value of trade between the Kyrgyz Republic and its four biggest trading partners.

C. Regional Trade Arrangements

40. **The Kyrgyz Republic is a landlocked country.** Its longest borders are with Kazakhstan in the north and with China in the east. It also borders Uzbekistan and Tajikistan to the west and south, respectively. The country's geographical location implies that all land-based trade must pass through the neighboring countries. This makes regional trade arrangements very important.

41. **The Kyrgyz Republic is a member of the CIS Free Trade Area (FTA), created in 1992-94.** Although in principle import duties are not imposed on intra-FTA trade, quantitative restrictions and foreign exchange controls have impeded trade among member countries in practice. Also, the coverage of individual goods under the FTA varies and substantial exemptions have been applied on a bilateral basis.

42. **In 1996, the Kyrgyz Republic entered into a customs union with Kazakhstan, Russia and Belarus; Tajikistan joined in 1998.** This arrangement has not functioned as a customs union, since the member countries have not been able to negotiate a common external tariff scheme. Under the customs union arrangement, a transportation agreement was reached in 1998, which in principle governs transit trade between the member states. This agreement states that transit trade shall be carried out on a permit-free basis. It also stipulates that transport vehicles used in transit, along with any passengers and cargo being transported, shall be exempt from all taxes and fees. The parliament of Kazakhstan has not, however, ratified this agreement.

D. Constraints to Trade with Kazakhstan

43. **Kazakhstan is the Kyrgyz Republic's single most important trading partner.** In addition, all land-based trade with Russia and Western Europe must pass through its territory. This covers most of the total trade of the Kyrgyz republic (Table IV-3). Consequently, restrictions to trade imposed on the Kyrgyz Republic by Kazakhstan affect not just bilateral trade but also reduce Kyrgyz access to the rest of the world.

Restrictions on Transit Trade

44. **The transit trade through Kazakhstan is subject to several restrictions, some official and others unofficial.** Officially, Kazakhstan issues a certain number of permits to the Kyrgyz Republic each year, and trucks holding a permit are allowed to pass through Kazakhstan without paying any transit fee. According to Kyrgyz data, trucks without a

permit are subject to a fee of $150[11]. In 2001, Kazakhstan assigned 4500 such permits, but reduced the number to only 1000 permits in 2002. In addition to transit fees, trucks are required to be escorted by customs officials the whole way through the territory of Kazakhstan. The charge for a convoy ranges from $26-$260. Fees are also levied for the customs declaration form—$17; an electronic copy of the customs declaration form—$30; the services of customs brokers—$30; and passage over bridges—$2 to $25.

45. **A fee of up to $500 is charged for excess weight.** This prohibitive charge is reportedly applied to trucks even slightly over the limit. The axle weight limit is low by international standards, but Kyrgyz owners complain that their trucks are subject to even lower limits. Because of this restriction, trucks must typically carry a load that is far less than capacity, which reduces their profitability. However, adhering to the weight limit is not a guarantee against paying the fee, because there is considerable confusion at the local level about how the weight restrictions are to be interpreted.

46. **Unofficially, trucks are subject to several charges as they pass through Kazakhstan's territory.** Bribes must reportedly be paid to officials at the oblast level as well as to the customs officers escorting the convoy. The longer the journey through Kazakhstan, the more are the layers of bureaucracy that have to be dealt with, and the greater the fees imposed.

Cost of Restrictions

47. **It is difficult to estimate precisely the cost of transit trade restrictions.** Many fees are not official, the official charges are subject to frequent changes, and often there is confusion on how to interpret the official decrees. A study by the ADB in 2000 concluded that a truck making the journey from Bishkek to Novosibirsk could expect to incur a total cost (excluding fuel and driver's fees) of $1,598. Of this, $1,308, or 82 percent, would be collected in Kazakhstan. Of the cost incurred in Kazakhstan, an estimated 10-15 percent was estimated to be unofficial.

48. **To examine whether these costs are large enough to pose an important impediment to trade, an estimate of the value of the average truckload is needed.** The table below provides a breakdown, by value and tonnage, of Kyrgyz exports to Russia in 2001[12]. From this data, we calculated the sales price per ton of each commodity. Weighting each commodity's price by its tonnage provides an estimate of the sales price for a "representative ton." Accordingly, the value of a representative ton of exports would be $542.

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[11] This fee took effect in January 2002; the earlier fee was $300 per truck.

[12] The table shows the breakdown of exports only for those goods for which quantities are measured in tons (omitting, e.g., cotton cloth, which is measured in linear meters). Such commodities comprised over 75 percent of exports in 2001.

A "Representative Ton" of Exports to Russia in 2001

Product	Tons (000s)	Value ($ millions)	Sales Price per ton ($)	Weights	Weighted Price ($)
Raw tobacco	24.4	21.2	868.9	0.36	314.98
Cotton fiber, uncombed	16.4	12.7	776.7	0.24	189.00
Fruits	18.1	1.3	70.5	0.27	18.91
Fresh tomatoes	2.2	0.5	225.3	0.03	7.47
Other fresh vegetables	2.5	0.5	189.2	0.04	7.10
Onion	3.4	0.2	62.5	0.05	3.19
Dried fruits	0.2	0.1	311.2	0.00	0.91
Other seeds	0.1	0.0	300.0	0.00	0.22
Total	67.3	36.5		1.0	541.8

Source: Kyrgyz authorities; and Fund staff estimates.

49. **Transport costs as a percentage of the sales price of different truckloads of commodities are presented below.** It is assumed that a truck carries 10 tons of cargo. Four individual commodities, which comprise the bulk of total exports to Russia, are examined: tobacco, cotton, fruits, and vegetables. The table presents the transport cost of a "representative truckload" (the representative ton multiplied by ten). "Representative Truckload B" adjusts for the fact that exports to Russia can be carried by either road or rail, and the latter category is excluded.[13]

Percentage Transport Costs for Different Cargos

Items in Truck	Sales Price of Truckload	Kazakh Transport Costs (In percent of price) 1/	Transport Costs that can be Eliminated (In percent of price) 2/
Tobacco	8,686	15	11
Cotton Fiber	7,767	17	13
Fruits	705	186	140
Vegetables 3/	2,073	63	48
Representative Truckload I	5,416	24	18
Representative Truckload II	2,535	52	39

Source: Fund staff estimates.
1/ Based on transport costs in Kazakhstan of $1,308.
2/ Based on an estimate of $986 for transport costs that can be eliminated.
3/ Comprising the categories "Fresh Tomatoes" and "Other Fresh Vegetables."

[13] Data on exports by road and rail are not available at the level of individual commodities, but in 2001 as much as 84 percent of total exports to Russia went by rail, and the balance by road. Because total shipments were 67 million, the total tonnage by road was only about 11 million. It was assumed that in the three largest categories—tobacco, cotton and fruits—only 4 percent of these commodities went by truck, which gives the correct total tonnage. Reweighting then gives the price of the new representative ton as $254.

50. **Based on the ADB study, column 2 of the above table assumes that transport costs within Kazakhstan are $1,308 per truckload.** The higher the price of the commodity per ton, the lower are transport costs in relative terms. The table suggests that the costs are significant (15 percent) even for a cargo of tobacco, the highest priced commodity. At the other end of the price spectrum, for a truckload of fruit the costs are prohibitively large (186 percent). For the two representative truckloads, the costs are estimated at 24 and 54 percent, respectively. Although the methodology is crude, the orders of magnitude suggest that extra transport costs indeed restrict trade. The table also provides estimates of the impact of eliminating $986 of the transport costs per truck. This estimate represents the sum of transit fees of $150, excess weight fees of $500, customs convoy charge of $140, and unofficial charges of $196. The remaining transportation cost for a representative truckload would decline to 6-13 percent of the sales price.

Transport Substitution From Road to Rail

51. **Various restrictions on transit trade appear to apply only to goods transported by road.** This makes transport by rail an attractive option as transport by air is not economical for more than a fraction of goods. The ADB staff compared the cost of transporting two commodities—jam and tomato paste—from Bishkek to Novosibirsk (Table IV-4). The comparison indicates that rail transport is more economical, although it takes longer and thus is not optimal for perishable goods.

52. **There has been significant substitution from road to rail in recent years.** Table IV-5 breaks down, by mode of transport, trade with Russia passing through Kazakhstan. In 1999, almost two thirds of exports to Russia transited through Kazakhstan by road. By 2001, this share had fallen to 16 percent. Also, the share of imports by rail declined from 56 percent in 1999 to 28 percent in 2001.

53. **If substitution between road and rail were costless, then barriers to road transport would be less important.** The main reason that trade restrictions have not led to a complete substitution from road to rail appears to be that rail transport enjoys economies of scale that places small exporters at a significant disadvantage. The low transport costs for rail transport apply only to exporters with enough products to fill a boxcar. Many Kyrgyz exporters do not export sufficiently large amounts for this. Neither are there trading agencies buying wholesale from small producers to fill boxcars. In addition, transport of perishable goods (fruits and vegetables) by rail is not as profitable as by road. Also, railroad capacity constraints (such as the lack of air-conditioned boxcars) impede substitution.

54. **A back-of-the envelope calculation suggests that road transport could become competitive again with the removal of the charges noted in paragraph 50.** The savings of $99 per ton would bring the cost of road transport down to $51 per ton, much closer to the cost of rail transport ($43 per ton), and with the advantage of a shorter delivery time (Table IV-5).

55. **In 1999, Kyrgyz exports to Russia by road and rail combined amounted to $72.3 million.** Given the real appreciation of the ruble against the som of 17.5 percent over the period, and assuming a unitary price elasticity, the change in competitiveness would imply higher exports, that is, $87.5 million in 2001[14]. Since actual exports were only $61 million in 2001, the difference must be explained by other factors, including transit barriers. By this methodology, the impact of such factors amounted to $27.5 million in foregone exports to Russia in 2001. That is, the potential impact of trade restrictions could be as high as 45 percent of exports to Russia. This estimate is based on no impact from income elasticity on demand.

Restrictions on Bilateral Trade

56. **Bilateral trade with Kazakhstan is important, since it is one of the Kyrgyz Republic's largest trade partners.** Although restrictions on bilateral trade are not as severe as those on transit trade, there are areas of concern. For example, seasonal tariffs and anti-dumping measures have been used to protect domestic markets. Since 1999 Kazakhstan has been imposing quotas and anti-dumping tariffs on Kyrgyz cement. In principle, the tariffs have been temporary, but they have recurred in 2001 and 2002; a tariff of 67.3 percent was in place for six months in both years. In 1998, 364 thousand tons of cement were exported, falling to 60 thousand tons in 2001. Since 1998, the value of cement exports declined from $9.6 million to $1.4 million in 2001. This could be compared with an expected value for cement exports of $9.5 million in 2001 based on the methodology described above.[15] Currently, cement exports to Kazakhstan have to be negotiated. According to the most recent agreement, an annual quota of 135,000 tons will be in effect at a price of $24.4 per ton.

57. **Since 1998 Kazakhstan has imposed quantitative and tariff restrictions on clay-slate, butter and dairy fats, alcoholic and non-alcoholic beverages, tobacco and its industrial substitutes, power meters, and roofing materials.** In addition, informal non-tariff barriers are reportedly imposed in border areas, with local authorities refusing access to bazaars for Kyrgyz agricultural products. The data on exports for several items confirms that restrictions have had a substantial effect. For example, exports of raw tobacco fell from $3.3 million in 1998 to $0.5 million in 2001, against an expected value of exports of $3.3 million, while sugar exports fell from $5.5 million in 1999 to $0.5 million in 2001, against an expected export value of $5.5 million.

58. **The Kyrgyz authorities maintain that they have imposed neither tariffs nor quotas on Kazakh products since 1998.** This year, however, a seasonal tariff of 20 percent

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[14] This calculation also takes into account changes in the cross-rates between the som, the ruble and the U.S. dollar.

[15] Based on a real depreciation of the tenge against the som of 3.3 percent and a unitary price elasticity for cement, and changes in the cross-rates.

was set on wheat imports for a period of two months, and a tariff of 20 percent was applied to flour imports for a period of 5 months.

E. Constraints to Trade with Uzbekistan

59. **Uzbekistan is not a member of the Customs Union.** However, trade with Uzbekistan is in principle governed by the terms of the FTA agreement among the CIS countries. Some progress has been made in eliminating tariff restrictions on bilateral trade in recent years.[16] However, according to the Kyrgyz authorities the Uzbek market is largely closed apart from the barter trade in energy, including through high import tariffs on consumer goods. The Uzbek authorities also allegedly restrict their own exports to the Kyrgyz Republic, although Uzbek agricultural products and gasoline can be obtained in Kyrgyz markets such as Osh and Karasu. Recently, the Uzbek authorities cut off the bridge linking Karasu to Uzbek territory, to prevent access of goods to the Karasu bazaar.

60. **Transit trade consists mainly of trucks carrying goods from one part of the Kyrgyz Republic to another through the Kyrgyz territory.** Although the fee of $300 on Kyrgyz trucks in transit was supposedly abolished in 1999, police and border control officials reportedly still impose this fee.

61. **Uzbekistan has a multiple foreign exchange regime, with a large spread between the official rate and the "street" rate.** In November 2002, the official rate was 3 Uzbek sums to the Kyrgyz som, while the street rate was 12.6 sums to the som. Were Uzbekistan to liberalize its foreign exchange regime, Kyrgyz goods (which are mainly traded at the street rate) would become more competitive assuming that the unified rate would be set between the official and street rates.

F. Constraints to Trade with China

62. **The Kyrgyz Republic has relatively free trade links with China.** China's recent membership in the WTO (and the steps it took during the accession process) resulted in lower import tariffs. The average import tariff is 16.4 percent, compared with 30 percent in 1992. Under WTO commitments, China will bring the average tariff further down to 10 percent. However, quotas and high tariffs are imposed on certain goods. Restrictions in two key areas are especially important to Kyrgyz exporters. First, the Kyrgyz Republic used to supply China with significant amounts of mercury (552 tons in 1999, with a value of over $2 million). Upon accession to the WTO, China reduced the tariff rate on this commodity from 8 percent to 5.5 percent. However, mercury is subject to licensing in China, and since 2001 the country has stopped issuing licenses to mercury importers. Imports of mercury are expected to resume after China approves a regulation streamlining the use of mercury by

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[16] In 2001, Uzbekistan abolished the collection of provisional excise taxes on imports from the Kyrgyz Republic.

manufacturing industries. Second, China places quantitative restrictions on the import of cotton fiber, and charges a high tariff of 54 percent on extra-quota imports.

63. **A major constraint to trade with China is the lack of good transportation infrastructure.** A single road, which is in poor repair and tends to be blocked by snow in winter, links the two countries. China's strong growth performance and its WTO membership would suggest that better transportation links could lead to a major expansion in trade. This could compensate to some extent for the loss of trade due to restrictions imposed by Kazakhstan and Uzbekistan. A better transport corridor is being planned to link Osh to Irkistan on the border with China, with financial support from the ADB.

G. Domestic Constraints to Trade

64. **In addition to the restrictions imposed by its neighbors, the Kyrgyz Republic suffers from domestic constraints to trade.** Bureaucratic procedures associated with trade are lengthy and cumbersome. Although the list of items subject to import and export licensing is short, comprising mainly military equipment and hazardous materials, various other kinds of certifications—for quality, safety, point-of-origin, etc.—are still required. Obtaining them is time-consuming, and breeds corruption. Refunds on VAT are another area in which reforms are vital as it can take several months to process refunds.

65. **The customs authorities note that the lack of automation in clearance procedures is a major problem.** All documents pertaining to any consignment are individually checked by the authorities, although the goods themselves are subject only to random sampling. Computerization would greatly speed up clearance procedures. By reducing the margin for human error and corruption, it might also help in eliminating misclassification and undervaluation pf imports, which are believed to be widespread.

H. Conclusions

66. **Trade barriers imposed by the Kyrgyz Republic's neighbors appear to have had a large impact on the country's exports.** This is true both regarding barriers to bilateral trade and restrictions on transit trade. There are also domestic restrictions which negatively affect trade capacity. It appears that many restrictions were imposed in 1998-99, suggesting that they were related to the Russian financial crisis and the subsequent shift in real exchange rates. The Kyrgyz Republic's medium-term objectives of diversifying the export base and using exports as an engine of growth, would be substantially easier to attain if progress were made in eliminating these restrictions.

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Table IV-1: Trade Restrictiveness in BRO Countries, 2002 1/

	Average Tariff	Overall Rating 2/
Armenia	4.0	1
Azerbaijan	10.8	2
Belarus	12.2	8
Estonia	3.1	1
Georgia	10.9	2
Kazakhstan	7.8	4
Kyrgyz Republic	5.1	1
Latvia	4.3	1
Lithuania	5.3	1
Moldova	6.9	1
Russia	10.7	5
Tajikistan	8.0	1
Turkmenistan	0	7
Ukraine	12.7	5
Uzbekistan	15.3	10

Source: Trade Policy Information Database; Kyrgyz authorities; and Fund staff estimates.

1/ The information in this table is the latest available in 2002.
2/ The overall rating consists of a 10-point scale which weighs a country's simple average tariff and the extent of non-tariff barriers. Countries with a scale of 1 to 4 are considered to have broadly open trade regimes. A rating of 5 or 6 indicates moderate trade restrictions. Countries with ratings of 7 to 10 are considered to have restrictive trade regimes.

Table IV-2: Percentage Share of Important Trading Partners in Imports and Exports, 1995-2002 (H1)

	1995	1996	1997	1998	1999	2000	2001	2002 (H1)
				Exports				
Non-CIS	34.2	22.2	47.1	55.1	59.6	58.9	64.6	70.2
China	16.7	7.2	5.2	3.1	5.6	8.7	4.1	8.3
USA	1.0	3.5	3.0	1.5	2.5	0.6	1.5	8.1
Turkey	0.8	1.0	1.3	1.4	1.0	1.4	2.9	3.4
Germany	0.5	0.6	3.0	37.4	32.7	28.7	19.8	0.4
Switzerland	0.4	0.2	26.9	0.2	4.0	6.8	26.1	34.8
CIS	65.8	77.8	52.9	44.9	40.4	41.1	35.4	29.8
Kazakhstan	16.3	22.3	14.4	16.6	9.9	6.6	8.2	6.4
Russia	25.6	26.6	16.4	16.3	15.6	12.9	13.5	16.1
Tajikistan	2.0	1.6	2.1	1.6	2.1	1.5	1.4	1.3
Ukraine	2.0	1.9	0.8	0.9	0.3	0.2	0.6	1.1
Uzbekistan	17.1	22.9	16.8	7.5	10.3	17.7	10.1	3.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
				Imports				
Non-CIS	32.3	41.9	38.6	47.6	56.8	46.1	45.0	43.4
Turkey	7.4	5.7	6.2	4.4	3.8	4.8	3.4	3.0
USA	3.7	4.3	5.6	4.9	9.0	9.7	5.7	6.2
Germany	3.6	3.8	5.4	6.3	7.9	4.5	5.2	4.5
China	1.2	0.9	4.6	5.3	6.2	6.7	10.4	11.1
CIS	67.7	58.1	61.4	52.4	43.2	53.9	55.0	56.6
Kazakhstan	21.5	16.7	9.8	8.9	12.1	10.3	17.5	22.3
Russia	21.9	20.8	26.9	24.2	18.2	23.9	18.2	18.8
Ukraine	0.9	1.5	0.7	0.8	1.1	1.3	1.3	1.3
Uzbekistan	17.0	15.7	18.1	14.5	8.3	13.5	14.3	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kyrgyz authorities.

Table IV-3: Dollar Value of Trade With Four Important Partners, 1995-2002 (H1)

	1995	1996	1997	1998	1999	2000	2001	2002 (H1)
				Imports (In millions of U.S. dollars)				
Kazakhstan	112.5	139.5	69.6	75.3	72.7	57.4	81.8	60.2
Russia	114.3	174.5	190.8	204.1	109.4	132.6	85.1	50.7
Uzbekistan	88.9	131.5	128.6	122.2	50.0	75.1	66.7	30.9
China	6.3	7.8	32.5	44.4	36.9	36.9	48.5	30.1
				Exports (in millions of U.S. dollars)				
Kazakhstan	66.8	112.5	87.1	85.5	45.0	33.4	39.0	15.0
Russia	104.8	134.6	98.8	83.7	70.7	65.1	64.5	38.1
Uzbekistan	70.0	115.8	101.5	38.5	46.6	89.4	48.0	9.2
China	68.5	36.4	31.6	15.7	25.3	44.1	19.4	19.6

Source: Kyrgyz authorities.

Table IV-4: Cost of Transport from Bishkek to Novosibirsk

Commodity	Mode of Transport	Price in KGZ	Transport Cost	Transport Cost in percent of Price in KGZ	Transit Time
Jam	Road	$1 per kg.	$0.15 per kg.	15.0	4-5 days
	Rail	$1 per kg.	$0.043 per kg.	4.3	7-10 days
Tomato Paste	Road	$0.43 per kg.	$0.15 per kg.	34.9	4-5 days
	Rail	$0.43 per kg.	$0.043 per kg.	10.0	7-10 days

Source: Asian Development Bank.

Table IV-5: Transit Trade With Russia by Mode of Transport, 1999-2002

	1999		2000		2001		2002 (Nine months))	
	Mil. Soms	Percent of Imports/ Exports	Mil. Soms	Percent of Imports/ Exports	Mil. Soms	Percent of Imports/ Exports	Mil. Soms	Percent of Imports/ Exports
				Imports				
Rail	2,150.4	43.6	2,623.7	38.9	2,999.1	71.3	3,191.8	83.9
Road	2,786.1	56.4	4,126.7	61.1	1,204.7	28.7	614.3	16.1
				Exports				
Rail	1,039.7	36.7	971.5	40.3	2,469.5	83.7	1,938.5	86.1
Road	1,795.8	63.3	1,436.6	59.7	482.3	16.3	313.5	13.9

Source: Kyrgyz authorities.

V. VAT on Agriculture: The Case of the Kyrgyz Republic[17]

A. Introduction

67. **Weak revenue performance has been a major fiscal challenge for the Kyrgyz Republic and several reforms have aimed at improving taxation.** In 1996, a new tax code was introduced that simplified tax legislation and procedures. In particular, import duties and excises were included in the value added tax (VAT) base, a Large Taxpayer's Unit was established, customs administration was strengthened, greater authority was provided to the State Tax Inspectorate (STI), and the excise tax base was broadened. However, the country's general government tax ratio at 15.8 percent in 2001 remained one of the lowest among the CIS countries where the average tax ratio was 22.5 percent (Table V-1).

68. **One of the main areas where further progress could be made is the VAT—the most significant source of tax revenue.** In 2001, the VAT constituted a third of total government revenues and almost half of tax revenues. The main weaknesses of the present VAT is its limited coverage: exemptions are granted in several sectors, most notably in agriculture which accounts for 35 percent of GDP. Moreover, agricultural processors buying inputs from exempt agricultural producers are entitled to credit on those purchases at a rate of 3 percent. [18] Therefore, one of the main recommendations of the two previous Fund tax policy technical assistance missions (March 1999 and January 2002) was the removal of the VAT exemption on sales of large agricultural producers, along with the associated VAT credit for food processors.

B. Tax Structure in BRO Countries

69. **After the dissolution of the U.S.S.R., new independent states established their own tax systems.** Initially, the new tax laws in most states resembled the laws of the former Soviet Union, but gradually tax systems diverged. While the tax rates, threshold levels, and the number and complexity of exemptions differed, reforms in the late 1990s started to move towards reducing the tax rates (especially in profit, personal income taxes, and payroll taxation) and introducing more exemptions.[19] The introduction of numerous exemptions also complicated tax procedures providing more scope for corruption. Recognizing these shortcomings, the countries took renewed steps to broaden the tax base and reform tax

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[17] Prepared by Gilda Fernandez.

[18] This VAT credit was reduced from 10-12 percent to 5-7 percent in the beginning of 2002, to the current level of 3 percent starting May 2002.

[19] In Georgia, for example, 113 specific code amendments were passed on tax policy for the period 1997 to mid-2001, and frequent adjustments were made to the excise tax rates and the list of VAT exemptions.

administration to improve compliance rates. In many countries, tax ratios improved, but on average, the share of tax revenues in GDP was lower in 2001 than in 1999.

70. **The main sources of revenue in most BRO countries are the VAT, corporate income taxes, personal income taxes, and excise taxes.** The VAT was generally introduced in 1992 at a single rate of 28 percent (Table V-2).[20] At that time, only Latvia and Ukraine adopted preferential rates. Since then, VAT rates have been reduced to about 20 percent and few other countries introduced preferential rates (Belarus, Estonia, Lithuania, Moldova, and Russia) while others shifted back to a single rate (Kazakhstan and Latvia).

Implementation Problems

71. **The BRO countries have encountered several problems while implementing the VAT.** Notably, compliance rates are low, tax fraud is present, and poor law enforcement and widespread tax exemptions narrow the tax base and complicate procedures. Furthermore, VAT arrears are high and poorly specified exemption laws provide loopholes for tax avoidance. Also, the system is unpredictable because of the introduction of frequent amendments including transitional or ad hoc measures to temporarily increase revenues.[21] More generally, there is a clear negative correlation between perceived corruption and overall tax ratios of which the VAT is a significant part.

72. **Most of these problems reflect extensive exemptions.** This stems from the pervasive use of tax policy as a subsidy mechanism to specific industries and sectors rather than as a non-discretionary means to raise revenues. Such exemptions defeat the purpose of the VAT as a neutral tax on final consumption. A properly functioning VAT system should not distort the prices that consumers and producers face. Moreover, exemptions increase administrative costs, provide more opportunities for tax avoidance or evasion, introduce cascading, and weaken the VAT's feature of self-policing.[22] These, in turn, lead to low compliance and poor revenue collection.[23] Indeed, the average VAT collection as a percent

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[20] Lithuania introduced the VAT only in 1994.

[21] For instance, in Ukraine, since the implementation of the VAT in its present form in October 1997, 2000 amendments have been introduced that has increased the complexity of the law and may have contributed to relatively high levels of noncompliance; in Armenia, ad hoc measures to increase revenue such as negotiated tax payments produced very little additional revenue.

[22] One of the desirable features of the VAT is the self-enforcing mechanism which provides an incentive for purchasers to require sellers to correctly report the terms of each taxable transaction since VAT claims of purchasers should be supported by valid tax invoices.

[23] Exemptions granted at an intermediate stage of production lead to cascading and result in higher revenues since part of the value-added is taxed more than once.

of consumption in the CIS countries, while already low before, declined further to 7.4 percent in 1999-2001 from 8.0 percent in 1996-1998 (Table V-3).

C. Treatment of Agriculture Under the VAT

73. **In many countries throughout the world, the agriculture sector benefits from a special VAT treatment.** A large number of countries exempt the agriculture sector.[24] The common reasons cited for exempting agriculture from the VAT include collection difficulties, distributional concerns, the need to assist the poor, tax competition, and political considerations. However, there are feasible and more effective solutions to these problems aside from VAT exemption. For example, collection difficulties are not a problem only in agriculture, but with all small traders. A common solution is to establish an appropriate threshold level to ensure that collections exceed administrative costs. Meanwhile, distributional concerns and political considerations are better advanced through targeted social expenditures that will directly benefit the poor. Moreover, as demonstrated by experiences in countries that apply the standard VAT rate to agriculture (e.g., Chile, Denmark, New Zealand, Finland, and the United Kingdom), these problems can be overcome.

74. **In the CIS and the Baltic countries, agriculture is treated in various ways.** These range from either assigning the standard rate to the entire sector, exempting it altogether, or applying a host of more complicated arrangements (Table V-4). For example, Estonia and Georgia apply the standard rate to the entire agriculture sector. Some countries assign a preferential rate to the entire sector (Moldova and Russia) or assign lower flat-rate schemes to small farmers (Lithuania and Latvia). Others zero-rate or exempt specific agricultural products (Belarus and Moldova). In Ukraine, the standard VAT rate applies to the sector, enterprises can keep their collections and, in addition, are entitled to credit for their inputs. Finally, some countries have exempted the agriculture sector altogether (Armenia, Azerbaijan, the Kyrgyz Republic, and Turkmenistan). Although all countries in this group have above-average shares of the agriculture sector in GDP, the Kyrgyz Republic has by far the largest share at 35 percent (Table V-5).

D. The Kyrgyz Case

75. **The Kyrgyz Republic has a standard VAT rate of 20 percent levied on domestic supplies of registered businesses with turnovers of over soms 300,000 ($6,522) per year.** Exports, agriculture produce, transportation, services, gas and electricity, and supplies to the diplomatic community are taxed at a zero rate.[25] Items exempted from the VAT are shown in

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[24] Ebrill, et al, (2001).

[25] In contrast to exemption where the trader has to pay VAT on inputs without claiming credit for the latter, zero-rating allows a trader to be fully compensated for any VAT paid on inputs.

Table V-6. Among the exempted items, the largest is the agriculture produce. Article 139(3) of the Tax Code exempts from the VAT the supply of agricultural produce grown by agricultural producers. Article 139(4) extends this exemption to farmers that process their own produce. In addition, Article 121(8) states that purchasers of agricultural produce are entitled to a VAT credit equivalent to 3 percent. In other words, small farmers' sales and large farmers' direct sales are VAT-exempt. Processors of agricultural produce and retail shops are not VAT-exempt, and they are allowed to deduct 3 percent of the amount of purchases as VAT credit.

76. **The agriculture sector pays three types of taxes: the land tax, the road tax (only state and collective farms) and farmers' Social Fund contributions equivalent to the land tax rate (which may be payable in kind).**[26] In 2001, total land tax collected from the agriculture sector amounted to som 201 million, or 0.3 percent of GDP (2.2 percent of state tax revenue). Indirectly, the VAT covers part of agricultural produce because agricultural processors and retail shops selling agriculture products are subject to VAT. The Ministry of Finance estimates this indirect VAT collection at som 160 million, or 0.2 percent of GDP. This implies that taxes collected from agricultural produce are only 3.9 percent of total state tax revenue.

77. **There are three important weaknesses in the present VAT system.** The first is the foregone tax revenue from the exemption of agriculture. Since the Kyrgyz Republic is mainly an agriculture economy and agriculture is the least-taxed sector, an effective way to raise revenue is the elimination of the exemption on agriculture. The second weakness is that the current practice penalizes agricultural exports. Since the sector is exempted from the VAT, producers are not entitled to VAT credits on inputs. Imposing VAT on agriculture would provide an incentive to export as exports are zero-rated while sales to the domestic market would carry VAT. Third, there is a need to address the problem of fraudulent invoices in the VAT system.

Revenue Impact of Eliminating the VAT Exemption on Agriculture

78. **What would have been the potential revenue impact of the elimination of the VAT exemption on agriculture in 2001?** Three factors were taken into account: (i) the removal of the 3 percent VAT credit to agricultural processors; (ii) the increase in revenue from improving the 20 percent standard VAT rate to large agriculture producers and 'processors', and domestic direct sales; and (iii) zero-rating of agricultural exports. Data from the 2000 input-output table and from the National Statistics Committee (NSC) were used in the calculations. The details of the calculation are presented in Table V-7.

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[26] In 2002, the land tax rates were: 383.7 soms/hectare for irrigated land, 75.9 soms/hectare for non-irrigated land, 263.6 soms/hectare for land growing perennial plants, 33.9 soms/hectare for hay land, and 14.1 soms/hectare for pastures.

79. **To estimate first the expected revenue gain from the elimination of the 3 percent agricultural credit, it was assumed that 10 percent of total agriculture produce is sold to agricultural processors.**[27] Assuming that 80 percent of agricultural processors use the VAT credit, the amount received by agriculture processors amounted to som 113 million in 2001. The loss of revenue of removing the 3 percent credit would thus amount to 0.2 percent of GDP.[28]

80. **The elimination of the VAT exemption on agricultural production would increase VAT collection from direct sales in the domestic market.** According to the input-output table, 9 percent of the total value of production in agriculture is exported. This amounts to 19 percent of total exports of goods. Deducting this and sales to processors from the total value of production, final direct sales of agricultural produce in the domestic market amounts to som 38 billion. Based on the input-output table, 54 percent of the value of agricultural production represents value-added. Thus, the value-added sold directly in the domestic market amounts to som 21 billion, or 28 percent of GDP in 2001. According to the NSC, about 45 percent of agricultural production comes from very small producers or household plots, and 55 percent is produced in "medium-size" and "large" farms. Assuming that only 35 percent of the "medium and large" farms' production is above the som 300,000 VAT threshold, the taxable value-added would amount to som 4 billion. This implies that the market share of these farms is 19 percent of total direct domestic sales. The potential revenue gain from the removal of the exemption would have been som 794 million, or 1.1 percent of GDP in 2001.

81. **While the removal of the 3 percent VAT credit and elimination of the VAT exemption would increase fiscal revenues, a full VAT deductibility for exporters would reduce VAT receipts.** Assuming that 46 percent of the value of agricultural exports consists of production costs and 50 percent of these costs are subject to the VAT, the VAT claims of exporters would amount to som 195 million, or 0.3 percent of GDP.

82. **The net impact of the above measures at full compliance would amount to 1 percent of GDP.** Assuming a compliance rate of only 50 percent, the revenue increase would be 0.5 percent of GDP. However, if the domestic market share of large agriculture producers (556 farms according to the National Statistical Committee) is 30 percent instead of 19 percent and the compliance rate would be increased to 80 percent, the net revenue impact would be over 1 percent of GDP.

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[27] Based on the input-output table.

[28] This does not take into account the higher VAT credit (5 percent) to the cotton industry.

Estimated Revenue Impact of the VAT on Agriculture, 2001
(In percent of GDP)

		Share of Large Farms' Direct Sales in the Domestic Market to Total Agricultural Production	
		19 percent	30 percent
A.	Elimination of VAT credit	0.2	0.2
B.	20 percent rate on large agricultural producers	1.1	1.7
C.	VAT credit to exports	-0.3	-0.3
Net impact assuming full compliance		1.0	1.6
Net impact assuming 50 per cent compliance		0.5	0.8
Net impact assuming 70 percent compliance		0.7	1.1

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Table V-1. General Government Tax Revenue in BRO Countries, 1999-2001
(In percent of GDP)

Country	1999	2000	2001
Armenia	19.3	17.7	15.5
Azerbaijan	14.2	14.5	14.7
Belarus	40.7	40.9	...
Estonia	35.9	35.4	34.5
Georgia	11.5	11.7	14.3
Kazakhstan	16.4	20.1	22.0
Kyrgyz Republic	**15.9**	**15.1**	**15.8**
Latvia	34.0	31.3	30.3
Lithuania	30.4	28.4	27.4
Moldova	24.8	24.8	24.4
Russian Federation	21.0	24.2	25.8
Tajikistan	11.8	11.4	14.1
Ukraine	32.0	29.7	29.7
Uzbekistan	27.9	26.2	23.7
Average	**24.0**	**23.7**	**22.5**
Average, excluding the Baltic States	**21.4**	**21.5**	**18.2**

Sources: IMF Country Staff Reports and desk economists.

Table V-2. VAT Rates in BRO Countries

Country	Rate at Introduction 1/	Rate at mid-1994	Current Rate
Armenia	28	20	20
Azerbaijan	28	20	18
Belarus	28	25	10, 20
Estonia	10	18	5, 18
Georgia	28	14	20
Kazakhstan	28	0, 13, 20	16
Kyrgyz Republic	**28**	**20**	**20**
Latvia	10, 12, 14	6, 18	18
Lithuania	18	18	5, 6, 18
Moldova	28	20	5, 8, 20
Russian Federation	28	13, 23	10, 20
Tajikistan	28	20	20
Turkmenistan 1/	28	28	20
Ukraine	22, 28	28	20
Uzbekistan	30	20	20
Average	**26.0**	**20.9**	**19.2**

1/ All countries introduced the VAT in January 1992 except Georgia (March 1992) and Lithuania (January 1994)

Sources: IMF Country Staff Reports, Summers, V. (1995), and desk economists.

Table V-3. General Government VAT Collections in BRO Countries, 1996-2001
(in percent of nominal consumption)

Country	Average 96-98	Average 99-01
Armenia	4.3	6.3
Azerbaijan	4.2	4.7
Belarus	...	...
Estonia	11.7	11.3
Georgia	3.9	5.1
Kazakhstan	...	...
Kyrgyz Republic	**5.8**	**5.5**
Latvia	10.4	9.4
Lithuania	9.5	9.0
Moldova	10.5	8.0
Russian Federation	9.0	9.7
Tajikistan	...	3.0
Turkmenistan 1/	...	...
Ukraine	9.7	7.4
Uzbekistan	9.0	8.2
Average	**8.0**	**7.4**

Sources: IMF Country Staff Reports and desk economists.

Table V-4. CIS and Baltic Countries: VAT Rates

	Standard Rate	Other Positive Rates	VAT Rate for Agriculture	Exemptions in Agriculture
Armenia	20.0		...	exempt
Azerbaijan	18.0		...	exempt
Belarus	20.0	10.0	10.0	flowers and decorative plants, and fur animals; services arising in the production of raw materials are zero-rated; 10 percent VAT on value added of enterprises and individual enterpreneurs in farming, animal breeding, fishery, and honey bee production
Estonia	18.0	5.0	18.0	...
Georgia 1/	20.0		20.0	importation of pedigree animals, cultural plants, planting stocks, chemical weed and pest killers, and other means of plant protection used in agriculture according to yearly quotas approved by the Ministry of Finance
Kazakhstan 2/	16.0		...	...
Kyrgyz Republic	20.0		...	exempt
Latvia 3/	18.0		18.0/12.0	12.0 percent flat-rate scheme for small farmers; agricultural services
Lithuania	18.0	5.0, 6.0	18.0/6.0	6.0 percent flat-rate scheme for small farmers
Moldova	20.0	8.0	5.0	importation and sale of plant-growing products in kind and stock-raising products in live weight or carcass weight by producers regardless of their ownership or legal form; import and sale of elite seeds; basic planting stock of vine, plants, and trees
Russia	20.0		10.0	preferential rate for meat and meat products, milk, sour milk, cream cheese, butter, vegetable oil, eggs, bread, sugar, salt, fish, seafood, vegetables, potatoes, baby food, flour, cereals, and pasta
Tajikistan	20.0		20.0	cotton products
Turkmenistan	20.0		...	exempted except cotton
Ukraine 4/	20.0		20.0	sales of agricultural enterprises of products of their own production to certain physical persons; sale of unprocessed milk and meat to processing enterprises by agricultural manufacturers of all types of ownership are zero-rated
Uzbekistan	20.0		20.0	sale of agricultural products of own production are zero-rated

1/ Prior to January 1999, primary agriculture was exempted from the VAT.
2/ On July 1, 2001, the VAT rates of 20 percent (standard rate) and 10 percent (for selected agriculture products) was unified at 16 percent. Instead of paying the VAT, farmers and agricultural producers pay a specific single tax calculated based on either the value of their land or on gross sales.
3/ Small exempt farmers are required to obtain a certificate indicating that they are entitled to the flat-rate compensation.
4/ The agriculture sector is entitled to register for the VAT and to charge the full 20 percent on its outputs, but is permitted to retain the amount collected. The taxpayer is also entitled to claim a credit for VAT on inputs.

Table V-5. Share of Agriculture to GDP in BRO Countries

Country	Year	Percent Share
Armenia	2000	22.5
Azerbaijan	2001	19.0
Belarus	2000	15.3
Estonia	2001	3.3
Georgia	2000	20.0
Kazakhstan	2000	8.1
Kyrgyz Republic	**2001**	**35.3**
Latvia	2000	2.2
Lithuania	2000	9.5
Moldova	2001	23.1
Russian Federation	2001	8.6
Tajikistan	2000	17.4
Turkmenistan 1/	1998	24.5
Ukraine	1999	11.2
Uzbekistan	1999	27.0
Average		**16.5**

Sources: IMF Country Staff Reports

Table V-6. Kyrgyz Republic: Items Exempted from VAT

Items
1. land sales
2. residential buildings and leases
3. agriculture produce
4. financial services
5. passenger transport
6. postal services
7. supply of energy to households
8. supplies by many noncommercial organizations
9. supply of medicines

Source: Kyrgyz authorities.

Table V-7. Calculation of the Revenue Impact of Elimination of VAT Exemption in Agriculture: 2001

Item	Formula	Remarks
A. Elimination of VAT credit		
(1) 35.2 percent		share of agriculture to nominal GDP in 2001
(2) 73883 million soms		estimated nominal GDP in 2001
(3) 26012.6 million soms		nominal GDP of the agriculture sector
(4) 57.9 percent		share of intermediate consumption of agriculture products to total value of production
(5) 47171 million soms		value of total agriculture production
(6) 10 percent		share of agriculture products sold to agriculture processors
(7) 4717 million soms	(6)*(5)	value of trade between agriculture producers and agriculture processors
(8) 80 percent		assumed percent of agriculture producers that are VAT liable
(9) 3 percent		VAT credit to agriculture producers
(10) 113.2 million	(7)*(8)*(9)	amount of credit due to agriculture processors; also equal to the revenue impact of the removal of (9)
B. Elimination of VAT exemption in agriculture		
(11) 9.0 percent		percent of agriculture production that is exported (from the input-output table)
(12) 4245 million soms	(11)/100*(5)	value of agriculture exports
(13) 38209 million soms	(5)-(12)-(7)	value of final domestic sales of agriculture products
(14) 54 percent		share of agriculture value-added to total value of production (from the input-output table)
(15) 20633 million soms	(14)*(13)	value-added in agriculture
(16) 45 percent		assumed share of small producers in agriculture production
(17) 55 percent	100-(16)	share of medium and large producers in agriculture production
(18) 35 percent		assumed percent of total medium and large producers that produce beyond the 300,000 VAT threshold
(19) 20 percent		standard VAT rate
(20) 794.35 million soms	(15)*(17)/100*(18)/100*(19)/100	estimated revenue impact of the removal of the VAT exemption in agriculture
(21) 907.57	(10)+(20)	estimated total revenue impact of the removal of the VAT exemption in agriculture and the 3.0 percent credit
C. VAT credit to exports		
(22) 1952.88 million soms	(12)*(1-(14)/100)	inputs to production
(23) 50 percent		assumed percent of costs subject to VAT
(24) 195.3 million soms	(22)*(23)/100*(19)/100	VAT refund
(25) 712.28 million soms	(21)-(24)	impact net of export refund

Sources: Ministry of Finance, National Statistics Office, and staff estimates.

VI. Macroeconomic Aspects of Resource and Environmental Issues[29]

83. **The Kyrgyz Republic has considerable environmental liabilities from the past which could cause serious problems in the future.** At the same time, efficient management of natural resources provides opportunities to sustain economic growth. Good environmental policy is important also to support the country's broader objectives for better living standards.

A. Mining

84. **The mining sector is an important contributor to the Kyrgyz economy, accounting for almost 40 percent of industrial output and 40 percent of exports.** However, inadequate environmental protection in this sector poses a significant macroeconomic risk. In particular, the Kumtor gold mine—the largest mine in the country—attracted considerable attention following a spill of cyanide in 1998 which negatively affected tourism in the lake Issyk Kul area. More recently, a large landslide significantly curtailed gold production. Although Kumtor has an environmental management system in place, there are concerns about the mine closure and revegetation plans when it shuts down in 2010 as currently expected. The waste deposits (also called tailings) from mining operations, containing mostly cyanide, are located in a moving permafrost zone close to a river-bed and may pose an environmental hazard to the country, including potentially significant clean-up costs.

85. **Audits on the environmental performance of other mining enterprises are either not conducted or not publicly available.** However, the nature of the minerals mined and processed (mercury, antimony, uranium) raises concerns about environmental effects. For example, the laxity of environmental controls at the Kara Balta ore refining facilities and the dust and water contamination from wastes of processed uranium are worrisome (Box 1). The regional authorities responsible for environmental monitoring and supervision generally lack resources and training. The existing legislation does not address environmental issues relating to mine closures. Addressing these environmental liabilities is important for privatization prospects, in order to differentiate between the liabilities of the previous owner (state) and the new owner (private).[30]

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[29] Prepared by Muthukumara Mani.

[30] A number of multinational mining companies have recently come under close scrutiny from civil society for their environmental and social obligations, and hence are wary of undertaking investments which are perceived to be environmentally risky.

Box 1. Former Uranium Mining Sites

The Kyrgyz Republic was a center for the Soviet Union uranium mining and milling industry from the end of the second World War until the late 1970s. Uranium mines have now been closed, but they have left significant environmental liabilities, with more than 100 million cubic meters of mining waste including radionuclides, heavy metals, cyanides and other toxic substances. The tailings—currently 35—are located throughout the country. They were built many years ago and most incorporate outdated technology with little monitoring. According to a recent World Bank study, there also seems to be a serious underestimation of the environmental risks associated with radioactivity of waste. Many sites are located in flood zones and pose regional threat of radioactive contamination over large areas of the Ferghana valley, the densely populated agricultural and politically sensitive region of Central Asia.

Most tailing dumps already appear unstable, causing concern that the release of radioactive material or of other hazardous waste may occur in rivers in case of collapse or erosion. This would have both long-term health and environmental effects. The risk increases every year, especially during the 'spring flooding' season when rainfall coincides with snow melting. Also, the country is located in a moderately seismic zone; floods and earthquakes—especially landslides—could cause serious harm to, or even destruction of tailings. Potential landslides threaten a number of sites (especially the one in Mailuu Suu), which could cause an environmental disaster impacting large areas of Kyrgyzstan, Uzbekistan, and possibly Tajikistan.

A number of studies have focused on the tailings issues especially to evaluate and prepare measures to reduce health risks to the population and to prevent environmental pollution. While in some locations, a few short-term measures could be taken to stabilize impoundments, there are at least 8-10 sites that are threatened by landslides, where tailings security cannot be assured in their present location. Available cost estimates of relocating the highest priority site in Mailuu Suu range from $12 to $25 million per site covering the relocation of the tailings, preparation of a consolidated site and decommissioning of the dam. Cost estimates usually differ depending on whether local or foreign expertise is used. Even decommissioning existing tailing dams is not without risks and alternative sites must be available within a limited distance to minimize leakage and contamination. Temporary remediation of all other sites including annual monitoring costs have been estimated by a World Bank study at around $20-$25 million. The current allocation from the budget for emergency situations is only around $0.3 million. So far the government of Kyrgyz Republic has not been very successful in evoking interest of donors in addressing these problems.

86. **There are also outstanding tax policy issues that need to be addressed in the context of sustainable development, including in the mining sector.** One issue is the application of the Value Added Tax (VAT). According to the Kyrgyz tax code, exports of gold alloy and refined gold are currently exempt from VAT. At the same time, gold producers who operate under particularly advantageous tax arrangements, do not benefit from the VAT refunding on input costs. The non-refunding, however, has both economic and environmental implications. Since the production costs are increased by the VAT, this reduces the profitability prospects of new investments in gold production and hence may deter new investors. The non-refunding also provides existing producers with an incentive to exploit the richest sources first, often to the detriment of the exploitability of the remaining deposits. A normal international practice would be to zero-rate exports and make input costs refundable.

B. The Role of Environmental Taxes and Charges

87. **The growth of cities and towns has brought about several environmental problems, including air and water pollution.** Primary sources of air pollution are thermal power stations, factories, and transportation. Urban transport, though still moderate, is a cause for air pollution because of widespread use of low-grade, leaded gasoline, and old vehicles. Also, there is an acute problem of water pollution of rivers and lakes, and contamination of subsurface water. In 2001, most of solid waste (15 million cubic meters), liquid sewage (11.8 million cubic meters), and toxic waste (over 33 million tons in the last 5 years) went untreated. This has serious consequences on water and soil quality, translating into health risks for the population, reduced man-hours of work, as well as reduced agricultural productivity.

88. **The fundamental legal and regulatory framework for the environment and natural resources was developed in 1997-2001.**[31] However, the regulatory institutions and enforcement mechanisms remain weak. For example, the current system of collection of fees for the use of natural services covers all economic entities. This elaborate system has existed since the Soviet era and is based on various presumptive charges on polluting materials and wastes—not on actual measurement of discharges. The polluter-pay principle does not seem to be in effect as charges are very low and offer little incentive to decrease pollution. Over the years, inflation and a deteriorating financial situation of enterprises have further eroded revenue from the system. The amount collected for 2001 was 0.02 percent of GDP. The fees are collected to a Regional Ecological Fund, of which 25 percent is transferred to the National Ecological Fund. About 70-80 percent of the funds is spent on management including staff salaries, and little if any goes for environmental protection. The off-budget nature of these fees makes it difficult to the Ministry of Finance to monitor the revenue and

[31] Legislation include Laws on Environmental Protection (1999), Air Protection (1999), Environmental Impact Assessment (1999), Biosphere Areas (1999), Fauna (1999), and Protection and Use of Flora (2001).

expenditure of these funds.[32] As a result, environmental investment has been paralyzed and local priorities are not taken into account.

89. **Recognizing the weaknesses of the traditional fee system, many transition economies have opted for more flexible and market-based instruments.** They have introduced environmental taxes on energy and transportation, as well as pollution charges. Environmental taxes are considered attractive because of their promise of "double dividend". In addition to reducing environmental problems, they could increase the overall economic efficiency if these revenues were used to reduce the rates on other, more distortionary taxes. Environmental taxes represent a relatively small, but growing, source of revenue in a number of countries. For example, the Central and Eastern European countries are already using such taxes extensively. Environmental tax revenue, including energy taxes, amount to 7-8 percent of total tax revenues or 2-4 percent of GDP, and there share is increasing. These revenue estimates, excluding the energy taxes, range from 0.1 to 0.8 percent of GDP.

Environmental Taxes in Selected Economies in Transition
(In millions of U.S. dollars)

	Energy	Air Pollution	Water	Transport	Natural Resources (Mining and Conservation)	Wastes	Other	Total	Percent of Tax Revenues	Percent of GDP	Percent of GDP (without energy tax)
Albania	...	...	...	22	...	1	...	23	...	0.6	...
Bulgaria	489	0	1	19	...	...	...	509	15.0	4.1	0.2
Croatia	449	...	...	17	2	...	...	469	6.0	2.3	0.1
Estonia	91	1	5	21	5	3	...	125	9.0	2.4	0.7
Hungary	1,605	2	22	129	61	122	0	1,941	12.0	4.0	0.7
Latvia	...	...	...	...	...	1	...	1	0.1	0.0	...
Lithuania	78	5	1	79	31	...	11	204	8.0	1.9	1.2
Poland	2,487	...	...	105	0	21	...	2,612	6.0	1.7	0.1
Romania	57	0	5	...	...	...	...	62	...	0.2	0.0
Slovakia	...	7	163	...	17	122	...	309	5.0	1.6	...
Slovenia	621	...	18	...	...	...	...	639	8.0	3.2	0.1
Total	5,878	15	213	392	116	269	11	6,894			

Source: IMF FAD database.

[32] A recent audit by the chamber of account for the period 1999-2001 reveals serious and systemic violations of the rule of law especially in the management of Ecological Fund.

90. **In the Kyrgyz Republic, an environmental tax presents a good opportunity, especially as the government is reviewing the phasing out of road and emergency taxes.** The environmental tax could be a unified production tax or a combination on such taxes as tax on motor vehicles, batteries, lubricating oils, packaging, tires, coal ash and others. The objective could be to increase the environmental tax basis (excluding the energy taxes) so that it would generate adequate revenue for environmental protection and at the same time offset revenue shortfall resulting from phasing out the emergency tax.[33] The revenue from such a tax could be earmarked to mitigate critical environmental problems at the local level and the remaining set aside in a 'natural disasters reserve fund'.[34] Over the long-run, more sophisticated forms of environmental tax such as carbon or sulfur taxes directly targeting larger polluters could be considered to complement the regulatory framework (Table VI-1). This would encourage economic entities to take adequate measures for cleaning-up including the adoption of environmentally-friendly technologies.

C. User fees

91. **In addition to scenic Tien Shan mountains and the historic Silk Road, the Kyrgyz Republic has several nature reserves and national parks.** The total area protected amounts to 2 million acres (3.9 percent of the country's territory). These natural habitats provide a number of opportunities for recreation. At present, many of these benefits are not priced, or are priced at very low levels. In effect, there are resource rents to be taxed. The concept that "nature" is a free good (inherited from the Soviet system) has created the expectation of free access to these areas. As a result, these natural preserves are chronically short of funds for conservation and protection. Instituting user fees could generate funds that would help fill this gap.

92. **The literature suggests that foreign visitors are willing to pay considerably more than the fees currently charged (or not charged) for visits to developing country natural areas.**[35] User fees or visitor fees could thus become an important source of income to fund conservation, protection, and visitor impact activities for the protected areas which are currently nothing more than "paper parks." The number of foreign tourists is steadily increasing in the Kyrgyz Republic: non-CIS tourist arrivals increased from 48,000 in 1995 to 70,000 in 2001. Assuming that half of foreign tourists visit at least one park or protected reserve during their stay and assuming a nominal $20 fee, the amount of revenue collected

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[33] Currently, the emergency tax is levied at the rate of 1.5 percent the value of production.

[34] The Kyrgyz Republic is a highly disaster prone country and between 1992 and 1999, over 1210 natural disasters were registered in the country. Disaster management remains a high priority.

[35] Ecotourism, or broadly nature travel, is increasing at 10 to 30 percent annually according to several estimates (UNEP, 2001).

would be about $0.7 million which is almost seven times the amount currently spent on maintenance of parks and reserves.[36] A recent Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)-Agha Khan study estimates an additional revenue potential of $15-20 million per annum from nature-based tourism.

D. Debt-for-Nature Swaps

93. **Debt-for-nature swaps were introduced in a number of countries in the 1980s as a tool to increase environment support while reducing external debt.** A debt swap (or conversion) is a cancellation of external debt in exchange for the debtor government's commitment to mobilize domestic resources for an agreed environmental purpose. These are usually environmental projects covering biodiversity conservation, support for and development of the existing nature reserves, reduction of greenhouse gas emissions and of transborder pollution. Such swaps apply to both bilateral and commercial debt. So far there have been 45 swap programs in 17 countries generating approximately $1 billion worth of debt-for-nature swaps.[37] Usually an international NGO acts as a mediator in the development of prospective projects.

94. **The Kyrgyz Republic, which has one of the highest debt-GDP ratio of any transition economy, also has unique biodiversity assets.** These include species of animals and plants in the list of endangered species (including snow leopard, brown bear, Central Asian mountain goat and Marco Polo lamb). However, their numbers are dwindling due to intensive poaching, habitat fragmentation and destruction. The Department of Protected Areas is resource constrained to seriously address any conservation issues. However, there is considerable interest in the international conservation community in protecting these rather unique resources. An option for debt-for-nature swap arrangements is included in the current Paris club agreement of the rescheduling of the Kyrgyz external debt.

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[36] The only economic instrument applied in the parks and reserves so far is a license fee for hunting.

[37] The most recent swap (June 2002) involved the U.S. cancellation of $14 million in Peruvian Debt payments. The Peruvian government accepted to pay $10.6 million in local currency towards protection of 27.5 million acres covering the Peruvian Amazon.

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Table VI-1. Selected Market Based Instruments and the Scope of their Future Use in the Kyrgyz Republic

Instrument	Expected Impacts from Potential Use
Carbon Tax	Creates incentives to reduce fossil fuel based energy and develop renewable resources. Could become an important source of revenue from potential carbon trading arrangements in the future.
Differential taxes on oil products	A differential tax on leaded gasoline could help phase out their use. A sulfur oil tax would raise revenue which can support switch to low sulfur fuels.
Differential car tax	A tax based on emission potential of vehicles would help reduce demand for old vehicles and thereby have a beneficial environmental effect in cities.
Hazardous waste tax	Charge for proper disposal and treatment of hazardous waste should help cover costs of treatment facilities.
Waste water tax	Current fee is very low. Should be increased to reflect marginal abatement costs. Could reduces the volume of waste and pollution loading of water and thereby reduce the need for investment in treatment. Needs effective monitoring capacity.
Tax on environmentally harmful products (tires, razors, packaging, batteries, light bulbs etc.)	The primary objective is to raise revenue for ultimate handling of the used product. Could also provide an incentive for recycling and reuse in some cases. Relatively easy to collect from producers or importers.
Tax on fertilizers and pesticides	Reduced application is environmentally beneficial. Removal of VAT exemption could be considered.
NOx and SO_2 Tax	Tax can help reduce help reduce emissions. Monitoring has to be good. Not possible immediately.

Source: OECD (1999).

Kyrgyz Republic: Summary of the Tax Structure as of November 30, 2002			
Tax	**Nature of Tax**	**Rates**	**Exemptions**
Income tax	• Comprehensive, encompassing all sources of global income (both monetary and in-kind). • For non-residents, applicable to income earned in the Kyrgyz Republic only. • Tax revenues are allocated to Republican budget (65 percent) and local budgets (35 percent). • After-assessed commodity and material values and received mortgage loans are not included in taxable aggregate income.	• Up to 50 times the minimum wage - 10 percent. • Over 50 times the minimum wage - 20 percent.	*Non-taxable Income* 1. The following types of income are tax exempt: • Inheritance, personal gifts, or humanitarian aids, excluding: • property as compensation for work; • property as payment for services or for implemented commitments; • alimony on children under the current laws; • income transfer as a result of marriage or divorce; • insurance compensations for death; • compensation payments for work and household accidents; • health insurance payment for trauma; • State allowances, stipends, salaries from internships, alimonies, life insurance benefits, , pensions, and unemployment benefits. • Income derived from the extraction of precious metals. • Income from the sale of apartments, residential houses, cars, jewelry, artwork with value of less than 500 minimum wages, income from the sale of livestock, poultry or other animals alive, raw or processed, income from the sale of goods grown in the taxpayer's personal lot, income from the sale of blood. • Allowances received by people working in the Ministry of Internal Affairs, State Security Ministry and Defense Ministry. • lottery winnings; • Interest income, , in-kind gifts from enterprises, emergency financial assistance, moving allowances for workers, separation and severance payments.
			• Housing and food allowances. • Income from agricultural activity during the first two years of the existence of a farm. • Salaries earned abroad within established limits. • Dividends reinvested in an enterprise for technical reconstruction, income from sales of privatization coupons. • Income for performing compulsory military service, for being a hero of social labor, for being invalid, for being a veteran of World War II or the Afghan war.

Kyrgyz Republic: Summary of the Tax Structure as of November 30, 2002			
Tax	**Nature of Tax**	**Rates**	**Exemptions**
Payroll tax	• Levied on wages and salaries. • Consists of contributions to the Pension Fund, Unemployment Fund and Health Insurance Fund. • Collected and managed by the Social Fund.	**Employers**: 25 percent **Employees**: 8 percent *of which:* • 29 percent to the Pension Fund • 1.0 percent to the Unemployment Fund • 1.0 percent to the Social Insurance Fund • 2.0 percent to the Health Insurance Fund	• In the agricultural sector, employers' contribution is 23 percent to the Pension Fund. • Although legally introduced in January 1997, the increased rates for health insurance have not been collected so far.

Kyrgyz Republic: Summary of the Tax Structure as of November 30, 2002			
Tax	**Nature of Tax**	**Rates**	**Exemptions**
Profit tax	• Complex cash basis tax applicable to all legal entities engaged in business activity in Kyrgyz Republic. • Tax Base is defined as total revenue minus total expenses. • Deduction allowed subject to restrictions: (1) Traveling expenses are only deductible within an amount fixed by the Government; (2) Deduction of interest paid on a credit can not exceed the sum of the taxpayer's interest income plus 50 percent of the taxable income; (3) No deduction is allowed for the cost of acquisition or installation of capital assets; and (4) 10 restrictions imposed on the computation of the aggregate income. • Losses can be carried over for five years as a deduction. • **Depreciation**: currently five categories (in percent per year): (1) Automobiles - 30 percent (2) Automotive fleets - 25 percent (3) Depreciable assets and expenses of the same status not included in another category - 20 percent (4) Railroad, sea and river transportation equipment - 10 percent	•20 percent for taxable profit •30 percent for taxable profit of natural monopolies •10 percent for dividends •10 percent on interest income	• Exemptions apply to (1) Non-profit public organizations for income from charity activities, (2) Legal entity in which the blind and the deaf comprise over 70 percent of the total employees; (3) Registered enterprises with foreign capital participation based on the foreign investment law as follows: (a) during the first 5 years for profits from activities in the area of industry or construction; (b) during the first 3 years for profits from mining and processing of natural resources, agriculture, transport or communications; (c) during the first 2 years for tourism, trade, banking or insurance activities. • Tax reductions are available to enterprises with foreign capital invested upon the expiration of exemption period: (1) by 50 percent for reinvested profits; (2) by 25 percent, if no less than 50 percent of manufactured production and services is exported; (3) by 25 percent, if no less than 50 percent of the production is manufactured from imported raw materials; (4) by 25 percent, if no less than 20 percent of the profit is used for professional training.

Kyrgyz Republic: Summary of the Tax Structure as of November 30, 2002			
Tax	**Nature of Tax**	**Rates**	**Exemptions**
VAT	• Credit-invoice method. • Applicable to legal entities. • Turnover threshold for registration: 300,000 soms. • Provision for voluntary registration. • Credit allowed for VAT acquired on material resources (including raw materials and equipment, fuel, spare parts, etc.). Credit arises upon shipment of goods (accrual principle). • Excess credits are carried forward to the next VAT tax period and may be offset against other tax liabilities. • Origin basis for trade with Russia, and destination principle for trade with other countries.	20 percent flat	•**Zero rated**: (1) exports to other CIS countries, and (2) diplomatic privileges. •**Exemptions**: (1) Land and buildings, (2) Financial services, (3) Insurance and pension services, (4) Postal services, (5) Municipal transport services, (6) Privatization, (7) Supplies by non-profit organizations, (8) Gambling , (9) Specified imports goods, (10) Imports by taxable subjects of fixed assets for direct use (11) agricultural supplies (purchasers of agricultural products are entitled to a 3% credit) (12) Food processing (as of Dec 97), (13) Supply of public utilities to households
Right-to-trade	• Local tax	• Ranges from 0-2 percent.	

Kyrgyz Republic: Summary of the Tax Structure as of November 30, 2002			
Tax	**Nature of Tax**	**Rates**	**Exemptions**
Excises	• Cover alcohol beverages, tobacco, coffee, tea, carpets, crystal, electronic goods, jewelry, leather goods, fur, firearms and gas weapons, gasoline and distilled petroleum products. • The taxable base for domestic goods is given by wholesale price excluding other taxes. For imported goods it is the customs value of the goods. • Rates are recalculated quarterly with adjustment for inflation in the procedure determined by the government.	• Vodka: 15 soms/liter • Wine: 10 soms/liter • Spirits: 70 soms/liter • Beer: - Bottled or canned: 3 soms/liter - otherwise -2 soms/liter • Champagne: 20 soms/liter • Cognac: 25 soms/liter • Fermented tobacco: 4 soms/kg • Cigarettes: -with filters: 70 soms/thousand -without filters: 15 soms/thousand • Petroleum products: -benzin: 3,000 soms/ton - jet fuel: 2,000 soms/ton -diesel fuel: 800 soms/ton -heating oil: 600 soms/ton -oils and gas condensate: 1,400 soms/ton -crude oil: 600 soms/ton • crystal: 20 percent • gold: 15 percent	• Exports of excisable goods if exported to CIS countries. • Goods imported by physical persons in limited amounts set by the Government. • For the following imported goods: - Goods necessary for operation of vehicles for international cargoes, transportation etc. - Goods damaged before crossing the border. - Humanitarian assistance - Charity purposes, including technical assistance by the state, government and international agencies. - For use by foreign officials, members of the diplomatic corps. - Goods in transit due to reexport.
Customs duties	• Levied on non-excisable goods.	• 10,000 commodity items: rates are differentiated from 0, 5, 10, and 17.5 percent.	• Goods imported from CIS-countries if produced within the CIS. • Goods produced by companies located in Free Economic Zones. • Imports of property for the use of an enterprise with foreign participation according to the Foreign Investment Law.

Kyrgyz Republic: Summary of the Tax Structure as of November 30, 2002			
Tax	**Nature of Tax**	**Rates**	**Exemptions**
Land tax	• Applicable to physical and legal land users. • 75 percent of the tax obligation is collected during the third and fourth quarter of the current year (before December 25th) from the current year's crop. • 25 percent is collected from the previous year's crop during the first quarter. (before March 25th). • Local taxes.	• For agricultural areas, the amount of the tax is determined based on quality (fertility) of soils, location and area of the land lot • For non-agricultural use areas, the infrastructure and town planning potential is also take into account.	• Tax reduction of 50 percent for areas rated by the Government of the Kyrgyz Republic as difficult lots with unfavorable natural and climatic conditions. • **Exemptions:** - national parks and sites with historical significance or used for cultural purposes etc. - cemeteries. - cattle tracks and cattle stopping places. -land used by enterprises subsidized or financed by the budget. -land used by organizations of invalids, or participants of the war. -land belonging to the Society of the Deaf and the Blind. -land reclaimed for agriculture in a previously barren condition (requiring recultivation) for a period set by the local Kenesh.
Emergency Prevention and Remedy Fund	• Applied to enterprises, associations and organizations as a percentage of turnover.	• 1.5 percent of turnover.	
Road tax	• Applied to enterprises, associations and organizations, based on turnover on manufacturing and construction enterprises, and commodity turnover, for warehouses.	• 0.8 percent of turnover: for manufacturing and construction enterprises. • 0.08 percent of commodities turnover: for warehouses.	
Simplified System of Taxation for Small Businesses	• Applied to small businesses with annual turnover below 3 million soms in place of: **For legal entities:** - profit tax; - Emergency Fund; - tax on car road users; - tax on paid services provided to the population; and - retail sales tax **For individuals:** - income tax	• 5 percent for entities doing business in agricultural products processing, production, or catering. • 6 percent for entities doing business in trade and transportation. • 10 percent for entities providing other services and employed in other areas not listed above.	• businesses subject to the patent tax. • farmers subject to the agricultural land tax. • financial and insurance businesses. • businesses producing excisable goods.
Mandatory Patent System	• Applied to selected hard-to-tax business categories, which include: saunas, casinos, exchange bureaus, billiard halls, parking lots	Fixed nominal amount differentiated by category.	

Table 1. Kyrgyz Republic: Progress in Transition, 1996-2002 1/

	1996	1997	1998	1999	2000	2001	2002
Private sector share of GDP (percent) 2/	40	50	60	60	60	60	60
Enterprises 3/							
Large-scale privatization	4	3	3	3	3	3	3
Small-scale privatization	4	4	4	4	4	4	4
Enterprise restructuring	2	2	2	2	2	2	2
Markets and tradé 4/							
Price liberalization	3	3	3	3	3	3	3
Trade and foreign exchange system	4	4	4	4	4	4	4
Competition policy	2	2	2	2	2	2	2
Financial institutions 5/							
Banking reform and interest ratio liberalization	2	2	3-	3-	2+	2+	2+
Securities markets and non-bank fiscal institutions	2	2	2	2	2	3	4
Infrastructure reform 6/	1+	1+	1+	1+	1+	1+	1+

Source: EBRD Transition Report.

1/ Based on the transition indicators produced by the EBRD, Table 2.1, 2002 Transition Report.

2/ EBRD mid-year estimate.

3/ For enterprises, in general a "1" ranking signals little private ownership or progress while a "4+" signals standards and performance typical of advanced industrial economics.

4/ For markets and trade, a "1" ranking signals extreme controls, while "4+" is typical of standards and performance of advanced industrial countries.

5/ For financial institutes, a "1" ranking signals little progress, while "4+" is typical of standards and performance of advanced industrial countries.

6/ This rating is computed as an average of the reform process in telecommunications, electric power, water and waste water, roads and railways.

Table 2. Kyrgyz Republic: Value Added in the Main Production Sectors, 1996-2002

	1995	1996	1997	1998	1999	2000	2001 2/	2002 1/		
								Q1	Q2	Q3
					(In millions of soms)					
Nominal GDP	16,145	23,399	30,686	34,181	48,744	65,358	72,608	12,470	15,095	28,504
Manufacturing	1,931	2,588	5,077	5,559	10,574	15,261	15,768	3,654	3,383	3,452
Construction	993	1,397	1,385	1,537	1,485	2,493	3,049	290	579	906
Agriculture and forestry	6,568	10,838	12,639	12,324	17,003	22,373	26,055	2,109	3,938	16,136
Transport and communications	732	1,072	1,290	1,535	2,356	2,495	1282 3/	337 3/	337 3/	321 3/
Others	5,922	7,505	10,295	13,226	17,327	22,736	27,736	6,079	6,859	7,689
Services 1/	4,737	5,892	7,939	10,219	13,709	18,180	22,660	5,096	5,428	6,099
Taxes on products	1,184	1,613	2,356	3,007	3,619	4,555	5,075	982	1,430	1,590
					(Percentage change from previous year)					
Real GDP growth	-5	7	10	2	4	5	5	-3	-7	-0
Manufacturing	-25	4	40	5	-4	6	5	-12	-15	-24
Construction	63	0	-17	-28	-2	30	16	-5	-11	-5
Agriculture and forestry	-2	15	12	3	8	3	7	1	-12	4
Transport and communications	-1	10	5	-2	3	6	-3	2 3/	2 3/	0 3/
Others	-10	5	10	7	4	6	3	2	1	4
Services 1/	-5	-2	-0	5	3	6	3	3	3	4
Taxes on products	-5	7	10	2	4	5	5	-3	-6	2
					(In percent of GDP)					
Share of GDP										
Manufacturing	12	11	17	16	22	23	21	29	22	12
Construction	6	6	5	4	3	4	4	2	4	3
Agriculture and forestry	41	46	41	36	35	34	35	17	26	57
Transport and communications	5	5	4	4	5	4	2 3/	3 3/	2 3/	1
Others 1/	37	32	34	39	36	35	38	49	45	27

Source: National Statistical Committee.

1/ Includes: trade and catering; procurement; supplies; information and computing services; real estate; geological; business services; and others.

2/ Preliminary.

3/ Transport and communication used for production.

Table 3. Kyrgyz Republic: Industrial Production by Sectors, 1995-2002
(Volume, percentage change)

	1995	1996	1997	1998	1999	2000	2001 1/				2002 1/		
							Q1	Q2	Q3	Q4	Q1	Q2	Q3
								(cumulative)				(cumulative)	
All industry	-17.8	8.8	39.7	5.3	-4.3	6.0	11.0	6.0	7.1	5.4	-11.9	-13.6	-17.3
Electricity	1.2	11.0	-9.7	-7.3	6.6	13.9	-4.5	-7.5	-7.1	-8.1	-8.4	-12.0	-17.2
Fuel industry	-25.7	-11.2	300.2	21.3	16.1	-15.4	-22.9	-28.0	-12.6	-5.5	-23.0	-21.9	-5.6
Ferrous and nonferrous metallurgy	-16.8	6.5	288.2	22.6	-5.7	7.7	41.6	32.3	22.7	16.1	-24.5	-24.2	-31.3
Chemicals and petrochemical industry	-16.4	0.1	3.7	-44.0	-17.9	53.4	29.9	19.4	-16.8	-18.0	8.9	12.5	30.7
Machine building and metalworking	-16.9	-6.0	-14.1	-1.2	2.7	-5.2	30.0	9.4	16.0	18.9	-8.5	-2.4	-7.8
Forestry, woodworking, pulp and paper industry	-32.8	-27.8	49.8	-11.1	-19.7	16.9	110.7	61.1	53.9	14.2	-36.3	-15.0	2.6
Construction materials	-16.9	25.9	21.9	7.2	-21.9	0.7	41.8	32.0	10.2	1.7	-0.1	-1.3	4.3
Light industry	-36.4	0.7	-13.5	-31.9	7.2	11.5	-18.8	-11.1	-2.3	14.8	49.2	27.5	16.4
Textiles	-36.1	1.0	14.8	-32.1	2.5	-2.0	-19.4	-20.0	-4.8	15.1	55.0	44.2	41.5
Clothing	-47.3	-0.7	-13.1	-10.6	57.0	18.9	-28.6	6.7	2.0	2.1	2.0	-13.8	-7.9
Leather and shoe	-25.4	-1.0	-26.4	-54.2	-37.5	28.8	13.1	-10.4	26.3	28.3	13.1	12.2	-6.0
Food industry	-35.9	-3.0	3.0	11.6	-12.0	3.1	-20.0	-31.3	-13.1	-10.3	6.5	4.2	5.8
Sugar	-66.8	334.8	-46.1	-1.7	-20.3	-18.8	-96.5	-96.5	-18.8	-47.2	946.3	946.3	935.3
Alcoholic beverages	-14.7	-34.8	8.8	17.8	-54.0	40.7	23.8	-9.5	0.4	24.6	23.8	68.0	33.1
Tobacco	-30.8	-9.2	66.2	59.8	9.7	4.8	28.4	20.0	8.9	-6.3	28.4	-27.9	-19.0
Meat	-38.5	-50.9	-46.0	-22.6	13.0	-0.7	-6.9	-2.4	7.0	3.4	-6.9	-3.3	-5.4
Dairy products	-38.0	-31.2	27.1	14.6	-0.5	13.4	3.0	10.9	11.6	14.5	3.0	33.1	29.5
Flour and cereals	-17.0	-1.6	18.0	4.1	-14.0	-2.3	-16.3	-3.9	-2.0	-3.3	-3.2	-7.5	-2.5
Printing and publishing	7.7	14.9	23.1	43.0	-21.8	-7.9	-2.0	-4.5	-3.5	-0.6	4.6	-2.2	3.1

Source: National Statistical Committee.

1/ Over same quarter previous year.

2/ For 1995-96 growth rates are given at comparable prices.

Table 4. Kyrgyz Republic: Output of Selected Industrial and Manufacturing Products, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002 1/		
								Q1	Q2	Q3
Coal (thousand tons)	463	410	522	433	417	425	475	59	80	96
Oil (including condensate) (thousand tons)	89	84	85	77	77	77	76	17	19	19
Natural gas (million m3)	36	26	24	18	25	32	33	10	5	7
Electric engines (AC) (thousand)	49	44	27	14	1	0.8	1	87	71	27
Steel-cutting machines (units)	27	17	44	12	...	3	0	0	0	0
Stamping machines (units)	...	2	10	35	14	6	0	0	0	0
Centrifugal pumps (thousand)	12	7	5	2	0.7	0.7	1	97	71	23
Trucks (thousand)	8	1	12	0	0	0	0	0	0	0
Hay-compacting machines (thousand)	201	17	...	13	6	0	0	0	0	0
Cement (thousand tons)	310	546	658	709	386	453	469	90	160	171
Window glass (million m2)	2	3	2	2	1	0	0	0	0	0
Roofing sheets (millions of pieces)	66	102	129	150	132	138	166	49	57	59
Rugs (thousand m2)	979	768	326	121	33	22	18	3	1	2
Textiles (thousand m2)	23,163	29,253	25,191	16,765	14,033	8,703	8,013	2,414	1,855	674
Shoes (thousand pairs)	755	605	436	196	88	137	189	18	21	21
Stockings and socks (thousand pairs)	8,822	12,601	7,489	5,429	4,146	3,580	4,127	932	564	1877
Washing machines (thousand)	4	3	2	0.1	0	0	0	0	0	0
Light bulbs (millions)	138	157	180	200	213	232	253	79	76	47

Source: National Statistical Committee.

Table 5. Kyrgyz Republic: Agricultural Production, 1995 - 2001

	1995	1996	1997	1998	1999	2000	2001
	(In thousand of tons, except when otherwise noted)						
Grains	913	1,329	1,619	1,619	1,630	1,569	1,824
Wheat	626	964	1,274	1,204	1,109	1,039	1,191
Barley	159	166	152	162	180	150	140
Corn	116	182	171	228	308	338	443
Rice	7	9	12	11	15	19	17
Cotton	75	73	62	78	87	88	98
Sugarbeet	107	190	206	429	536	450	287
Tobacco	18	18	26	28	30	35	24
Vegetable oil crop	20	35	38	44	58	53	59
Potatoes	432	562	678	774	957	1,046	1,168
Vegetables	318	369	479	556	719	747	815
Melons	23	41	38	47	63	65	84
Fruits and berries	67	83	111	103	101	161	159
Grapes	20	14	23	17	18	27	27
Hay	907	956	899	905	908	961	...
Meat (slaughtered)	180	186	186	191	196	196	197
Milk	864	885	912	973	1,064	1,105	1,142
Eggs (millions)	147	160	164	176	193	207	228
Wool	15	12	11	12	12	12	12
	(Percentage change from previous year)						
Grains	-8.3	45.5	21.8	0.0	0.7	-3.8	16.3
Wheat	10.5	54.1	32.1	-5.5	-7.9	-6.3	14.6
Barley	-44.9	4.7	-8.9	6.7	11.3	-16.5	-6.8
Corn	-10.2	56.9	-6.4	33.6	35.3	9.7	30.9
Rice	71.8	37.3	27.2	-6.0	37.3	25.8	-10.5
Cotton	39.3	-1.9	-14.6	24.7	11.7	1.2	11.5
Sugarbeet	-5.9	76.7	8.3	108.9	24.9	-16.1	-36.2
Tobacco	-51.6	1.7	43.6	9.3	6.0	16.1	-30.6
Vegetable oil crop	41.5	73.6	8.3	15.9	32.2	-7.8	10.5
Potatoes	38.8	30.3	20.6	14.1	23.7	9.2	11.7
Vegetables	19.9	15.7	29.9	16.1	29.4	3.8	9.1
Melons	23.3	73.8	-5.4	21.7	34.8	4.0	28.6
Fruits and berries	-14.9	22.9	33.9	-7.3	-1.7	59.8	-1.4
Grapes	11.9	-27.4	59.4	-24.6	5.2	46.4	1.9
Hay	5.8	5.4	-5.9	0.7	0.2	5.9	...
Meat (slaughtered)	-8.8	3.1	0.2	2.8	2.3	0.3	0.3
Milk	-0.8	2.4	3.0	6.7	9.4	3.8	3.3
Eggs	-27.2	8.8	2.7	7.3	9.8	7.5	9.8
Wool	-30.2	-17.6	-6.6	0.9	1.7	0.0	0.0

Source: National Statistical Committee.

Table 6. Kyrgyz Republic: Agricultural and Animal Production by Farm Type, 1997-2001

(In thousands of tons)

	1997				1998				1999				2000				2001			
	State 1/	Farmers	Households	Total	State	Farmers	Households	Total	State	Farmers	Households	Total	State	Farmers	Households	Total	State	Farmers	Households	Total
Agricultural production																				
Grains 2/	674	778	167	1,619	576	856	186	1,619	517	909	205	1,630	373	940	256	1,569	401	1,139	284	1,824
Wheat	561	647	66	1,274	455	676	74	1,204	395	640	74	1,109	294	637	108	1,039	310	761	120	1,191
Barley	84	60	7	152	84	72	6	162	73	100	7	180	40	93	17	150	30	91	19	140
Corn	23	59	89	171	31	96	102	228	41	149	119	308	30	182	126	338	51	253	139	443
Rice	3	7	2	12	3	5	3	11	3	10	3	15	3	13	3	19	3	10	3	16
Cotton	31	31	...	62	28	49	...	78	20	67	0	87	22	66	...	88	18	80	...	98
Sugarbeet	124	74	8	206	182	227	20	429	141	362	33	536	83	333	34	450	74	194	19	287
Tobacco	8	14	3	26	8	17	4	28	6	19	5	30	6	24	6	35	4	16	4	24
Vegetable oil crop	9	21	8	38	10	26	7	44	13	36	10	58	9	34	11	53	9	38	12	59
Potatoes	85	128	466	678	84	173	516	774	124	213	621	957	72	381	593	1,046	85	457	626	1,168
Vegetables	62	120	297	479	66	166	325	556	99	271	350	719	56	302	388	747	75	326	414	815
Melons	12	20	6	38	15	25	6	47	18	36	9	63	15	41	10	65	27	44	12	83
Fruits and berries	21	14	76	111	14	11	78	103	15	13	73	101	20	30	111	161	16	32	111	159
Grapes	10	2	11	23	2	1	14	17	3	2	13	18	9	7	10	27	8	8	11	27
Hay	260	525	115	899	217	569	120	905	194	619	94	908	118	753	90	961	...	...	...	...
Animal production																				
Beef	4	19	72	95	4	25	66	95	3	31	60	95	3	37	61	101	2	42	56	100
Pork	1	1	25	26	1	1	29	30	1	1	27	29	0	2	22	24	0	3	22	26
Sheep	1	13	30	44	1	13	30	44	1	16	30	47	0	17	26	43	0	18	25	44
Chicken	0	0	3	3	0	0	3	4	0	1	4	5	0	1	4	5	0	1	4	5
Horse	1	6	11	18	1	9	9	18	1	9	11	20	0	11	12	24	0	12	12	25
Milk	62	199	651	912	56	250	667	973	47	350	667	1,064	43	397	665	1,105	37	452	654	1,142
Eggs (millions)	2	22	140	164	4	30	142	176	6	44	143	193	6	56	145	207	21	63	144	228
Wool	1	3	8	11	0	3	8	12	0	4	7	12	0	5	7	12	0	5	6	12

Source: National Statistical Committee.

1/ Includes collective farms.

2/ Weight after processing.

Table 7. Kyrgyz Republic: Yields of Major Agricultural Commodities, 1995-2001
(100 Kilogram per hectare)

	1995	1996	1997	1998	1998	1999	2000	2001
Grains	18.1	22.7	24.2	26.0	26.0	26.2	26.4	28.3
Wheat	18.3	22.2	23.7	24.6	24.6	24.3	23.4	24.9
Barley	13.0	16.7	18.8	21.6	21.6	19.7	21.4	20.8
Corn	37.4	43.2	45.9	49.2	49.2	53.0	55.8	59.9
Rice	15.5	17.5	19.3	22.0	22.0	24.5	26.3	27.3
Cotton	22.4	23.1	25.1	24.6	24.6	25.1	26.0	25.9
Sugarbeet	123.1	152.1	180.7	199.7	199.7	203.3	191.4	164.1
Tobacco	20.8	21.1	21.3	22.4	22.4	24.5	23.8	24.9
Vegetable oil	4.6	5.3	6.9	7.9	7.9	8.7	9.2	9.7
Potatoes	99.0	114.0	121.0	131.0	131.0	150.0	150.9	157.0
Vegetables	103.0	113.0	132.0	143.0	143.0	152.0	157.0	165.0
Melons	65.0	83.0	121.0	123.0	123.0	150.0	164.0	161.9
Fruits and berries	20.9	24.1	27.1	25.4	25.4	23.9	37.8	37.0
Grapes	29.6	22.4	31.3	23.0	23.0	24.1	36.5	37.0
Hay	42.6	45.3	49.1	54.0	54.0	48.0	56.7	...

Source: National Statistical Committee.

Table 8. Kyrgyz Republic: Consumer and Producer Prices, 1995-2002 1/

	Consumer Price Index		Producer Price Index	
	Percent change	Index (1994=100)	Percent change	Index (1994=100)
1994 Average 1/		100.0		100.0
1995 Average 1/	43.5	143.5	15.4	115.4
1996 Average 1/	32.0	189.3	27.9	147.6
1997 Average 1/	23.4	233.7	24.3	183.5
1998 Average 1/	10.5	258.1	8.7	199.4
1999 Average 1/	35.9	350.8	52.0	303.2
2000 January	1.9	401.3	5.7	366.0
February	1.1	405.7	1.0	369.7
March	1.4	411.4	2.7	379.8
April	0.4	413.1	4.8	398.1
May	1.4	418.8	0.2	398.8
June	0.7	421.9	-2.4	389.4
July	-1.7	414.5	0.5	391.2
August	-0.5	412.3	0.1	391.6
September	1.0	416.5	3.2	403.9
October	1.4	422.6	0.0	403.7
November	1.1	427.2	2.0	411.9
December	1.0	431.5	1.3	417.4
2000 Average 1/	**18.7**	**416.4**	**29.8**	**393.5**
2001 January	0.9	435.4	-1.1	412.8
February	1.3	441.1	0.5	415.0
March	0.6	443.6	3.4	429.1
April	1.7	450.9	-0.3	427.9
May	2.3	461.2	1.3	433.3
June	-0.9	457.1	0.4	435.2
July	-1.8	448.6	0.1	435.8
August	-2.4	437.9	-0.6	433.1
September	0.0	438.0	0.5	435.2
October	0.4	439.7	-0.6	432.6
November	0.3	441.1	-0.4	430.8
December	1.4	447.4	0.1	431.3
2001 Average 1/	**6.9**	**445.2**	**9.1**	**429.3**
2002 January	0.7	450.6	0.8	434.7
February	0.4	452.5	0.4	436.6
March	-0.1	452.2	1.7	444.1
April	0.5	454.4	1.2	449.3
May	1.3	460.5	1.3	455.2
June	0.2	461.2	2.0	464.2
July	-1.1	456.1	-0.2	463.5
August	-0.7	452.7	-2.4	452.4
September	0.1	453.2	1.5	459.0

Source: National Statistical Committee.

1/ Changes refer to annual average data.

2/ Comsumer price indices are recounted according to international standards.

3/ Producer price indices are based on 2000.

Table 9. Kyrgyz Republic: Energy Prices, 1995-2002 1/
(In soms)

	1995	1996	1997	1998	1999	2000	2001	2002		
								Q1	Q2	Q3
Crude Oil (ton)	644.6	813.6	690.8	1,002.0	1,540.3	2,106.5	2,252.2	2,271.4	2075.26	2105.87
Natural Gas (1000M³)	804.8	837.6	865.4	655.8	1,185.7	1,371.4	1,322.2	1,439.3	1483.73	1243.77
Electricity (1000Kwh)	92.1	131.8	188.0	214.3	309.5	526.6	738.3	766.7	800.00	800.00
Coal (ton)	160.9	183.0	225.4	284.8	344.2	363.3	428.4	449.6	485.55	458.51
Gasoline (ton)	...	...	...	4,427.5	7,046.7	10,457.4	10,532.5	8,409.8	7376.52	9013.50
Diesel (ton)	...	...	...	2,815.8	4,104.2	7,565.1	8,387.5	7,477.7	7449.33	8160.00
Mazut (ton)	...	...	...	1,204.9	1,717.9	1,922.3	1,860.8	2,223.0	2093.67	2226.67

Source: National Statistical Committee.
1/ Producer prices, excluding indirect taxes.

Table 10. Kyrgyz Republic: Nominal and Real Wages, 1995-2002

	Nominal wages (In soms) 1/		Index of real wages (1994=100)	
	Average	Minimum	Average	Minimum
1995 Average 2/	390.3	69.2	117.4	82.9
Average 3/	368.2	...	110.0	...
1996 Average 2/	493.7	75.0	112.8	68.1
Average 3/	490.9	...	111.1	...
1997 Average 2/	630.4	82.5	116.4	60.7
Average 3/	680.2	...	124.7	...
1998 Average 2/	785.2	100.0	131.0	66.6
Average 3/	840.6	100.0	139.6	66.6
1999 Average 2/	976.3	100.0	120.1	49.0
Average 3/	1,049.9	100.0	128.2	49.0
2000 January	977.6	100.0	105.1	42.8
February	1,015.1	100.0	107.9	42.4
March	1,062.8	100.0	111.4	41.7
April	1,036.1	100.0	108.2	41.6
May	1,070.6	100.0	110.3	41.0
June	1,148.2	100.0	117.5	40.7
July	1,198.9	100.0	124.8	41.4
August	1,169.9	100.0	122.4	41.6
September	1,225.8	100.0	126.9	41.2
October	1,275.8	100.0	130.2	40.6
November	1,286.1	100.0	129.7	40.2
December	1,692.8	100.0	169.0	39.8
Average 2/	1,176.6	100.0	123.3	41.3
Average 3/	1,227.0	100.0	126.3	41.3
2001 January	1,202.5	100.0	119.0	39.4
February	1,233.7	100.0	120.5	38.9
March	1,367.0	100.0	132.7	38.7
April	1,295.1	100.0	123.7	38.1
May	1,350.5	100.0	126.0	37.2
June	1,405.8	100.0	132.3	37.5
July	1,431.1	100.0	137.6	38.4
August	1,418.9	100.0	139.8	39.4
September	1,389.6	100.0	136.9	33.6
October	1,395.1	100.0	136.9	33.4
November	1,420.4	100.0	138.9	33.3
December	1,818.1	100.0	175.3	32.9
Average 2/	1,392.7	100.0	134.3	33.0
Average 3/	1,455.1	100.0	140.0	33.0
2002 March	1,423.3	100.0	135.9	38.8
June	1,498.3	100.0	142.0	38.5
September	1,535.2	100.0	145.1	38.7

Source: Kyrgyz authorities; and Fund staff estimates.

1/ The December average wage reflects year-end bonus, typically one month's wage.
2/ Based on the monthly wage statistics.
3/ Based on annual wage statistics with a broader coverage of the sectors than the monthly statistics, particularly with respect to agriculture.

Table 11. Kyrgyz Republic: Wages by Economic Sector, 1996-2002

(In percent of average wage)

	1996	1997	1998	1999	2000	2001	2002		
							Q1	Q2	Q3
Average wage	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industry	150.3	173.8	168.8	193.5	169.5	169.7	167.0	166.9	167.3
Agriculture and forestry	51.6	54.2	48.8	44.2	48.9	49.2	48.1	49.6	49.7
Transport and communication	123.9	119.9	126.4	124.4	140.8	142.6	171.0	161.2	160.3
Construction	158.6	140.6	138.9	148.5	150.9	126.0	124.4	132.2	136.3
Services	85.6	78.9	81.2	75.0	79.1	80.5	77.9	81.2	81.1
Memorandum items:									
Minimum monthly wage	15.3	12.1	11.9	9.5	8.1	6.9	7.0	6.7	6.5
Average pension, year end	50.3	45.1	44.9	36.7	37.6	...	...	...	...

Source: National Statistical Committee.

Table 12. Kyrgyz Republic: Labor Market, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002		
								Q1	Q2	Q3
					(In thousands)					
Economically active population	1,742	1,792	1,792	1,811	1,901	1,913	1,939	...	...	...
Labor force	2,385	2,423	2,457	2,494	2,614	2,687	2,759	...	...	...
Employment										
Number of employed persons	1,642	1,652	1,689	1,705	1,764	1,768	1,787	...	...	...
Of which:										
Forced leave or part-time 1/	...	...	69	59	52	54	52	...	...	...
Private sector employment	1,125	1,197	1,253	1,300	1,371	1,379	1,413	...	...	...
Public secor employment	517	455	437	405	393	390	374	...	...	...
Unemployment										
Number of unemployed persons	50	77	55	56	55	58	61	62	63	62
Of which:										
Unemployment insurance beneficiaries	29	25	20	20	5	6	6	6	7	6
Total unemployment 2/	100	140	103	106	137	144	152	...	...	...
					(In percent)					
Official unemployment rate 3/	2.9	4.3	3.0	3.1	2.9	3.0	3.1	3.2	3.3	3.2
Actual unemployment rate 4/	5.7	7.8	5.7	5.9	7.2	7.5	7.8	...	...	...
Labor force participation rate 5/	73.0	74.0	73.0	72.6	72.7	71.2	70.3	...	...	...
Employment rate 6/	68.8	68.2	68.8	68.4	67.5	65.8	64.8	...	...	...

Source: National Statistical Committee.

1/ Includes those employees on forced vacation on the instruction of their employers and those engaged in part-time employment.
2/ Defined as labor force less total employment.
3/ Ratio of officially unemployed to economically active population.
4/ Ratio of total unemployment to economically active population.
5/ Ratio of economically active population to labor force.
6/ Total employment as a percentage of labor force.

Table 13. Kyrgyz Republic: Employment by Sector, 1995-2001

	1995	1996	1997	1998	1999	2000	2001 (est.)
			(In thousands of workers)				
Total employment	1,642	1,652	1,689	1,705	1,764	1,768	1787
Industry	205	183	172	168	159	142	141
Construction	66	58	57	51	45	43	44
Agriculture and forestry	776	779	816	837	924	939	945
Transport and communication	76	81	79	75	66	63	65
Services	518	551	566	574	570	581	592
			(In percent of total employment)				
Industry	12.5	11.1	10.2	9.8	9.0	8.0	7.9
Construction	4.0	3.5	3.4	3.0	2.6	2.5	2.5
Agriculture and forestry	47.3	47.1	48.3	49.1	52.4	53.1	52.9
Transport and communication	4.7	4.9	4.7	4.4	3.7	3.6	3.6
Services	31.6	33.4	33.5	33.7	32.3	32.8	33.1

Source: National Statistical Committee.

Table 14. Kyrgyz Republic: Privatization by Sector and Type of Property, 1995-2001
(Total number of sold or privatized enterprises) 1/

	1995	1996	1997	1998	1999	2000	2001	2002 end-Aug.
Privatization by sector	5,873	6,184	6,355	6,526	6,676	6,834	6,922	6,982
Industry	461	483	523	527	532	540	542	545
Consumer services	1,896	1,910	1,917	1,933	1,933	1,935	1,936	1,936
Nonproductive sphere	409	426	433	453	496	531	547	561
Trade and catering	1,786	1,867	1,882	1,891	1,896	1,905	1,913	1,913
Agriculture	348	358	358	359	362	367	368	370
Construction	391	413	418	420	425	429	430	430
Transport	134	141	159	163	165	167	167	170
Other branches	448	586	665	780	867	960	1,019	1,057
Privatization by method	5,873	6,184	6,355	6,526	6,676	6,834	6,922	6,982
Conversion to joint stock company	1,429	1,502	1,618	1,651	1,669	1,681	1,684	1,687
Rented for subsequent purchase	75	96	98	106	113	125	127	137
Sale through commercial competition	1,107	1,157	1,162	1,192	1,197	1,197	1,203	1,211
Conversion to limited joint stock company	187	195	200	208	215	220	221	222
Sale to private parties and workers' collectives	2,688	2,779	2,817	2,882	2,985	3,089	3,163	3,191
Auctioned	387	455	460	487	497	513	515	525
Other	0	0	0	0	0	9	9	9

Source: State Property Fund.

1/ Cumulative, excluding privatized housing.

Table 15. Kyrgyz Republic: Balance of Payments 1995-2002 (Q2)
(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 first half	2002 Q1	2002 Q2
Current account balance 1/	-263.8	-440.7	-146.7	-372.0	-199.1	-90.8	-51.1	3.2	-17.8	4.7	-41.2	-12.3	-12.0	-0.2
Trade balance	-122.0	-251.7	-15.2	-220.7	-88.6	4.0	39.9	20.1	11.9	21.5	-13.6	-11.5	-14.8	3.3
Exports, fob	408.9	531.2	630.8	535.1	462.6	510.9	480.3	115.3	109.4	132.3	123.2	244.6	117.0	127.7
CIS countries	269.2	393.9	346.3	252.0	191.5	213.7	172.2	35.7	44.1	59.5	32.9	71.4	34.5	37.0
Energy	45.6	77.9	86.5	28.3	53.1	82.0	51.5	2.5	14.0	33.3	1.8	5.6	3.3	2.3
Other	223.6	315.9	259.8	223.8	138.4	131.7	120.7	33.2	30.2	26.3	31.1	65.9	31.1	34.7
Other countries	139.7	137.3	284.5	283.1	271.0	297.2	308.0	79.6	65.3	72.8	90.3	173.2	82.5	90.7
Of which: Gold	0.0	0.0	184.4	195.8	183.1	195.3	224.6	61.1	49.2	53.9	60.4	91.1	45.3	45.8
Imports, fob	530.9	782.9	646.0	755.7	551.1	506.9	440.4	95.2	97.5	110.8	136.8	256.1	131.7	124.4
CIS countries	313.1	431.1	396.0	391.7	248.7	279.7	250.0	57.2	49.4	63.1	80.3	149.0	80.1	68.9
Energy	163.1	207.7	177.4	173.8	113.2	120.4	116.7	30.2	21.2	25.2	40.0	73.8	48.0	25.7
Other	150.0	223.4	218.5	217.8	135.6	159.3	133.4	26.9	28.2	37.9	40.4	75.2	32.1	43.1
Other countries	217.8	351.7	250.1	364.1	302.4	227.2	190.3	38.0	48.1	47.7	56.5	107.1	51.6	55.5
Of which: Gold (Kumtor)	44.4	77.1	25.0	24.2	45.2	10.7								
Services (net)	-191.4	-257.0	-190.8	-192.0	-163.4	-170.9	-110.1	-21.1	-35.8	-15.9	-37.4	-22.5	-9.4	-13.1
Non-interest service	-156.0	-217.5	-126.1	-112.8	-89.4	-86.9	-44.6	-13.7	-13.5	-4.7	-12.8	2.6	0.3	2.3
Receipts	39.1	31.5	45.0	62.8	64.9	61.8	80.5	14.9	16.8	29.2	19.6	58.5	27.7	30.8
Payments	-195.1	-249.0	-171.1	-175.7	-154.3	-148.8	-125.1	-28.6	-30.3	-33.8	-32.4	-56.0	-27.4	-28.5
Of which: Technical assistance	-48.3	-44.8	-23.3	-19.8	-18.5	-20.4	-21.3	-5.1	-5.2	-5.5	-5.5	-10.6	-5.4	-5.2
Interest payments (scheduled)	-29.7	-34.3	-56.7	-65.7	-67.3	-51.3	-39.4	-4.8	-11.8	-7.3	-15.4	-13.8	-3.7	-10.2
Other net income	-5.7	-5.1	-8.0	-13.4	-6.7	-32.6	-26.2	-2.6	-10.5	-3.9	-9.2	-11.3	-6.0	-5.2
Transfers (net)	49.6	68.0	59.3	40.6	52.8	76.0	19.1	4.2	6.1	-1.0	9.9	21.8	12.1	9.7
Official	80.1	91.1	71.6	51.0	73.9	61.7	34.2	6.7	7.0	10.6	9.9	25.5	13.8	11.7
Private	-30.4	-23.1	-12.4	-10.4	-21.1	14.4	-15.1	-2.5	-1.0	-11.7	0.0	-3.7	-1.7	-2.0
Capital account balance	260.0	362.3	249.9	284.4	220.6	64.3	-9.6	12.8	-14.1	-12.7	4.4	28.3	31.6	-3.3
Commercial banks	-4.5	-0.5	-4.7	10.6	-4.2	-1.9	-12.5	3.3	-2.2	-9.9	-3.7	-4.1	-3.8	-0.3
Medium-and long-term loans, net	192.1	308.5	148.1	105.6	133.3	40.6	-23.6	10.3	-13.8	0.7	-20.8	-14.8	12.4	-27.2
Disbursement	264.4	359.0	163.2	158.6	196.6	131.3	73.6	15.2	22.3	14.2	21.8	32.5	14.2	18.3
Amortization (scheduled)	-72.4	-50.5	-15.1	-52.9	-63.3	-90.7	-97.1	-4.9	-36.1	-13.5	-42.6	-47.3	-1.8	-45.5
Foreign direct investment	96.1	46.8	83.0	86.6	38.4	-6.9	-1.1	10.8	-8.5	11.4	-14.9	-7.4	4.7	-12.2
Other assets 2/	-23.7	7.5	23.5	81.6	53.1	32.5	27.6	-11.7	10.4	-14.9	43.8	54.6	18.3	36.4
Errors and omissions and short-term capital	-78.3	57.9	-57.6	63.6	-3.4	10.3	19.0	-23.3	30.1	2.5	9.7	-20.3	-20.7	0.4
Overall balance	-82.1	-20.5	45.6	-24.0	18.1	-16.2	-41.7	-7.3	-1.8	-5.5	-27.0	-4.3	-1.1	-3.1
Financing	82.1	20.5	-45.6	24.0	-18.1	16.2	41.7	7.3	1.8	5.5	27.0	4.3	1.1	3.1
Net international reserves	48.1	1.8	-48.1	8.5	-41.8	-13.9	-18.4	7.5	1.2	4.8	-31.9	-6.3	-1.5	-4.9
Gross official reserves (- increase) 3/	1.3	-18.1	-82.6	5.9	-61.2	-21.2	-16.3	10.4	6.7	7.7	-41.2	4.1	3.4	0.7
IMF (net)	46.8	19.9	34.4	2.6	19.4	7.3	-2.1	-2.9	-5.5	-2.9	9.3	-10.4	-4.9	-5.6
Purchases and disbursements	46.6	23.5	43.9	14.2	26.8	18.7	14.9	0.0	0.0	0.0	14.9	0.0	0.0	0.0
Repurchases and repayments	0.0	-3.9	-9.5	-11.6	-7.3	-11.4	-17.0	-2.9	-5.5	-2.9	-5.6	-10.4	-4.9	-5.6
Exceptional financing (including arrears)	34.0	18.8	2.6	15.5	23.7	30.1	19.1	-0.2	0.6	0.7	17.9	10.6	2.6	8.0
BOP support loans (ADB) 4/	0.0	0.0	0.0	0.0	0.0	0.0	33.4	0.0	0.0	0.0	33.4	0.0	0.0	0.0
BoP support loans (WB) 4/	0.0	0.0	0.0	0.0	0.0	0.0	7.5	0.0	0.0	0.0	7.5	0.0	0.0	0.0
Financing gap (-) (after fiscal measures)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Kyrgyz authorities; and Fund staff estimates and projections.

1/ Including transfers.
2/ Including accounts payable and receivable.
3/ Valued at end-year exchange rates. Gross reserves exclude NBKR pledges to secure government-guaranteed loans and blocked deposits.
4/ BOP support loans before 2001 are shown as disbursements under the capital account.

Table 16. Kyrgyz Republic: Exports of Goods by Sector, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002 first half
	(In millions of U.S. dollars)							
Total exports 1/	408.9	505.4	603.8	513.6	453.8	504.5	476.2	236.8
Industry	366.1	442.1	558.6	461.1	396.9	457.5	430.8	206.3
Electric energy	41.0	73.6	83.2	25.6	52.0	79.8	46.8	3.5
Oil and gas industry	1.5	2.2	2.3	2.9	1.4	2.5	8.0	16.1
Coal industry	3.1	2.0	1.8	0.5	0.2	0.3	0.3	0.2
Ferrous metallurgy	10.4	6.9	3.0	2.9	1.6	5.4	6.0	2.6
Nonferrous metallurgy	62.7	56.7	216.2	221.0	217.2	233.9	246.0	106.0
Chemical and petrochemical	20.3	13.8	14.8	8.6	6.9	12.4	6.8	8.4
Machine building	44.5	56.2	61.6	70.1	46.8	50.7	57.3	24.1
Lumber and paper	1.8	2.4	3.6	4.6	0.7	1.0	0.6	0.4
Industrial construction materials	11.6	21.8	26.9	24.0	8.2	8.4	8.4	5.2
Light industry	82.5	74.4	60.7	40.8	32.3	43.9	32.1	27.7
Food industry	79.1	127.0	79.6	54.5	19.1	13.6	12.5	7.9
Other industry	7.6	5.2	5.0	5.6	10.4	5.7	6.1	4.3
Agriculture	42.9	63.2	45.2	52.5	56.8	46.9	45.3	30.4
Other	0.0	0.1	0.0	0.0	0.2	0.1	0.1	0.1
	(In percent of total)							
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industry	89.5	87.5	92.5	89.8	87.4	90.7	90.5	87.1
Electric energy	10.0	14.6	13.8	5.0	11.5	15.8	9.8	1.5
Oil and gas industry	0.4	0.4	0.4	0.6	0.3	0.5	1.7	6.8
Coal industry	0.8	0.4	0.3	0.1	0.0	0.1	0.1	0.1
Ferrous metallurgy	2.5	1.4	0.5	0.6	0.3	1.1	1.3	1.1
Nonferrous metallurgy	15.3	11.2	35.8	43.0	47.9	46.4	51.7	44.8
Chemical and petrochemical	5.0	2.7	2.4	1.7	1.5	2.5	1.4	3.5
Machine building	10.9	11.1	10.2	13.6	10.3	10.1	12.0	10.2
Lumber and paper	0.4	0.5	0.6	0.9	0.2	0.2	0.1	0.2
Industrial construction materials	2.8	4.3	4.4	4.7	1.8	1.7	1.8	2.2
Light industry	20.2	14.7	10.0	7.9	7.1	8.7	6.7	11.7
Food industry	19.3	25.1	13.2	10.6	4.2	2.7	2.6	3.3
Other industry	1.9	1.0	0.8	1.1	2.3	1.1	1.3	1.8
Agriculture	10.5	12.5	7.5	10.2	12.5	9.3	9.5	12.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Kyrgyz authorities; and Fund staff estimates.

1/ Data for 1995 and 1996 do not include any estimates of unrecorded exports to other CIS countries due to incomplete coverage.

Table 17. Kyrgyz Republic: Imports of Goods by Sector, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002 first half
				(In millions of U.S. dollars)				
Total imports (c.i.f.) 1/	522.3	837.7	709.3	841.5	599.7	554.6	467.2	270.5
Industry	505.4	809.9	674.7	822.9	568.3	513.7	453.1	258.6
Electric energy •	8.6	26.7	23.8	7.9	2.8	7.6	9.8	4.9
Oil and gas industry	162.6	187.6	175.9	181.5	99.1	110.8	105.5	62.1
Coal industry	17.0	25.1	7.0	17.5	19.6	10.8	6.2	9.6
Ferrous metallurgy	17.8	15.0	9.9	21.6	9.5	11.0	9.6	6.0
Nonferrous metallurgy	11.2	8.7	22.4	30.6	22.9	12.5	24.0	12.9
Chemical and petrochemical	30.1	51.0	59.8	75.5	38.8	48.1	44.4	22.1
Machine building	103.6	230.5	154.0	219.3	202.4	144.9	98.2	61.7
Lumber and paper	19.8	26.2	29.2	35.3	19.1	26.8	20.9	9.5
Industrial construction materials	10.1	15.8	13.3	16.0	11.0	8.7	10.0	4.9
Light industry	23.2	16.6	48.4	60.3	38.6	38.8	32.4	19.9
Food industry	84.3	162.0	83.3	106.6	54.2	46.9	54.8	30.0
Other industry	17.3	44.6	47.7	50.7	50.2	46.7	37.3	14.9
Agriculture	17.0	27.7	34.6	18.6	31.4	40.9	14.2	11.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				(In percent of total)				
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industry	96.7	96.7	95.1	97.8	94.8	92.6	97.0	95.6
Electric energy	1.6	3.2	3.4	0.9	0.5	1.4	2.1	1.8
Oil and gas industry	31.1	22.4	24.8	21.6	16.5	20.0	22.6	23.0
Coal industry	3.3	3.0	1.0	2.1	3.3	2.0	1.3	3.6
Ferrous metallurgy	3.4	1.8	1.4	2.6	1.6	2.0	2.0	2.2
Nonferrous metallurgy	2.1	1.0	3.2	3.6	3.8	2.2	5.1	4.8
Chemical and petrochemical	5.8	6.1	8.4	9.0	6.5	8.7	9.5	8.2
Machine building	19.8	27.5	21.7	26.1	33.8	26.1	21.0	22.8
Lumber and paper	3.8	3.1	4.1	4.2	3.2	4.8	4.5	3.5
Industrial construction materials	1.9	1.9	1.9	1.9	1.8	1.6	2.1	1.8
Light industry	4.4	2.0	6.8	7.2	6.4	7.0	6.9	7.4
Food industry	16.1	19.3	11.7	12.7	9.0	8.5	11.7	11.1
Other industry	3.3	5.3	6.7	6.0	8.4	8.4	8.0	5.5
Agriculture	3.3	3.3	4.9	2.2	5.2	7.4	3.0	4.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Kyrgyz authorities; and Fund staff estimates.

1/ Import data are recorded on a CIF basis and do not incorporate estimates of unrecorded imports.

Table 18. Kyrgyz Republic: Exports of Goods to CIS and Non-CIS Countries, 1995-2002

(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002 first half
Total exports	408.9	505.4	603.8	513.6	453.8	504.5	476.2	236.8
Exports to CIS countries 1/	269.2	393.4	319.3	230.6	183.3	207.4	168.5	70.6
Industry	231.1	345.7	285.7	187.7	135.6	171.8	137.8	53.9
Electric energy	41.0	73.6	83.2	25.6	52.0	79.8	46.8	3.5
Oil and gas industry	1.5	1.9	1.5	2.2	0.9	1.9	4.4	2.0
Coal industry	3.1	2.0	1.8	0.5	0.2	0.3	0.3	0.2
Ferrous metallurgy	3.0	4.5	1.3	1.7	0.3	0.5	0.7	0.2
Nonferrous metallurgy	11.9	22.6	10.4	6.6	2.5	1.3	2.3	0.9
Chemical and petrochemical	9.1	7.9	9.6	5.2	5.5	8.3	5.4	3.8
Machine building	39.5	48.6	49.8	53.7	33.5	39.6	36.4	15.3
Lumber and paper	1.3	2.2	2.8	4.0	0.5	0.6	0.4	0.2
Industrial construction materials	11.4	21.5	26.7	24.0	8.1	8.4	8.3	5.2
Light industry	28.2	38.4	22.7	14.8	14.0	18.8	18.3	15.3
Food industry	74.2	117.7	72.1	45.3	15.6	8.6	10.5	6.1
Other industry	7.0	4.9	3.9	4.2	2.5	3.8	4.0	1.3
Agriculture	38.2	47.7	33.5	42.9	47.5	35.7	30.7	16.7
Other	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Exports to non-CIS countries	139.7	112.0	284.5	283.1	270.5	297.1	307.6	166.2
Industry	135.0	96.4	272.9	273.4	261.3	285.8	293.0	152.5
Ferrous metallurgy	7.4	2.4	1.7	1.2	1.3	4.9	5.3	2.4
Nonferrous metallurgy	50.7	34.1	205.9	214.4	214.8	232.6	243.7	105.1
Chemical and petrochemical	11.2	5.8	5.2	3.4	1.4	4.1	1.4	4.6
Machine building	5.0	7.6	11.8	16.4	13.3	11.1	20.9	8.8
Lumber and paper	0.6	0.2	0.7	0.6	0.3	0.4	0.2	0.1
Industrial construction materials	0.2	0.3	0.2	0.0	0.1	0.1	0.0	0.0
Light industry	54.3	36.1	38.0	26.0	18.3	25.1	13.8	12.4
Food industry	4.9	9.4	7.5	9.2	3.5	5.0	2.0	1.8
Other industry	0.6	0.6	2.0	2.1	8.4	2.5	5.8	17.2
Agriculture	4.7	15.6	11.7	9.7	9.3	11.2	14.5	13.7
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Memorandum items:								
Exports associted with "shuttle trade"	...	...	58.4	42.2	21.9	20.3	28.1	11.5
Included in official statistics	...	...	31.4	20.8	13.2	13.9	24.0	10.4
Estimated (added to official statistics)	...	...	27.0	21.4	8.7	6.4	4.1	1.1

Sources: Kyrgyz authorities; and Fund staff estimates.

1/ Data for 1995 and 1996 do not include any estimates of unrecorded exports to other CIS countries.

Table 19. Kyrgyz Republic: Imports of Goods from CIS and Non-CIS Countries, 1995-2002

(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002 first half
Total imports	522.3	837.7	709.3	841.5	599.7	554.6	467.2	270.5
Imports from CIS (c.i.f.) 1/	353.6	486.9	435.8	440.7	259.3	299.0	257.0	153.1
Industry	349.9	473.6	423.0	428.6	248.8	283.9	245.2	143.1
Electric energy	8.6	26.7	23.8	7.9	2.8	7.6	9.8	4.9
Oil and gas industry	160.0	183.1	172.7	176.1	96.8	107.0	102.4	60.6
Coal industry	17.0	25.1	6.9	17.4	19.6	10.8	6.2	9.6
Ferrous metallurgy	16.3	14.3	9.1	17.0	6.0	10.2	8.5	5.2
Nonferrous metallurgy	10.1	7.1	16.9	25.7	12.8	5.4	11.2	8.9
Chemical and petrochemical	22.7	40.3	41.3	46.8	19.0	27.0	18.6	10.1
Machine building	46.6	69.3	58.0	56.9	39.4	46.8	30.8	16.0
Lumber and paper	15.8	18.6	18.8	21.2	10.0	15.3	12.1	5.1
Industrial construction materials	8.2	10.9	10.6	11.5	7.6	6.5	7.6	3.3
Light industry	16.0	10.7	11.7	5.6	3.0	2.0	1.6	0.6
Food industry	22.2	57.3	41.9	21.2	25.6	30.0	29.2	15.2
Other industry	6.4	10.1	11.2	21.3	6.1	15.3	7.2	3.7
Agriculture	3.7	13.2	12.8	12.0	10.5	15.2	11.8	10.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imports from non-CIS (c.i.f.) 1/	168.8	350.8	273.5	400.8	340.5	255.6	210.3	117.4
Industry	155.5	336.3	251.7	394.2	319.5	229.9	207.9	115.5
Electric energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil and gas industry	2.6	4.5	3.2	5.4	2.3	3.8	3.1	1.5
Coal industry	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Ferrous metallurgy	1.5	0.7	0.8	4.6	3.5	0.8	1.1	0.8
Nonferrous metallurgy	1.1	1.6	5.5	4.9	10.1	7.1	12.8	4.0
Chemical and petrochemical	7.3	10.7	18.6	28.7	19.7	21.1	25.8	12.0
Machine building	57.01	161.21	95.97	162.40	163.02	98.17	67.35	45.75
Lumber and paper	4.0	7.6	10.4	14.1	9.1	11.5	8.9	4.5
Industrial construction materials	1.9	5.0	2.7	4.5	3.4	2.3	2.4	1.6
Light industry	7.2	5.9	36.6	54.7	35.7	36.8	30.8	19.3
Food industry	62.0	104.7	41.4	85.4	28.7	16.9	25.6	14.8
Other industry	10.9	34.5	36.5	29.4	44.1	31.4	30.2	11.2
Agriculture	13.3	14.5	21.8	6.6	21.0	25.7	2.4	1.9
Memorandum items:								
Imports associted with "shuttle trade"	...	...	82.4	100.5	58.3	56.7	50.9	26.5
Included in official statistics	...	...	59.4	72.7	44.8	52.7	46.6	24.4
Estimated (added to official statistics)	...	...	23.0	27.8	13.5	3.9	4.3	2.1

Sources: Kyrgyz authorities; and Fund staff estimates.

1/ Import data are recorded on a CIF basis and do not incorporate estimates of unrecorded imports.

Table 20. Kyrgyz Republic: Direction of Trade, 1995-2002
(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002 first half
				Exports				
Total non-CIS	139.7	112.0	284.5	283.1	270.5	297.1	307.6	166.2
China	68.5	36.4	31.6	15.7	25.3	44.1	19.4	19.6
United Kingdom	27.4	5.3	1.4	1.6	12.4	18.8	14.1	0.8
United States	4.0	17.6	17.9	7.6	11.2	2.8	7.1	19.1
France	3.6	1.8	0.3	7.0	8.2	3.3	1.8	2.5
Turkey	3.2	5.3	8.0	7.4	4.6	7.2	13.8	8.0
Italy	2.9	2.5	2.6	2.6	0.3	1.0	1.4	0.7
Germany	2.1	2.9	18.1	192.2	148.2	144.6	94.4	0.9
Poland	1.3	0.5	1.4	1.0	0.5	0.9	0.4	0.1
Switzerland	1.8	0.9	162.3	1.1	18.1	34.1	124.2	82.5
Other	24.9	38.8	40.9	47.0	41.7	40.3	31.1	32.1
Total CIS	269.2	393.4	319.3	230.6	183.3	207.4	168.5	70.6
Armenia	0.0	0.0	0.0	0.0	60.1	0.9	0.0	0.0
Azerbaijan	2.1	3.2	2.8	2.6	1.5	4.0	2.1	0.4
Belarus	5.0	5.6	8.6	5.3	4.9	3.0	3.2	0.7
Georgia	0.7	0.1	0.6	0.5	0.4	0.2	0.2	0.1
Kazakhstan	66.8	112.5	87.1	85.5	45.0	33.4	39.0	15.0
Moldova	1.0	0.8	0.0	0.2	0.5	0.0	0.3	0.0
Russia	104.8	134.6	98.8	83.7	70.7	65.1	64.5	38.1
Tajikistan	8.3	8.3	12.7	8.3	9.5	7.5	6.7	3.2
Turkmenistan	2.2	3.2	2.6	1.2	2.8	2.7	1.5	1.2
Ukraine	8.3	9.4	4.6	4.7	1.5	1.1	2.9	2.6
Uzbekistan	70.0	115.8	101.5	38.5	46.6	89.4	48.0	9.2
Total exports	408.9	505.4	603.8	513.6	453.8	504.5	476.2	236.8
				Imports				
Total non-CIS	168.8	350.8	273.5	400.8	340.5	255.6	210.3	117.4
Turkey	38.5	47.6	43.7	37.4	23.1	26.8	15.8	8.2
Cuba	22.7	22.1	0.0	12.1	4.1	0.0	0.1	0.0
United States	19.1	35.7	39.6	40.9	54.2	53.8	26.8	16.8
Germany	18.8	31.8	38.4	53.1	47.3	25.2	24.3	12.2
Japan	7.2	12.5	2.7	4.3	12.0	10.3	5.8	2.6
China	6.3	7.8	32.5	44.4	36.9	36.9	48.5	30.1
Canada	5.9	42.5	5.2	14.4	25.4	11.3	10.9	4.2
Other	50.3	150.8	111.4	194.3	137.4	91.3	78.1	43.2
Total CIS	353.6	486.9	435.8	440.7	259.3	299.0	257.0	153.1
Armenia	0.6	0.0	0.3	0.4	0.0	0.0	0.0	0.0
Azerbaijan	3.3	1.4	2.5	7.2	3.4	2.4	0.4	2.2
Belarus	5.0	6.1	10.3	9.6	5.3	3.9	6.0	3.4
Georgia	0.3	1.6	3.1	0.3	0.2	0.1	0.0	0.1
Kazakhstan	112.5	139.5	69.6	75.3	72.7	57.4	81.8	60.2
Moldova	0.2	0.2	0.4	0.0	0.2	0.1	0.3	0.2
Russia	114.3	174.5	190.8	204.1	109.4	132.6	85.1	50.7
Tajikistan	4.8	6.3	10.0	6.4	4.0	1.9	1.5	1.1
Turkmenistan	18.6	13.6	15.5	8.2	7.8	18.7	9.0	0.9
Ukraine	4.9	12.3	4.8	6.9	6.3	7.0	6.2	3.4
Uzbekistan	88.9	131.5	128.6	122.2	50.0	75.1	66.7	30.9
Total imports	522.3	837.7	709.3	841.5	599.7	554.6	467.2	270.5

Source: Kyrgyz authorities.

Table 21. Kyrgyz Republic: Production, Imports, and Exports of Energy Products, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002		
								Q1	Q2	Q3
Natural gas (million m3)										
Domestic production	35.7	25.9	23.7	17.9	25.1	32.2	32.8	9.9	5.7	6.8
Imports	846.6	1,027.3	982.3	1,001.9	576.4	651.9	665.7	291.8	184.5	...
Exports	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	...
Liquefied gas (thousand tons)										
Domestic production	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imports	9.5	16.4	13.5	0.2	8.8	17.6	7.7	1.4	2.1	...
Exports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...
Coal (thousand tons)										
Domestic production	463.0	409.9	521.5	433.0	417.0	424.9	475.0	58.8	79.9	94.9
Imports	499.7	844.5	290.5	806.4	1,075.3	746.4	343.9	650.7	46.5	...
Exports	170.6	100.4	78.0	23.0	10.8	24.2	28.5	17.6	6.4	...
Petroleum products (thousand tons)										
Domestic production										
Crude petroleum	88.5	84.0	84.8	77.1	77.0	77.1	75.5	17.1	19.4	19.4
Gasoline	...	2.8	164.6	53.1	72.5	61.9	47.8	7.0	8.4	11.4
Mazut	...	4.3	37.6	41.1	46.4	44.9	39.8	9.8	10.6	11.7
Diesel fuel	...	5.3	28.1	35.6	53.7	34.0	43.4	6.9	8.0	6.3
Imports										
Crude petroleum	3.0	12.1	70.2	62.4	64.8	20.7	...	2	3.1	...
Gasoline	211.8	174.4	125.6	231.7	158.5	97.0	101.9	30.1	31.1	...
Kerosene	62.2	75.0	41.3	57.2	42.2	40.4	38.7	31.5	29.8	...
Mazut	92.0	165.3	65.5	107.8	36.2	65.4	20.4	16.1	1.6	...
Diesel fuel	133.1	132.6	94.4	82.0	84.4	83.9	95.0	20.7	6.0	...
Exports										
Crude petroleum	24.6	21.1	0.0	0.0	0.0	0.0	...	...	...	...
Gasoline	0.5	0.8	0.3	5.2	0.1	0.2	0.0	...	0.01	...
Kerosene	0.0	0.0	0.0	3.3	3.7	4.4	16.1	17.3	25.8	...
Mazut	0.0	0.0	0.0	0.0	0.0	0.4	2.1	...	...	...
Diesel fuel	0.7	0.1	0.8	1.1	0.5	2.4	0.6	0.01	0.09	...
Electricity (millions of kilowatts per hour)										
Domestic production	12,349	13,758	12,637	11,618	13,159	14,931	13667	4107	1982	2123
Exports	1,622	2,881	2,417	998	2,011	3,153	2164.7	65.9	85.3	...
Imports	254	815	715	394	184	321	322.0	86.8	99.5	...

Source: Kyrgyz authorities.

Table 22. Kyrgyz Republic: Foreign Direct Investment by Country of Origin, 1995-2002 1/
(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002 first half
Total direct foreign investment	96.1	46.8	83.0	109.2	44.4	-2.4	5.0	-7.4
CIS countries	0.3	1.3	2.8	2.5	-1.1	1.3	-1.7	-1.8
Belarus	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.3
Kazakhstan	0.0	0.3	1.4	2.4	-0.7	-0.1	-0.2	-0.9
Russia	0.2	0.8	1.2	-0.6	-0.7	1.0	-0.9	-1.3
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	0.2
Uzbekistan	0.0	0.2	0.2	0.6	-0.2	-0.2	-0.8	0.0
Non-CIS countries	95.8	45.5	80.3	106.7	45.5	-3.7	6.7	-5.5
United States	-0.1	4.4	6.0	25.5	7.0	1.5	-4.7	-4.0
Canada	92.5	19.2	31.3	1.7	4.2	-5.9	-3.1	-7.8
European Union	0.5	3.3	18.4	29.9	26.2	2.6	17.0	-0.7
of which:								
Germany	0.2	0.7	4.4	0.9	12.1	8.2	18.4	5.8
United Kingdom	0.0	0.6	10.2	20.7	11.5	-3.8	-1.3	-0.8
Italy	0.0	0.8	3.0	4.5	2.5	-7.5	-0.5	-6.2
Switzerland	2.0	4.3	0.9	3.1	-1.7	-0.7	-0.3	-0.2
Turkey	0.1	10.9	16.2	10.5	12.7	-3.3	-0.1	0.5
Japan	0.0	0.2	0.5	10.2	0.2	-0.1	-0.5	0.0
India	0.0	0.0	1.1	3.2	-1.5	-0.1	-0.6	-0.5
Pakistan	0.0	0.0	0.3	0.4	0.1	-0.2	0.0	0.0
Malaysia	0.0	0.1	2.1	1.7	0.1	3.0	-0.4	0.0
Others	0.8	2.9	3.6	20.7	0.1	0.3	-0.6	7.2

Source: Kyrgyz authorities.
1/ Flows of FDI from nonresidents to the Kyrgyz Republic (excludes FDI by Kyrgyz residents abroad).

Table 23. Kyrgyz Republic: External Public Debt and Debt Service, 1995-2002 1/

(in millions of US dollars, end-period stock)

	1995	1996	1997	1998	1999	2000	2001	2002	
								Q1	Q2 (proj.)
External public debt									
Debt outstanding	594.1	742.0	904.9	1,177.5	1,358.6	1,520.3	1,441.5	1,429.4	1,501.2
Multilateral	300.9	426.6	584.3	743.2	848.2	942.8	947.1	944.3	1,013.6
Concessional	234.0	343.3	487.4	654.4	748.4	848.2	873.0	872.7	943.5
IDA	139.6	193.5	251.2	328.4	342.5	406.8	388.4	391.6	424.0
PRGF	60.4	83.4	127.2	139.1	159.7	163.6	167.5	163.0	169.9
Others	34.0	66.4	109.0	186.9	246.2	277.8	317.1	318.1	349.6
Non-concessional	66.9	83.3	96.9	88.8	99.8	94.7	74.1	71.6	70.1
IMF	66.6	57.3	49.2	37.8	30.7	24.4	11.8	10.1	8.9
Others	0.3	26.0	47.7	51.0	69.1	70.3	62.3	61.5	61.1
Bilateral	293.2	315.4	320.7	434.3	510.4	577.5	494.4	485.1	487.6
CIS (non-concessional)	176.9	150.0	180.5	208.2	207.8	160.9	178.1	178.1	178.1
Non-CIS	116.3	165.4	140.2	226.0	302.6	416.6	316.3	307.0	309.5
Concessional	78.9	113.6	96.8	133.3	211.1	247.6	255.3	248.2	272.5
Non-concessional	37.4	51.8	43.4	92.7	91.5	169.0	61.0	58.9	37.0
Disbursement									
Disbursements	207.7	180.0	175.6	170.2	232.3	148.0	125.1	8.9	19.4
Multilateral	162.7	134.2	164.4	137.8	159.1	88.4	105.1	8.7	17.6
Concessional	162.7	117.4	162.6	130.7	136.8	80.7	104.7	8.7	17.6
IDA	82.4	57.5	65.4	68.1	21.2	34.4	26.1	5.2	10.4
PRGF	46.3	23.5	43.8	14.2	26.7	18.7	14.9	0.0	0.0
Others	34.0	36.4	53.5	48.3	88.9	27.6	63.7	3.5	7.2
Non-concessional	0.0	16.8	1.7	7.1	22.2	7.7	0.5	0.0	0.0
IBRD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	16.8	1.7	7.1	22.2	7.7	0.5	0.0	0.0
Bilateral	45.0	45.8	11.2	32.5	73.3	59.5	20.0	0.2	1.8
CIS (non-concessional)	0.0	0.0	6.0	6.3	2.7	21.2	0.0	0.0	0.0
Non-CIS	45.0	45.8	5.2	26.2	70.6	38.4	20.0	0.2	1.8
Concessional	37.9	31.2	5.2	26.2	70.6	38.4	16.6	0.2	1.8
Non-concessional	7.1	14.6	0.0	0.0	0.0	0.0	3.3	0.0	0.0
Interest payments	22.2	18.5	20.8	24.9	19.3	23.6	23.8	1.2	4.2
Multilateral	6.4	5.2	9.8	11.7	12.8	13.3	12.4	1.2	3.8
IDA/IBRD	0.6	1.4	1.8	1.9	2.4	2.6	2.9	0.5	0.9
IMF	3.9	3.2	3.1	2.6	2.1	2.1	1.6	0.1	0.5
Others	1.9	0.6	4.9	7.2	8.3	8.7	8.0	0.6	2.3
Bilateral	15.8	13.3	9.4	13.9	9.2	10.3	11.3	0.0	0.5
CIS	13.9	7.5	5.3	5.8	1.8	1.2	4.4	0.0	0.0
Non-CIS	1.9	5.8	4.1	8.1	7.4	9.1	7.0	0.0	0.4
Amortization	37.3	45.5	15.8	23.7	13.3	31.6	47.9	5.9	32.7
Multilateral	0.0	3.9	11.7	15.2	11.8	25.1	26.0	5.9	8.9
IDA/IBRD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	3.9	9.8	11.5	7.4	11.4	17.0	4.9	5.6
Others	0.0	0.0	1.9	3.7	4.3	13.7	9.0	1.0	3.4
Bilateral	37.3	41.6	4.1	8.5	1.5	6.5	21.9	0.0	23.8
CIS	37.3	36.6	3.0	7.3	0.1	1.4	11.6	0.0	0.0
Non-CIS	0.0	5.0	1.1	1.2	1.4	5.1	10.3	0.0	23.8

Sources: Kyrgyz authorities; and Fund staff estimates.

1/ Includes only public and publicly guaranteed debt.

Table 24. Kyrgyz Republic: State Government Finances

	1995	1996	1997	1998	1999	2000	2001	2002 /1		
								Q1	Q2	Q3
					(In millions of soms)					
Total revenue and grants	2,703	3,728	4,973	6,149	8,608	9,896	12,544	2,852	3,311	3,928
Total revenue	2,648	3,527	4,778	5,953	7,612	9,288	11,921	2,597	3,311	3,624
Tax revenue	2,423	2,968	3,847	4,867	5,972	7,676	9,187	2,079	2,460	2,851
Income tax	713	669	685	892	1,151	1,379	2,008	521	426	603
VAT	705	1,250	1,733	1,967	2,000	2,976	4,221	957	1,111	1,338
Excises	432	452	696	1,103	1,572	1,518	1,103	208	272	278
Customs	73	122	278	291	199	275	301	62	111	122
Road tax	217	239	319	422	566	1,059	990	176	290	215
Other	282	236	136	192	485	468	564	155	249	295
Nontax revenue	176	265	805	997	1,491	1,588	2,677	460	842	761
Capital revenue	49	293	126	90	148	24	57	58	8	12
Grants	55	201	195	197	996	608	622	255	0	304
Total expenditure	4,802	5,804	7,795	10,008	14,991	16,262	16,881	3,718	4,590	4,663
Current expenditure	4,031	4,907	6,638	7,764	9,887	10,953	12,966	2,888	3,551	3,429
Wages and social fund contributions	1,528	1,682	2,065	2,630	2,787	3,347	4,301	938	1,270	1129
Transfers and subsidies 2/	1,209	1,391	1,516	1,540	1,538	2,000	2,619	707	795	737
Interest due	68	284	520	715	1,436	1,507	1,228	179	538	158
Foreign interest	59	203	278	423	1,203	1,163	964	118	458	130
Domestic interest (including FINSAC)	9	81	242	292	233	344	264	61	79	29
Purchases of goods and services	1,226	1,549	2,538	2,878	4,126	4,099	4,818	1,064	950	1405
Capital expenditure (including PIP)	771	897	1,157	2,244	5,104	5,309	3,915	831	1,039	1,234
Domestically financed capital expenditure	161	158	207	1,893	526	897	676	140	142	258
of which: domestically financed PIP	...	...	...	...		441	232	78	127	114
Foreign financed PIP	610	739	949	351	4,578	4,412	3,239	691	897	977
Financial balance	-2,099	-2,076	-2,822	-3,859	-6,383	-6,366	-4,337	-866	-1,280	-735
Net lending	556	101	-17	-165	-189	-311	-509	-58	-153	-112
Accrual surplus (+) / deficit (-)	-2,655	-2,195	-2,787	-3,846	-5,664	-6,073	-3,828	-809	-1,126	-624
Total arrears and rescheduling 3/	...	-37	-25	603	-153	-395	155	-89	13	-122
Cash surplus (+) / deficit (-)	-2,788	-2,232	-2,812	-3,242	-5,817	-6,468	-3,673	-897	-1,114	-746
Total financing	-2,788	-2,232	-2,812	-3,242	-5,817	-6,468	-3,673	-897	-1,114	-746
External financing	1,467	1,620	2,451	3,046	7,084	6,235	4,208	747	608	1,040
Public investment program (PIP)	610	739	949	351	4,578	4,412	3,239	691	897	977
Disbursements (BOP support)	1,436	987	1,593	1,123	2,560	2,056	2,007	0	0	0
Total amortization	-579	-188	-169	-254	-168	-1,621	-1,833	-34	-699	-46
Debt rescheduling 4/	...	82	78	225	114	1,389	795	90	411	109
Domestic financing 4/	1,322	497	339	113	-1,385	78	-834	124	493	-323
NBKR	1,252	453	117	76	-1,015	-43	-949	194	453	-393
Others	70	44	222	37	-370	122	115	-70	40	70
Privatization proceeds		116	22	84	118	154	299	27	13	29
Memorandum items:										
Primary surplus (+) / deficit (-)	-2,720	-1,948	-2,292	-2,527	-4,381	-4,961	-2,446	-718	-576	-587
Primary surplus (+) / deficit (-) (accrual basis)	-2,587	-1,911	-2,267	-3,131	-4,228	-4,566	-2,600	-630	-589	-465
Social Expenditure 5/	2,724	3,148	3,695	3,980	4,681	5,388	6,445	1,774	1,969	1,988
Subsidies to Public Enterprises	165	200	153	212	323	446	574	158	202	192
Bonds issued to the NBKR	...	...	529	478	540	...	...	...	...	...
External debt service (accrual basis) 6/	...	...	...	...	...	...	2,797	152	1,157	176
External debt service (cash basis) 6/	646	472	688	969	1,604	3,128	2,003	62	747	66
PIP	610	739	949	351	4,578	4,853	3,471	769	1,024	1,091

Table 24. Kyrgyz Republic: State Government Finances (concluded)

	1995	1996	1997	1998	1999	2000	2001	2002 1/		
								Q1	Q2	Q3
					(In percent of GDP)					
Total revenue and grants	16.7	15.9	16.2	18.0	17.7	15.9	17.0	3.6	4.2	5.0
Total revenue	16.4	15.1	15.6	17.4	15.6	14.9	16.1	3.3	4.2	4.6
Tax revenue	15.0	12.7	12.5	14.2	12.3	12.3	12.4	2.6	3.1	3.6
Income tax	4.4	2.9	2.2	2.6	2.4	2.2	2.7	0.7	0.5	0.8
VAT	4.4	5.3	5.6	5.8	4.1	4.8	5.7	1.2	1.4	1.7
Excises	2.7	1.9	2.3	3.2	3.2	2.4	1.5	0.3	0.3	0.4
Customs	0.5	0.5	0.9	0.9	0.4	0.4	0.4	0.1	0.1	0.2
Road tax	1.3	1.0	1.0	1.2	1.2	1.7	1.3	0.2	0.4	0.3
Other	1.7	1.0	0.4	0.6	1.0	0.8	0.8	0.2	0.3	0.4
Nontax revenue	1.1	1.1	2.6	2.9	3.1	2.6	3.6	0.6	1.1	1.0
Capital revenue	0.3	1.3	0.4	0.3	0.3	0.0	0.1	0.1	0.0	0.0
Grants	0.3	0.9	0.6	0.6	2.0	1.0	0.8	0.3	0.0	0.4
Total expenditure	29.7	24.8	25.4	29.3	30.8	26.1	22.8	4.7	5.8	5.9
Current expenditure	25.0	21.0	21.6	22.7	20.3	17.6	17.5	3.6	4.5	4.3
Wages and social fund contributions	9.5	7.2	6.7	7.7	5.7	5.4	5.8	1.2	1.6	1.4
Transfers and subsidies 2/	7.5	5.9	4.9	4.5	3.2	3.2	3.5	0.9	1.0	0.9
Interest due	0.4	1.2	1.7	2.1	2.9	2.4	1.7	0.2	0.7	0.2
Foreign interest	0.4	0.9	0.9	1.2	2.5	1.9	1.3	0.1	0.6	0.2
Domestic interest (including FINSAC)	0.1	0.3	0.8	0.9	0.5	0.6	0.4	0.1	0.1	0.0
Purchases of goods and services	7.6	6.6	8.3	8.4	8.5	6.6	6.5	1.3	1.2	1.8
Capital expenditure (including PIP)	4.8	3.8	3.8	6.6	10.5	8.5	5.3	1.1	1.3	1.6
Domestically financed capital expenditure	1.0	0.7	0.7	5.5	1.1	1.4	0.9	0.2	0.2	0.3
of which: domestically financed PIP						0.7	0.3	0.1	0.2	0.1
Foreign financed PIP	3.8	3.2	3.1	1.0	9.4	7.1	4.4	0.9	1.1	1.2
Financial balance	-13.0	-8.9	-9.2	-11.3	-13.1	-10.2	-5.9	-1.1	-1.6	-0.9
Net lending	3.4	0.4	-0.1	-0.5	-0.4	-0.5	-0.7	-0.1	-0.2	-0.1
Accrual surplus (+) / deficit (-)	-16.4	-9.4	-9.1	-11.3	-11.6	-9.8	-5.2	-1.0	-1.4	-0.8
Total arrears and rescheduling 3/		-0.2	-0.1	1.8	-0.3	-0.6	0.2	-0.1	0.0	-0.2
Cash surplus (+) / deficit (-)	-17.3	-9.5	-9.2	-9.5	-11.9	-10.4	-5.0	-1.1	-1.4	-0.9
Total financing	-17.3	-9.5	-9.2	-9.5	-11.9	-10.4	-5.0	-1.1	-1.4	-0.9
External financing	9.1	6.9	8.0	8.9	14.5	10.0	5.7	0.9	0.8	1.3
Public investment program (PIP)	3.8	3.2	3.1	1.0	9.4	7.1	4.4	0.9	1.1	1.2
Disbursements (BOP support)	8.9	4.2	5.2	3.3	5.3	3.3	2.7			
Total amortization	-3.6	-0.8	-0.5	-0.7	-0.3	-2.6	-2.5	0.0	-0.9	-0.1
Debt rescheduling 4/		0.3	0.3	0.7	0.2	2.2	1.1	0.1	0.5	0.1
Domestic financing	8.2	2.1	1.1	0.3	-2.8	0.1	-1.1	0.2	0.6	-0.4
NBKR	7.8	1.9	0.4	0.2	-2.1	-0.1	-1.3	0.2	0.6	-0.5
Others	0.4	0.2	0.7	0.1	-0.8	0.2	0.2	-0.1	0.1	0.1
Privatization proceeds		0.5	0.1	0.2	0.2	0.2	0.4	0.0	0.0	0.0
Memorandum items:										
Primary surplus (+) / deficit (-)	-16.8	-8.3	-7.5	-7.4	-9.0	-8.0	-3.3	-0.9	-0.7	-0.7
Social Expenditure 5/	-16.0	-8.2	-7.4	-9.2	-8.7	-7.3	-3.5	-0.8	-0.7	-0.6
Subsidies to Public Enterprises	16.9	13.5	12.0	11.6	9.6	8.7	8.7	2.2	2.5	2.5
Primary surplus (+) / deficit (-) (accrual basis)	1.0	0.9	0.5	0.6	0.7	0.7	0.8	0.2	0.3	0.2
Bonds issued to the NBKR			1.7	1.4	1.1					
External debt service (accrual basis) 6/							3.8	0.2	1.5	0.2
External debt service (cash basis) 6/	4.0	2.0	2.2	2.8	3.3	5.0	2.7	0.1	0.9	0.1
PIP	3.8	3.2	3.1	1.0	9.4	7.8	4.7	1.0	1.3	1.4

Sources: Kyrgyz authorities.

1/ Preliminary data.
2/ The following offset transactions were carried out in 2000, but were not included in the budget: in kind grants worth Som 244 million were received, of which Som 160 million were granted as allowances to the poor, and new housing facilities. Som 84 million were granted to the military. These transactions were reflected in Q3 2001.
3/ It includes interest rescheduled for bilateral loans in 2000. From 2001 onwards, debt rescheduling operations are classified within external financing.
4/ The difference between the programmed financing gap and the actual Paris Club rescheduling during 2002 is due to: (i) the decision to postpone debt buybacks envisaged in the Debt Reduction Strategy; and (ii) changes in debt data as a result of reconciliation.
5/ Includes health, education, social security, social insurance, and housing.
6/ Excluding Kumtor, and debt service by the NBKR and by the state-owned enterprises.

Table 25. Kyrgyz Republic: State Government Revenues, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002 1/		
								Q1	Q2	Q3
					(In millions of soms)					
Total revenue and grants	2,703	3,728	4,973	6,149	8,608	9,896	12,544	2,852	3,311	3,928
Total revenue	2,648	3,527	4,778	5,953	7,612	9,288	11,921	2,597	3,311	3,624
Current revenue	2,599	3,233	4,652	5,863	7,464	9,264	11,864	2,539	3,302	3,612
Tax revenue	2,423	2,968	3,847	4,867	5,972	7,676	9,187	2,079	2,460	2,851
Income tax	713	669	685	892	1,151	1,379	2,008	521	426	603
of which: Personal Income tax	284	288	318	405	546	754	961	296	234	242
Profit tax	415	365	350	452	568	573	994	196	161	318
Domestic taxes on goods and services	1,491	2,037	2,910	3,594	4,256	6,021	6,878	1,496	1,922	
VAT	705	1,250	1,733	1,967	2,000	2,976	4,221	957	1,111	1,338
Retail sales tax 1/	167	114	83	151	187	232	305	90	101	110
Excises	298	246	451	722	1,265	1,518	1,103	208	272	278
Land tax	73	122	278	291	199	179	209	52	44	90
Right-to-trade	6	27	9	1	1	0	0	0	0	0
Road tax	77	80	107	133	184	470	410	72	115	96
Emergency Fund	140	159	212	288	383	589	580	104	175	179
Other 2/	24	39	36	40	38	57	50	13	104	35
Customs	134	206	245	381	307	275	301	62	111	122
Other 3/	84	56	8	0	259	0	0	0	0	0
Nontax revenue	176	265	805	997	1,491	1,588	2,677	460	842	761
Government fees	69	81	101	119	163	...	...	...	...	...
Special resources	0	71	536	611	599	922	1,222	295	377	329
Arrears Collection	60	28	0	12	0	...	...	...	...	...
Other nontax revenue 4/	47	86	168	254	730	...	...	...	...	...
Capital Revenue	49	293	126	90	148	24	57	58	8	12
Grants	55	201	195	197	996	608	622	255	0	304
					(In percent of GDP)					
Total revenue and grants	16.7	15.9	16.2	18.0	17.7	15.9	15.9	3.6	4.2	5.0
Total revenue	16.4	15.1	15.6	17.4	15.6	14.9	15.1	3.3	4.2	4.6
Current revenue	16.1	13.8	15.2	17.2	15.3	14.9	15.0	3.2	4.2	4.6
Tax revenue	15.0	12.7	12.5	14.2	12.3	12.3	11.6	2.6	3.1	3.6
Income tax	4.4	2.9	2.2	2.6	2.4	2.2	2.5	0.7	0.5	0.8
of which: Personal Income tax	1.8	1.2	1.0	1.2	1.1	1.2	1.2	0.4	0.3	0.3
Profit tax	2.6	1.6	1.1	1.3	1.2	0.9	1.3	0.2	0.2	0.4
Domestic taxes on goods and services	9.2	8.7	9.5	10.5	8.7	9.7	8.7	1.9	2.4	0.0
VAT	4.4	5.3	5.6	5.8	4.1	4.8	5.3	1.2	1.4	1.7
Retail sales tax 1/	1.0	0.5	0.3	0.4	0.4	0.4	0.4	0.1	0.1	0.1
Excises	1.8	1.5	2.8	4.5	7.8	9.4	6.8	1.3	1.7	1.7
Land tax	0.5	0.8	1.7	1.8	1.2	1.1	1.3	0.3	0.3	0.6
Right-to-trade	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road tax	0.5	0.5	0.7	0.8	1.1	2.9	2.5	0.4	0.7	0.6
Emergency Fund	0.9	1.0	1.3	1.8	2.4	3.6	3.6	0.6	1.1	1.1
Other 2/	0.1	0.2	0.2	0.2	0.2	0.4	0.3	0.1	0.6	0.2
Customs	0.8	1.3	1.5	2.4	1.9	1.7	1.9	0.4	0.7	0.8
Other 3/	0.5	0.3	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0
Nontax revenue	1.1	1.1	2.6	2.9	3.1	2.6	3.4	0.6	1.1	1.0
Government fees	0.4	0.3	0.3	0.3	0.3	...	...	...	...	...
Special resources	0.0	0.3	1.7	1.8	1.2	1.5	1.5	0.4	0.5	0.4
Arrears Collection	0.4	0.1	0.0	0.0	0.0	...	...	...	...	...
Other nontax revenue 4/	0.3	0.4	0.5	0.7	1.5	...	...	...	...	...
Capital revenue	0.3	1.3	0.4	0.3	0.3	0.0	0.1	0.1	0.0	0.0
Grants	0.3	0.9	0.6	0.6	2.0	1.0	0.8	0.3	0.0	0.4
					(In percent of total)					
Total revenue and grants	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total revenue	98.0	94.6	96.1	96.8	88.4	93.9	95.0	91.1	100.0	92.3
Tax revenue	89.7	79.6	77.4	79.1	69.4	77.6	73.2	72.9	74.3	72.6
Income tax	26.4	17.9	13.8	14.5	13.4	13.9	16.0	18.3	12.9	15.3
of which: Personal Income tax	10.5	7.7	6.4	6.6	6.3	7.6	7.7	10.4	7.1	6.2
Profit tax	15.3	9.8	7.0	7.4	6.6	5.8	7.9	6.9	4.9	8.1
Domestic taxes on goods and services	55.2	54.6	58.5	58.5	49.4	60.8	54.8	52.5	58.1	0.0
VAT	26.1	33.5	34.8	32.0	23.2	30.1	33.7	33.6	33.5	34.1
Retail sales tax 1/	6.2	3.1	1.7	2.5	2.2	2.3	2.4	3.1	3.0	2.8
Excises	11.0	9.1	16.7	26.7	46.8	56.2	40.8	7.7	10.1	10.3
Land tax	2.7	4.5	10.3	10.8	7.4	6.6	7.7	1.9	1.6	3.3
Right-to-trade	0.2	1.0	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Road tax	2.9	2.9	4.0	4.9	6.8	17.4	15.2	2.7	4.3	3.6
Emergency Fund	5.2	5.9	7.8	10.7	14.2	21.8	21.5	3.9	6.5	6.6
Other 2/	0.9	1.5	1.3	1.5	1.4	2.1	1.9	0.5	3.8	1.3
Customs	5.0	7.6	9.1	14.1	11.3	10.2	11.2	2.3	4.1	4.5
Other 3/	3.1	2.1	0.3	0.0	9.6	0.0	0.0	0.0	0.0	0.0
Nontax revenue	6.5	7.1	16.2	16.2	17.3	16.1	21.3	16.1	25.4	19.4
Government fees	2.5	2.2	2.0	1.9	1.9	...	...	...	...	...
Special resources	0.0	1.9	10.8	9.9	7.0	9.3	9.7	10.4	11.4	8.4
Arrears Collection	2.2	0.7	0.0	0.2	0.0	...	...	...	...	...
Other nontax revenue 4/	1.8	2.3	3.4	4.1	8.5	...	...	...	...	...
Capital revenue	1.8	7.9	2.5	1.5	1.7	0.2	0.5	2.0	0.3	0.3
Grants	2.0	5.4	3.9	3.2	11.6	6.1	5.0	8.9	0.0	7.7
Memorandum item:										
Nominal GDP	16,146	23,400	30,684	34,181	48,744	62,203	79,123	79,123	79,123	79,123

Sources: Kyrgyz authorities.

1/ Abolished as of January 1997, became a local tax.
2/ Includes mineral taxes, water fees and forest fees.
3/ Includes social protection tax in 1994 and productive property tax.
4/ Includes automobile registration, penalties, and sanctions.

Table 26. Kyrgyz Republic: State Government Expenditure by Functional Classification, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002		
								Q1	Q2	Q3
					(In millions of soms)					
Total expenditures 1/	4,748	5,166	6,829	9,492	10,224	11,539	13,133	2,969	3,541	3,650
General public services	362	555	835	984	1,267	2,003	2,106	342	503	522
Defense	237	291	461	474	808	1,173	983	164	198	258
Public order and safety affairs	334	404	472	412	459	727	751	192	202	225
Education	1,051	1,228	1,475	1,632	1,892	2,303	2,849	671	873	780
Health	590	738	886	990	1,122	1,304	1,378	331	341	391
Social security and welfare affairs	899	885	1,059	983	1,198	1,115	1,417	563	499	509
Social insurance	796	799	876	758	772	519	1,108	497	406	421
Social security	104	86	182	225	426	595	310	66	93	88
Housing and community services	183	296	275	375	469	667	800	208	257	309
Recreational, cultural and religious activities	127	126	144	188	293	339	295	63	83	121
Energy complex (electricity production)	1	0	1	146	77	23	244	19	42	146
Agriculture, water resources, forestry	171	195	236	350	361	477	608	115	163	180
Mining and mineral resources	61	59	70	67	98	85	103	9	35	40
Transportation and communication	70	103	176	232	524	465	417	99	187	159
Other economic affairs and services	50	35	182	54	38	48	50	5	11	10
Other	611	251	558	2,607	1,619	812	1,132	186	148	...
					(In percent of GDP)					
Total expenditures	29.4	22.1	22.3	27.8	21.0	18.6	17.8	3.8	4.5	4.6
General public services	2.2	2.4	2.7	2.9	2.6	3.2	2.8	0.4	0.6	0.7
Defense	1.5	1.2	1.5	1.4	1.7	1.9	1.3	0.2	0.2	0.3
Public order and safety affairs	2.1	1.7	1.5	1.2	0.9	1.2	1.0	0.2	0.3	0.3
Education	6.5	5.2	4.8	4.8	3.9	3.7	3.9	0.8	1.1	1.0
Health	3.7	3.2	2.9	2.9	2.3	2.1	1.9	0.4	0.4	0.5
Social security and welfare affairs	5.6	3.8	3.5	2.9	2.5	1.8	1.9	0.7	0.6	0.6
Social insurance	4.9	3.4	2.9	2.2	1.6	0.8	1.5	0.6	0.5	0.5
Social security	0.6	0.4	0.6	0.7	0.9	1.0	0.4	0.1	0.1	0.1
Housing and community services	1.1	1.3	0.9	1.1	1.0	1.1	1.1	0.3	0.3	0.4
Recreational, cultural and religious activities	0.8	0.5	0.5	0.5	0.6	0.5	0.4	0.1	0.1	0.2
Agriculture, water resources, forestry	0.0	0.0	0.0	0.4	0.2	0.0	0.3	0.0	0.1	0.2
Mining and mineral resources	1.1	0.8	0.8	1.0	0.7	0.8	0.8	0.1	0.2	0.2
Transportation and communication	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.1
Other economic affairs and services	0.4	0.4	0.6	0.7	1.1	0.7	0.6	0.1	0.2	0.2
Other	0.3	0.1	0.6	0.2	0.1	0.1	0.1	0.0	0.0	0.0
	3.8	1.1	1.8	7.6	3.3	1.3	1.5	0.2	0.2	...
					(In percent of total)					
Total expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General public services	7.6	10.8	12.2	10.4	12.4	17.4	16.0	11.5	14.2	14.3
Defence	5.0	5.6	6.8	5.0	7.9	10.2	7.5	5.5	5.6	7.1
Public order and safety affairs	7.0	7.8	6.9	4.3	4.5	6.3	5.7	6.5	5.7	6.2
Education	22.1	23.8	21.6	17.2	18.5	20.0	21.7	22.6	24.6	21.4
Health	12.4	14.3	13.0	10.4	11.0	11.3	10.5	11.2	9.6	10.7
Social security and welfare affairs	18.9	17.1	15.5	10.4	11.7	9.7	10.8	19.0	14.1	13.9
Social insurance	16.8	15.5	12.8	8.0	7.6	4.5	8.4	16.7	11.5	11.5
Social security	2.2	1.7	2.7	2.4	4.2	5.2	2.4	2.2	2.6	2.4
Housing and community services	3.8	5.7	4.0	4.0	4.6	5.8	6.1	7.0	7.2	8.5
Recreational, cultural and religious activities	2.7	2.4	2.1	2.0	2.9	2.9	2.2	2.1	2.3	3.3
Agriculture, water resources, forestry	0.0	0.0	0.0	1.5	0.7	0.2	1.9	0.6	1.2	4.0
Mining and mineral resources	3.6	3.8	3.5	3.7	3.5	4.1	4.6	3.9	4.6	4.9
Transportation and communication	1.3	1.1	1.0	0.7	1.0	0.7	0.8	0.3	1.0	1.1
Other economic affairs and services	1.5	2.0	2.6	2.4	5.1	4.0	3.2	3.3	5.3	4.4
Other	1.0	0.7	2.7	0.6	0.4	0.4	0.4	0.2	0.3	0.3
	12.9	4.9	8.2	27.5	15.8	7.0	8.6	6.3	4.2	...
Memorandum items:										
Foreign-Financed Public investment program	610	739	949	351	4,578	4,412	3,239	691	897	977
Nominal GDP	16,146	23,400	30,684	34,181	48,744	62,203	73,890	79,123	79,123	79,123

Sources: Kyrgyz authorities.

1/ Total expenditure does not include PIP.

Table 27. Kyrgyz Republic: Social Fund Financial Accounts, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002		
								Q1	Q2	Q3
					(In millions of soms)					
Total revenues	1,313	1,869	2,369	2,584	3,027	3,374	3,704	1,173	1,103	...
Pension Fund	1,016	1,601	2,072	2,209	2,507	2,930	3,251	1,069	991	...
Total contribution and carried over balance	905	1,016	1,347	1,398	1,579	2,093	2,439	575	591	...
Mandated transfer and dividends on shares	0	89	118	160	189	222	398	246	158	207
Government subsidy	140	308	446	344	300	150	0	103	84	98
Arrears collections		187	161	307	440	465	414	145	158	...
Social Insurance Fund	155	202	170	159	186	159	155	37	40	32
Employment Fund	142	66	86	101	133	147	132	25	26	30
Total contribution and carried over balance	52	66	86	101	132	147	132	25	26	30
Government subsidy	91	0	0	0	1	0	0	0	0	0
Medical Fund			41	115	201	138	166	42	46	52
Expenditure 1/	1,336	1,879	2,313	2,657	2,901	3,317	3,825	1,103	1,020	1,135
Pension Fund	1,196	1,714	2,092	2,409	2,632	2,978	3,504	1,028	928	1,068
Of which : Payment of arrears	18	24	79	8	165	57	0	38	-98.3	89
Social Insurance Fund	105	106	138	129	123	128	143	25	44	40
Employment Fund	35	59	74	88	73	122	97	20	16	21
Medical Fund	0	0	9	31	73	89	81	30	31	6
Cash Surplus(+)/deficit(-)	-24	-10	57	-73	126	57	-121	70	83	...
Pension Fund	-180	-114	-20	-199	-124	-48	-253	41	62	...
Social Insurance Fund	50	96	32	30	63	31	11	12	-4	...
Employment Fund	107	7	12	13	60	26	35	5	10	...
Medical Fund	0	0	32	84	128	49	86	12	15	...
Arrears (Accumulation (+)/Repayment(-))	24	79	8	165	57	93	149	-21	123	-29
					(In percent of GDP)					
Total revenues	8.1	8.0	7.7	7.6	6.2	5.4	5.0	1.5	1.4	...
Pension Fund	6.3	6.8	6.8	6.5	5.1	4.7	4.4	1.4	1.3	...
Total contribution and carried over balance	5.6	4.3	4.4	4.1	3.2	3.4	3.3	0.7	0.7	...
Mandated transfer	0.0	0.4	0.4	0.5	0.4	0.4	0.5	0.3	0.2	...
Government subsidy	0.9	1.3	1.5	1.0	0.6	0.2	0.0	0.1	0.1	...
Arrears collections		0.8	0.5	0.9	0.9	0.7	0.6	0.2	0.2	...
Social Insurance Fund	1.0	0.9	0.6	0.5	0.4	0.3	0.2	0.0	0.1	...
Employment Fund	0.9	0.3	0.3	0.3	0.3	0.2	0.2	0.0	0.0	...
Total contribution and carried over balance	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.0	0.0	...
Government subsidy	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...
Medical Fund			0.1	0.3	0.4	0.2	0.2	0.1	0.1	...
Expenditure	8.3	8.0	7.5	7.8	6.0	5.3	5.2	1.4	1.3	...
Pension Fund	7.4	7.3	6.8	7.0	5.4	4.8	4.7	1.3	1.2	...
Of which : Payment of arrears		0.1	0.3	0.0	0.3	0.1	0.0	0.0	-0.1	...
Social Insurance Fund	0.7	0.5	0.4	0.4	0.3	0.2	0.2	0.0	0.1	...
Employment Fund	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.0	0.0	...
Medical Fund	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	...
Cash Surplus(+)/deficit(-)	-0.1	0.0	0.2	-0.2	0.3	0.1	-0.2	0.1	0.1	...
Pension Fund	-1.1	-0.5	-0.1	-0.6	-0.3	-0.1	-0.3	0.1	0.1	...
Social Insurance Fund	0.3	0.4	0.1	0.1	0.1	0.0	0.0	0.0	0.0	...
Employment Fund	0.7	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	...
Medical Fund	0.0	0.0	0.1	0.2	0.3	0.1	0.1	0.0	0.0	...
Arrears	0.1	0.3	0.0	0.5	0.1	0.1	0.2	0.0	0.2	...
Memorandum item:										
GDP (in millions of som)	16,146	23,400	30,684	34,181	48,744	62,203	73,890	79,123	79,123	79,123

Sources: Kyrgyz authorities.

1/ On a cash basis.

Table 28. Kyrgyz Republic: Budgetary Expenditure Arrears, 1995-2002

(In millions of soms; end-period stocks)

	1,995	1,996	1,997	1,998	1,999	2,000	2,001	2,002		
								Q1 Prel.	Q2 Prel.	Q3 Prel.
Arrears of the Republican government	60	66	60	412	422	23	173	79	46	0
Wages	...	19	6	99	21	0	0	0	0	0
Social Fund contributions	...	3	3	24	3	0	0	0	0	0
Pension supplements	...	0	0	0	0	0	0	0	0	0
Subsidies to the Social Fund	...	15	29	0	0	0	0	0	0	0
Allowances for poor families	...	10	18	98	11	23	173	79	46	0
Categorical grants	...	0	0	163	74	0	0	0	0	0
External debt service	...	18	0		286	0	0	0	0	0
KyrgyzEnergo and other utility	...	0	5	28	27	0	0	0	0	0
Other	...	0	0	0	0	0	0	0	0	0
Arrears of the local governments	153	110	91	343	180	184	188	159	205	128
Wages	70.2	38.9	25.5	177.6	102.9	107.5	108.0	87.7	129.7	74.8
Social contributions	82.4	71.1	46.6	101.3	76.8	76.0	80.0	71.1	74.9	53.4
Pension supplements	...	0	0	0	0	0	0	0	0	0
Allowances for poor families	...	0	0	0	0	0	0	0	0	0
KyrgyzEnergo and other utility	...	...	19.0	63.6	0	0	0	0	0	0
Other	...	...	...	...	...	...	...	...	...	...
State government expenditure arrears	213.1	175.6	151.0	754.3	601.3	206.1	360.6	237.7	250.3	128.2
Social Fund	89.0	...	14.9	78.0	54.8	7.1	...	0	0	0
Pensions	89.0	...	14.9	78.0	54.8	7.1	...	0	0	0
General government expenditure arrears	302.0	175.6	165.9	832.3	656.1	213.2	360.6	237.7	250.3	128.2

Source: Ministry of Finance.

Table 29. Kyrgyz Republic: Tax Arrears, 1995-2002

(In millions of soms; end-period stocks)

	1995	1996	1997	1998	1999	2000	2001	2002	
								Q1	Q2
Total tax arrears (stock, end-period)	136.1	208.9	718.4	453.4	368.4	332.1	392.3	451.1	897.1
Income tax	0.0	0.0	6.1	19.3	21.4	20.4	44.6	29.0	26.3
Profit tax	24.2	39.5	73.3	46.8	36.1	41.2	55.9	82.9	553.1
VAT	54.4	87.7	461.5	240.1	190.9	163.5	161.8	184.4	169.3
Excises	25.0	11.8	28.6	19.1	15.2	11.2	9.9	8.4	6.5
Emergency Fund	12.6	23.1	43.0	41.3	31.2	32.7	27.0	38.6	35.6
Road tax	4.5	10.4	46.9	16.4	14.4	15.4	23.4	29.0	26.4
Land tax	9.2	14.7	36.0	55.2	44.2	35.2	50.2	41.5	40.5
Other	6.2	21.7	23.0	15.2	15.0	12.5	19.5	37.3	39.4
Net Increase in total tax arrears (flow)	...	...	509.5	-265.0	-85.0	-36.3	60.2	58.8	446.0
New tax arrears	...	...	328.0	194.8	165.8	16.5	257.6	132.1	605.1
Gross tax arrears reduction	...	...	27.3	251.1	364.2	16.1	344.8	64.8	159.3
Memorandum items:									
Tax offsets	552.1	916.7	867.1	1,336.5	945.4	356.8	151.2	...	...
Tax collections	2,432.0	2,947.0	3,839.0	4,865.0	5,954.0	7,676.0	9,188.0	2,079.0	2,460.0
Tax offsets as percent of tax revenues	22.7	31.1	22.6	27.5	15.9	4.6	1.6	...	...

Source: Ministry of Finance.

Table 30. Kyrgyz Republic: National Bank of Kyrgyz Republic (NBKR) Accounts, 1995-2002

(In millions of soms)

	1995	1996	1997	1998	1999	2000				2001				2002		
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Net foreign assets (NFA)	-313	438	382	318	2,602	2,563	3,420	3,842	3,485	3,315	2,947	2,845	4,980	5,167	3,883	4,905
Net international reserves	-161	588	489	373	-318	-454	404	1,160	790	653	687	369	2,624	2,795	2,726	3,723
Other foreign assets 1/					2,982	3,079	3,078	2,746	2,758	2,726	2,321	2,536	2,415	2,429	1,212	1,235
Claims on other BRO countries 2/	-152	-151	-108	-55	-63	-62	-61	-64	-63	-63	-61	-60	-58	-57	-54	-54
Medium-term NBKR obligations	-671	-948	-880	-1,513	-2,387	-2,520	-2,489	-2,555	-2,561	-2,624	-2,541	-2,646	-2,645	-2,651	-2,563	-2,574
Net domestic assets (NDA)	3,028	3,044	3,568	4,473	3,829	3,750	3,322	3,270	3,617	3,776	3,835	4,800	3,024	3,110	4,843	4,447
Credit to central government, net	2,032	3,758	3,949	4,216	3,863	3,987	3,365	3,386	3,832	4,127	3,941	4,637	2,897	3,121	3,241	2,853
Direct credits	1,593	2,206	1,939	0	0	0	0	0	0	0	0	0	0	0	0	0
Budget account deposits	-14	-147	-20	-63	-1,154	-1,125	-1,477	-1,497	-1,059	-762	-822	-287	-2,035	-1,828	-1,356	-1,741
Foreign loans counterpart funds	-1	0	-200	-122	0	0	0	0	0	0	0	0	0	0	0	-168
Government securities (actual value)	22	986	1,442	3,196	3,155	3,155	2,916	2,914	2,910	2,860	2,793	2,846	2,853	2,859	2,586	2,589
interest on government securities	0	0	-19	-3	-23	-22	-34	-33	-159	-152	-147	-143	-133	-128	-123	-120
Turkish loan onlending	434	719	788	1,204	1,863	1,958	1,926	1,968	1,981	2,029	1,970	2,079	2,079	2,090	2,011	2,004
Credit to other government, net	-2	-6	0	0	0	0	0	0	0	0	0					
Credit to banks 3/	1,153	124	91	323	269	510	502	438	346	360	470	475	479	508	495	472
Of which																
EBRD credit line	3	29	90	295	434	469	454	472	462	366	363	357	352	354	350	346
Other items, net	-156	-838	-472	-66	-303	-747	-545	-554	-561	-711	-577	-313	-377	-518	1,107	1,122
Of which																
Reverse repos	0	0	-183	-32	-226	-345	-261	-60	-178	-135	-69	0	-25	-35	-109	-67
Reserve money	2,044	2,533	3,069	3,278	4,044	3,793	4,253	4,557	4,541	4,467	4,240	5,000	5,359	5,626	6,163	6,786
Currency in circulation	1,963	2,439	2,742	2,930	3,732	3,521	3,945	4,255	4,312	4,089	4,143	4,793	5,175	5,354	5,736	6,407
Bank deposits	81	94	327	348	312	272	308	303	229	378	97	206	184	272	428	379
Memorandum items:																
NIR (in U.S. dollars) 4/	-10	-11	28	13	59	55	74	81	73	68	63	59	102	102	81	103
Velocity (quarterly) 5/		7	7	7	7	6	6	8	8	6	7	10	10	10	9	...
Annual growth rate of:																
Broad money	77	23	25	17	34	...	...	...	12	...	...	...	11	...	...	...
Reserve money	91	24	21	7	23	...	...	...	12	...	...	...	18	...	...	...
Credit to the economy	4	-3	20	...	...	...	...	...	...	...	...	...	6	...	...	...
Money multiplier	1	1	1	1	2	2	2	2	2	2	2	2	2	2	1	1
Share of currency in broad money	71	72	64	58	54	52	55	56	56	55	57	61	61	60	63	62
Foreign currency deposits/total deposits	27	42	43	56	64	62	59	63	64	61	62	63	64	64	61	66
Exchange rate	11	17	17	29	45	48	47	48	48	49	48	48	48	48	46	46

Sources: National Bank of the Kyrgyz Republic.

1/ From December 1999 onwards, other foreign asstes are excluded from net international reserves. They incorporate pledged deposits, swaps, and participation shares in other international institutions.

2/ From December 1996 onwards, incorporates a revaluation of claims and liabilities vis-a-vis other CIS countries .

3/ From December 1996 onwards, reflects the acquisition of government bonds by the NBKR as part of the restructuring of the financial sector, leading to a corresponding reduction in credit to banks.

4/ Net international reserves and other foreign assets.

5/ Calculated as GDP (for two quarter) multiplied by 2 over M2X (June). After September 2000, velocity is calculated as average GDP (for four last quarters) divided by average M2X.

Table 31. Kyrgyz Republic: Monetary Survey, 1995-2002
(In millions of soms)

	1995	1996	1997	1998	1999	2000				2001				2002		
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Net foreign assets (NFA)	-125	698	697	576	3,237	3,453	4,384	4,954	4,439	4,232	3,850	4,295	6,522	6,652	5,153	6,587
Medium-term NBKR obligations	-671	-948	-880	-1,513	-2,387	-2,520	-2,489	-2,555	-2,561	-2,624	-2,541	-2,646	-2,645	-2,651	-2,563	-2,574
Net domestic assets (NDA)	3,550	3,591	4,371	5,847	5,725	5,447	4,991	4,842	5,489	5,533	5,646	5,943	4,325	4,689	6,246	5,858
Credit to central government, net	2,117	3,926	4,243	4,549	3,949	4,061	3,537	3,630	3,968	4,200	4,296	4,991	3,312	3,479	3,640	3,312
Credit from the NBKR 1/	1,977	3,763	3,949	4,216	3,863	3,987	3,365	3,386	3,832	4,127	3,941	4,637	2,897	3,121	3,241	2,853
Credit from commercial banks	140	162	294	333	86	74	172	243	136	74	355	354	415	358	399	460
Credit to other government, net	-25	-28	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit to rest of the economy 1/	2,024	1,859	1,047	1,804	2,446	2,498	2,396	2,661	2,679	2,767	2,726	2,673	2,781	2,825	2,791	2,799
Other items, net	-566	-2,167	-919	-506	-670	-1,112	-943	-1,449	-1,158	-1,434	-1,376	-1,722	-1,768	-1,616	-185	-254
Broad money	2,754	3,341	4,188	4,910	6,575	6,380	6,886	7,240	7,368	7,141	6,955	7,592	8,202	8,689	8,836	9,870
Currency outside banks	1,938	2,398	2,678	2,829	3,578	3,346	3,769	4,042	4,114	3,902	3,997	4,659	5,020	5,211	5,615	6,234
Deposits	816	943	1,511	2,081	2,996	3,034	3,117	3,199	3,253	3,239	2,958	2,934	3,182	3,478	3,221	3,636
Of which																
Foreign currency deposits	212	396	643	1,162	1,825	1,906	1,868	1,999	2,080	1,959	1,840	1,840	2,013	2,194	1,920	2,340

Sources: National Bank of the Kyrgyz Republic.

1/ From December 1996 onwards, reflects the acquisition of government bonds by the NBKR as part of the restructuring of the financial sector, leading to a corresponding reduction in credit to the economy.

Table 32. Kyrgyz Republic: Key Central Bank Interest Rates, 1996-2002

(In percent)

	Prime interest rate (End-of-period) 1/	3-month Treasury Bill rate (End-of-period) 2/	Lombard rate (End-of-period) 3/	Reverse repo rate (End-of-period) 4/	Repo rate (End-of-period) 5/	Reserve requirement rate (RR)	Penalty rate for RR non-compliance 6/
1996							
March	36.2	35.5	41.2	n.a.	n.a.	15.0	42.6
June	36.7	34.0	41.7	n.a.	n.a.	13.5	40.8
September	40.0	54.2	45.0	n.a.	n.a.	13.5	65.0
December	45.9	52.3	51.0	n.a.	n.a.	15.0	62.8
1997							
March	45.1	45.1	54.2	n.a.	n.a.	20.0	54.2
June	25.9	25.9	31.1	25.0	n.a.	20.0	36.3
September	29.6	29.6	35.6	43.6	39.4	20.0	41.5
December	23.5	23.5	28.2	27.6	n.a.	20.0	32.9
1998							
March	24.5	24.5	29.4	21.5	n.a.	20.0	34.4
June	50.0	41.5	60.0	50.0	60.0	20.0	100.0
September	50.0	58.9	70.0	65.0	n.a.	20.0	140.0
December	32.9	32.9	90.9	65.0	n.a.	20.0	138.1
1999							
March	32.0	32.0	32.0	23.0	n.a.	20.0	90.6
June	45.8	45.8	62.8	49.0	n.a.	20.0	199.7
September	54.2	54.2	54.2	38.9	54.5	20.0	166.0
December	55.1	55.1	62.4	56.0	n.a.	20.0	172.2
2000							
March	42.1	42.1	42.1	39.0	n.a.	20.0	127.1
June	14.0	15.6	14.0	n.a.	n.a.	20.0	58.0
September	40.8	31.9	40.8	39.8	n.a.	20.0	117.4
December	38.3	44.8	38.3	40.2	n.a.	20.0	120.0
2001							
March	9.6	21.4	20.0	13.0	n.a.	20.0	23.6
June	9.3	19.3	20.0	n.a.	n.a.	15.0	25.4
September	9.1	18.6	15.0	n.a.	n.a.	10.0	31.7
December	8.0	12.4	15.0	n.a.	15.0	10.0	20.5
2002							
January	13.0	13.1	15.0	n.a.	15.0	10.0	37.7
February	8.0	10.8	15.0	n.a.	n.a.	10.0	21.4
March	5.0	7.9	6.0	8.5	n.a.	10.0	15.4
April	6.3	10.0	7.6	10.0	7.6	10.0	19.0
May	8.3	10.5	9.9	8.0	7.6	10.0	24.3
June	5.9	9.9	7.1	5.8	9.9	10.0	17.7
July	5.9	11.0	7.1	9.8	7.1	10.0	17.6
August	7.0	11.4	8.3	8.0	7.0	10.0	20.9
September	6.8	11.7	8.2	7.0	7.8	10.0	20.4

Source: National Bank of the Kyrgyz Republic.

1/ Until December 1996, NBKR credit auction rate. Since January 1997, after the abolition of credit auctions, 3-month Treasury Bill rate in the primary market. Since June 1998, set independently by NBKR Board of Directors. Since December 1998, again the 3-month Treasury Bill rate. Since June 2000, the 28-days Note of NBKR rate.

2/ Weighted average annual rate on 3-month Treasury Bills in the primary market.

3/ Rate at which the NBKR extends collateralized short-term liquidity loans to banks. Since December 1998, Lombard facility is an Overnight facility. Since March 2002, Overnight rate equalto 1.2 times the prime interest rate.

4/ Rate at which the NBKR sells government securities to commercial banks.

5/ Rate at which the NBKR purchases government securities from commercial banks.

6/ Until March 1997, penalty rate for non-compliance was 1.2 times the 3-month Treasury Bill rate in the primary market at the end of the reporting period. Between April 1997 and July 1998, penalty rate was raised to 1.4 times the Treasury Bill rate. In August 1998, penalty rate was raised to 2 times the Lombard rate, and beginning November 17, 1998, to three times the Lombard rate. As of December 1, 1998, the penalty rate was set at three times the prime interest rate at the end of the reporting period.

Table 33. Kyrgyz Republic: Interest Rate Developments, 1996-2002 1/

(In percent)

	Credits 2/		New deposits of legal entities 3/		New deposits of individual clients 3/		Retail deposits 4/		3-month Treasury Bills 5/
	U.S. dollars	Soms	U.S. dollars	Soms	U.S. dollars	Soms	U.S. dollars	Soms	
1996 March	56.64	71.63	15.00	18.07	20.66	30.08	19.62	29.61	35.53
June	45.55	68.79	14.31	31.49	23.84	34.51	18.80	31.17	34.03
September	74.66	57.35	0.00	34.39	21.78	36.59	18.26	36.49	54.15
December	40.87	65.02	15.00	36.73	17.68	37.56	14.71	25.06	52.32
1997 March	69.61	70.49	18.59	38.26	18.56	43.18	12.87	40.85	45.13
June	53.58	57.91	9.08	33.78	17.67	37.54	11.03	19.77	25.92
September	50.40	59.93	23.72	36.05	16.20	36.36	6.19	23.18	29.64
December	27.46	50.02	5.00	32.59	15.09	29.87	5.10	31.37	23.11
1998 March	37.70	52.08	...	24.06	15.39	30.17	5.05	34.20	24.54
June	39.46	55.65	...	32.11	14.09	27.33	14.89	27.98	41.53
September	46.35	67.77	17.37	26.66	14.69	36.61	12.61	37.55	58.85
December	43.61	73.44	20.98	35.76	21.50	66.64	11.52	64.10	32.54
1999 March	35.76	56.00	19.14	26.88	16.20	35.13	5.76	29.55	32.03
June	19.12	51.77	17.71	23.50	14.95	34.34	5.23	25.42	45.77
September	35.84	66.73	16.98	22.48	11.14	32.32	2.67	12.48	54.20
December	37.01	60.86	9.68	29.67	10.75	37.42	2.29	20.07	55.07
2000 March	33.98	56.17	8.89	27.84	7.78	33.70	1.70	16.54	42.11
June	37.51	71.21	8.40	24.81	7.23	31.53	0.88	12.62	15.58
September	28.33	52.71	8.88	19.53	6.64	15.89	0.75	4.64	31.89
December	27.99	51.90	4.95	22.98	6.63	17.16	1.19	9.72	44.79
2001 March	26.31	44.99	10.23	14.29	6.43	16.08	0.82	10.29	21.39
June	28.67	40.60	7.05	15.43	5.05	12.95	0.74	5.99	19.25
September	26.25	35.63	7.86	12.56	6.05	12.10	0.83	7.86	18.55
December	25.70	37.33	0.02	13.33	5.08	11.30	1.21	6.15	12.36
2002 January	25.84	40.96	3.79	10.17	4.61	10.60	0.73	4.1	13.08
February	21.36	41.77	...	11.03	4.52	9.93	0.50	4.38	10.81
March	24.80	39.92	4.41	7.90	4.50	9.65	0.37	5.92	7.87
April	28.97	39.36	1.42	7.08	4.23	8.82	0.67	4.80	10.02
May	26.84	37.11	5.22	6.63	4.30	8.64	0.29	4.03	10.52
June	23.82	36.52	2.04	2.50	5.13	8.21	0.45	3.57	9.89
July	27.95	35.52	7.65	5.63	4.56	8.88	0.44	3.52	11.02
August	27.82	37.22	10.07	6.49	4.54	7.13	0.39	2.97	11.40
September	23.28	34.76	0.00	8.10	4.15	7.61	0.32	2.80	11.65

Source: National Bank of the Kyrgyz Republic.

1/ Rates refer to new credits and deposits extended during the month.

2/ Weighted average annual rate on new loans granted for a period of 1-3 months.

3/ Weighted average annual rate on new deposits for a period of 1-3 months.

4/ Weighted average annual rate on new deposits from individual clients for all periods.

5/ Weighted average annual rate on 3-month Treasury Bills in the primary market, at the end of period, for date of auction.

Table 34. Kyrgyz Republic: Foreign Exchange Auctions and Interbank Market, 1997-2002

(In millions of U.S. dollars unless stated otherwise)

	Volume of NBKR sales to Central Treasury	Volume of NBKR sales to private sector	*Of which:* Volume of NBKR sales in auctions	*Of which:* Volume of NBKR sales in interbank market	Total volume of NBKR sales	Volume of NBKR purchases in interbank market	Som per U.S. dollar 1/ Average	Som per U.S. dollar 1/ End-of-period
	(1)	(2)=(3)+(4)	(3)	(4)	(5)=(1)+(2)	(6)		
1997	33.7	48.0	48.0	0.0	81.8	17.7	17.4	17.4
January	1.6	8.0	8.0	0.0	9.6	1.9	17.0	17.1
February	1.8	4.2	4.2	0.0	6.1	1.5	16.9	17.3
March	3.5	3.9	3.9	0.0	7.3	2.1	17.6	17.6
April	2.3	3.7	3.7	0.0	6.0	1.8	17.9	17.9
May	2.1	3.1	3.1	0.0	5.2	2.4	17.9	17.8
June	5.9	3.6	3.6	0.0	9.6	0.7	17.3	17.4
July	3.8	4.3	4.3	0.0	8.1	1.1	17.3	17.3
August	2.6	3.7	3.7	0.0	6.3	0.0	17.3	17.2
September	1.1	3.4	3.4	0.0	4.5	1.0	17.5	17.4
October	2.7	1.7	1.7	0.0	4.3	1.6	17.2	17.0
November	3.3	4.5	4.5	0.0	7.8	1.3	17.2	17.4
December	2.9	4.0	4.0	0.0	6.9	2.4	17.4	17.4
1998	27.5	53.4	18.1	35.3	80.9	4.7	21.0	29.4
January	3.8	6.3	6.3	0.0	10.1	0.0	17.7	18.0
February	2.0	1.3	1.3	0.0	3.3	0.0	17.7	17.6
March	1.5	1.1	1.1	0.0	2.5	0.0	18.0	18.1
April	2.3	2.6	2.6	0.0	4.9	0.0	18.3	18.8
May	4.4	3.1	3.1	0.0	7.4	0.0	19.5	20.2
June	6.2	3.8	3.8	0.0	10.0	2.1	19.5	19.2
July 1/	0.7	4.6	n.a.	4.6	5.3	0.1	19.4	19.5
August	2.7	11.0	n.a.	11.0	13.7	0.0	19.7	20.2
September	0.6	9.9	n.a.	9.9	10.6	0.1	21.3	22.4
October	1.9	5.5	n.a.	5.5	7.4	0.0	23.4	24.9
November	0.6	3.0	n.a.	3.0	3.6	0.2	28.0	28.9
December	0.8	1.4	n.a.	1.4	2.2	2.2	29.3	29.4
1999	18.8	33.6	n.a.	33.6	52.4	10.8	39.2	45.3
January	1.2	6.7	n.a.	6.7	7.9	0.0	30.1	30.4
February	0.6	0.0	n.a.	0.0	0.6	4.3	30.7	33.8
March	0.8	1.2	n.a.	1.2	2.0	1.2	32.2	30.4
April	2.3	3.9	n.a.	3.9	6.2	0.0	37.0	38.5
May	0.4	3.7	n.a.	3.7	4.2	0.0	41.2	43.2
June	2.1	1.0	n.a.	1.0	3.1	0.0	42.2	41.2
July 2/	1.3	0.0	n.a.	0.0	1.3	0.3	39.8	40.5
August	0.7	7.4	n.a.	7.4	8.1	0.0	41.7	42.5
September	1.6	1.3	n.a.	1.3	3.0	0.5	42.8	42.8
October	1.4	0.4	n.a.	0.4	1.8	2.6	42.8	43.0
November	1.6	6.2	n.a.	6.2	7.8	0.1	44.4	45.9
December	4.8	1.7	n.a.	1.7	6.4	1.9	45.8	45.3
2000	32.4	34.9	n.a.	34.9	67.3	14.1	47.8	48.3
January	0.5	5.3	n.a.	5.3	5.8	0.5	46.6	46.7
February	1.4	2.7	n.a.	2.7	4.2	0.8	47.0	47.4
March	1.8	2.2	n.a.	2.2	3.9	0.8	47.6	47.7
April	3.9	1.8	n.a.	1.8	5.6	0.0	47.9	48.0
May	2.4	2.3	n.a.	2.3	4.7	0.3	48.1	48.3
June	2.7	0.1	n.a.	0.1	2.8	2.4	47.6	47.0
July	1.6	0.9	n.a.	0.9	2.5	0.1	47.0	47.1
August	8.7	4.0	n.a.	4.0	12.7	0.0	47.4	48.0
September	0.8	4.1	n.a.	4.1	5.0	3.9	48.5	48.0
October	1.3	3.9	n.a.	3.9	5.2	3.2	48.1	48.3
November	4.6	7.0	n.a.	7.0	11.6	0.0	48.9	49.4
December	2.6	0.7	n.a.	0.7	3.3	2.3	48.9	48.3
2001	41.3	9.6	n.a.	9.6	50.9	18.5	48.4	47.7
January	0.9	4.8	n.a.	4.8	5.6	0.0	48.8	49.1
February	0.6	0.5	n.a.	0.5	1.1	0.0	49.1	49.2
March	4.4	1.5	n.a.	1.5	5.9	0.0	49.4	49.5
April	7.5	0.0	n.a.	0.0	7.5	0.0	49.6	49.4
May	2.5	0.0	n.a.	0.0	2.5	0.2	49.2	49.2
June	3.2	0.0	n.a.	0.0	3.2	1.0	48.3	48.0
July	12.1	0.0	n.a.	0.0	12.1	2.5	47.7	47.7
August	2.6	1.5	n.a.	1.5	4.1	0.9	47.9	47.7
September	1.3	0.0	n.a.	0.0	1.3	8.5	47.7	47.7
October	3.4	0.2	n.a.	0.2	3.7	3.9	47.8	47.7
November	2.0	0.6	n.a.	0.6	2.5	0.0	47.9	48.0
December	0.8	0.5	n.a.	0.5	1.3	1.6	47.9	47.7
2002 (Jan-Sep)	3.1	5.8	n.a.	5.8	8.9	10.2	47.3	46.0
January	0.1	2.0	n.a.	2.0	2.0	0.2	48.0	47.7
February	0.3	0.0	n.a.	0.0	0.3	1.9	47.7	47.7
March	0.2	0.0	n.a.	0.0	0.2	0.0	48.0	47.8
April	0.5	0.6	n.a.	0.6	1.1	0.3	48.0	48.0
May	0.7	0.0	n.a.	0.0	0.7	0.6	47.9	47.7
June	0.7	0.0	n.a.	0.0	0.7	4.6	47.0	46.0
July	0.3	1.7	n.a.	1.7	2.0	0.5	46.0	46.1
August	0.3	1.5	n.a.	1.5	1.8	2.2	46.1	46.0
September	1.0	0.0	n.a.	0.0	1.0	9.6	46.1	46.0

Sources: National Bank of the Kyrgyz Republic.

1/ Before July 1998 based on NBKR foreign exchange auctions; from July 1998 based on interbank market transactions. As of July 1998, foreign exchange auctions were abolished. Since then, the NBKR has participated in the foreign exchange interbank market.

Table 35. Kyrgyz Republic: Stock of Outstanding Government Securities, 1997-2002

(In millions of soms, end-of-period)

		Total	NBKR						Commercial Banks					
			GRLBs 1/	Treasury Bills		KOs 2/	RKOs 3/	Total	Treasury Bills		KOs 2/	RKOs 3/	Notes of NBKR /4	Total
				Nominal	Actual				Nominal	Actual				
1997														
	March	1,331.8	0.0	0.0	0.0	1,002.0	n.a.	1,002.0	158.1	124.9	121.5	n.a.	n.a.	279.6
	June	1,469.4	0.0	75.8	69.0	1,017.7	n.a.	1,093.4	185.4	150.2	119.8	n.a.	n.a.	305.2
	September	1,875.8	408.1	0.0	0.0	1,020.1	n.a.	1,428.1	204.7	167.9	139.5	n.a.	n.a.	344.2
	December	1,948.4	440.8	0.0	0.0	1,020.1	n.a.	1,460.9	214.1	172.8	134.4	n.a.	n.a.	348.4
1998														
	March	2,163.0	440.8	0.0	0.0	1,020.1	n.a.	1,460.9	414.9	339.6	127.2	n.a.	n.a.	542.0
	June	2,265.9	440.8	0.0	0.0	1,020.1	n.a.	1,460.9	490.9	396.2	127.2	n.a.	n.a.	618.1
	September	2,217.0	440.8	26.0	22.5	1,020.1	n.a.	1,486.8	365.9	316.8	128.9	n.a.	n.a.	494.9
	December	3,954.1	2,379.6	22.3	16.5	1,020.1	n.a.	3,422.0	259.6	192.8	127.2	n.a.	n.a.	386.7
1999														
	March	3,601.0	2,162.6	0.7	0.5	1,020.1	n.a.	3,183.3	169.2	124.8	130.7	n.a.	n.a.	299.9
	June	3,521.8	2,163.6	1.0	1.0	1,021.1	n.a.	3,183.7	100.2	75.0	131.7	n.a.	n.a.	230.9
	September	3,391.0	2,080.7	0.0	0.0	1,036.5	n.a.	3,117.2	97.2	77.9	114.3	n.a.	n.a.	211.5
	December	3,394.6	2,080.7	0.0	0.0	1,096.7	n.a.	3,177.4	115.2	95.4	46.9	n.a.	n.a.	162.1
2000														
	March	3,658.4	2,080.7	0.0	0.0	1,096.7	n.a.	3,177.4	93.0	77.9	43.3	174.9	n.a.	311.3
	June	3,473.2	1,853.2	0.0	0.0	1,096.7	52.3	3,002.1	147.0	125.7	43.3	105.0	6.6	295.3
	September	3,521.5	1,853.2	0.0	0.0	1,093.8	52.3	2,999.2	221.3	190.1	43.3	105.0	7.3	369.6
	December	3,416.5	1,853.2	0.0	0.0	1,093.8	122.2	3,069.1	158.9	131.3	43.3	35.0	14.5	237.3
2001														
	March	3,357.4	1,853.2	0.0	0.0	1,071.2	87.2	3,011.6	156.9	131.0	41.6	35.0	16.0	249.5
	June	3,526.7	1,563.2	0.0	0.0	1,306.1	70.0	2,939.3	254.9	226.5	202.2	35.0	17.0	509.0
	September	3,533.0	1,563.2	0.0	0.0	1,356.1	70.0	2,989.3	288.1	265.8	149.3	35.0	6.2	478.6
	December	3,609.6	1,563.2	25.2	23.1	1,353.2	70.0	3,011.6	353.3	323.3	132.2	0.0	16.0	501.4
2002														
	January	3,652.0	1,563.2	0.0	0.0	1,353.2	70.0	2,986.4	415.1	374.6	132.2	0.0	16.0	563.2
	February	3,647.6	1,563.2	0.0	0.0	1,353.2	70.0	2,986.4	408.9	364.9	132.2	0.0	16.0	557.1
	March	3,665.4	1,563.2	0.0	0.0	1,353.2	70.0	2,986.4	449.2	399.6	130.4	0.0	16.0	595.6
	April	3,388.4	1,286.0	20.2	18.0	1,353.2	70.0	2,729.4	460.8	409.0	126.0	0.0	5.8	592.6
	May	3,364.8	1,286.0	0.0	0.0	1,353.2	70.0	2,709.2	462.0	407.5	126.0	0.0	8.0	595.9
	June	3,361.8	1,286.0	0.0	0.0	1,353.2	70.0	2,709.2	460.0	403.7	126.0	0.0	6.0	592.0
	July	3,381.2	1,286.0	0.0	0.0	1,353.2	70.0	2,709.2	485.4	425.2	126.0	0.0	0.0	611.3
	August	3,402.6	1,286.0	0.0	0.0	1,353.2	70.0	2,709.2	495.4	432.6	126.0	0.0	4.0	625.3
	September	3,403.6	1,286.0	0.0	0.0	1,353.2	70.0	2,709.2	492.0	427.6	126.0	0.0	4.0	622.0

Source: National Bank of Kyrgyz Republic.

1/ Non-interest bearing Government Restructurization Loan Bonds (GRLB).

2/ Medium to long-term government bonds.

3/ Treasury bonds issued in the context of the FINSAC program for the restructuring of the financial system.

4/ Notes of NBKR have been issued since June 2000.

Table 36. Kyrgyz Republic: Composition of Credits and Deposits to the Economy by Sectors, Maturity, Currency and Bank, 1996-2002

(at the end of period)

	1996	1997	1998	1999	2000				2001				2002		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Composition of credits															
By sector:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industry	5.3	5.9	7.1	13.8	17.9	17.6	15.0	14.9	14.4	16.5	18.1	20.2	19.4	20.9	21.0
Agriculture	1.6	0.9	0.8	1.9	1.8	1.8	2.4	2.9	3.0	4.4	4.1	3.7	3.1	3.4	3.2
Trade	22.2	16.1	31.8	24.0	21.2	16.9	11.5	14.8	14.5	16.9	22.2	20.9	23.7	23.5	22.7
Construction	3.9	2.5	13.2	7.5	5.7	5.6	5.8	4.9	4.6	2.4	2.5	3.9	3.6	3.3	4.3
Private citizens	18.8	20.1	15.3	20.4	20.5	22.1	21.3	21.9	23.4	21.8	22.1	20.8	19.9	20.1	19.4
Other	48.0	54.6	31.8	32.4	33.0	36.0	43.9	40.6	40.0	38.1	31.0	30.5	30.3	28.8	29.5
By maturity:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less or equal 1 month	4.2	2.8	1.9	2.0	2.9	1.8	4.3	3.5	3.7	5.7	2.3	5.9	5.4	3.3	2.0
>1 month to 3 months	19.8	10.0	7.3	10.7	12.3	11.9	12.9	17.4	13.6	13.8	10.5	9.2	7.5	6.1	7.2
>3 months to 6 months	44.1	58.8	33.0	32.6	27.0	28.0	32.0	28.8	33.5	34.5	32.7	29.0	27.1	24.1	20.6
>6 months to 12 month	10.4	13.6	20.6	23.3	27.2	28.3	27.1	25.5	27.4	29.8	34.0	33.7	38.3	42.2	44.0
>1 year to 5 years	20.1	14.5	33.3	30.1	29.4	28.0	21.7	22.6	20.0	15.1	19.4	21.2	20.8	23.0	25.2
More than 5 years	1.4	0.3	3.8	1.4	1.2	2.0	1.9	2.2	1.8	1.2	1.1	1.0	0.9	1.2	0.9
By currency:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
National currency	61.4	47.6	28.0	29.2	29.8	32.7	33.1	31.4	32.3	36.2	40.0	43.1	41.5	38.9	39.2
Foreign currency	38.6	52.4	72.0	70.8	70.2	67.3	66.9	68.6	67.7	63.8	60.0	56.9	58.5	61.1	60.8
By bank:															
Most active bank	27.1	36.2	26.7	19.4	20.0	19.5	22.4	24.3	25.3	26.4	30.1	29.9	29.4	26.9	26.1
Four most active banks	62.8	64.3	60.2	52.9	59.0	56.1	52.0	54.2	54.2	58.5	68.1	69.6	70.2	67.9	66.2
Composition of deposits															
By depositor:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Legal entities	67.5	48.9	45.9	61.4	60.0	57.2	62.5	62.0	60.1	58.6	61.6	64.7	67.1	65.6	69.2
Individuals	32.5	51.1	54.1	38.6	40.1	42.8	37.5	38.0	39.9	41.4	38.4	35.3	32.9	34.4	30.8
By maturity:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less or equal 1 month	69.5	58.1	48.1	58.6	58.8	62.7	62.7	61.1	57.5	57.5	64.2	66.5	67.7	68.6	72.0
>1 month to 3 months	9.0	7.0	16.7	8.0	9.7	7.3	6.7	6.2	6.8	4.5	4.2	3.5	4.5	2.9	2.5
>3 months to 6 months	13.8	28.0	28.4	23.4	16.8	16.0	13.6	13.8	12.1	10.4	8.2	7.3	7.9	7.6	6.4
>6 months to 12 month	6.7	6.2	6.5	9.8	14.0	13.0	13.1	12.5	14.4	13.5	11.0	10.3	9.5	9.9	8.4
>1 year to 5 years	1.1	0.7	0.3	0.2	0.7	1.1	3.9	6.2	9.3	14.0	12.3	12.4	10.5	11.0	10.7
More than 5 years															
By currency:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
National currency	58.0	58.2	44.7	46.1	45.9	47.7	44.6	42.1	46.1	42.3	43.1	41.2	43.1	46.0	40.1
Foreign currency	42.0	41.8	55.3	53.9	54.1	52.3	55.4	57.9	53.9	57.7	56.9	58.8	56.9	54.0	59.9
By bank:															
Most active bank	14.2	17.6	17.4	17.6	22.1	16.9	19.9	19.1	20.4	15.5	17.3	16.0	14.7	17.4	16.5
Four most active banks	63.0	58.1	57.6	50.6	55.8	51.3	50.0	47.1	49.6	46.4	53.0	55.1	54.3	54.9	55.4

Sources: National Bank of the Kyrgyz Republic.

Table 37. Kyrgyz Republic: Indicators of the Banking System's Financial Strength, 1997-2002

	Feb-97	Jan-98	Jan-99	Jul-99	Jan-00	Apr-00	Jul-00	Oct-00	Jan-01	Apr-01	Jul-01	Oct-01	Jan-02	Apr-02	Apr-02 1/	Jul-02	Oct-02
									(In millions of soms)								
Total assets	1377	2803	4194	4094	4194	4595	4437	4757	4721	4828	4108	4701	5029	5529	5491	5898	6642
Total loans to private sector	536	1054	1796	1517	1532	1518	1430	1448	1455	1524	1446	1463	1557	1605	1605	1587	1656
Total capital	199	633	926	751	652	713	716	921	966	957	947	1509	1581	1545	1575	1632	1683
Risk bearing assets		1590	2522	2284	2145	2249	2295	2316	2224	2137	2013	2048	2318	2712	2682	2646	2952
Non classified assets		1494	2339	1804	1621	1814	1855	2059	1985	1917	1849	1853	2105	2405	2405	2343	2606
Classified assets		96	183	480	524	435	439	258	238	220	163	195	213	306	276	303	346
Provision against classified assets		30	61	230	235	159	155	127	122	124	80	87	102	157	127	140	181
Other provision for non classified assets		19	45	30	30	32	30	40	38	41	37	41	36	41	41	46	44
									(In percent)								
Classified assets/risk bearing assets		6	7	21	24	19	19	11	11	10	8	10	9	11	10	11	12
Classified assets/total assets		3	4	12	12	9	10	5	5	5	4	4	4	6	5	5	5
Provision against classified assets/Classified assets		31	33	48	45	37	35	49	51	57	49	45	48	51	46	46	52
Total provision/Classified assets		51	58	54	51	44	42	65	67	75	72	66	65	65	61	62	65
Total capital/Classified assets		663	506	156	125	164	163	357	406	436	580	773	742	504	570	539	487
									(In millions of soms)								
Loan portfolio quality																	
Problem loans 2/		93	182	473	474	381	360	183	195	193	152	188	208	234	234	217	271
Provisions against problem loans		28	61	223	219	140	115	96	97	107	70	77	98	114	114	108	131
Other provisions for risks and charges		17	43	28	27	30	29	39	37	39	36	38	34	39	39	42	39
									(In percent)								
Problem loans/total loans		9	10	31	31	25	25	13	13	13	11	13	13	15	15	14	16
Problem loans/total assets		3	4	12	11	8	8	4	4	4	4	4	4	4	4	4	4
Provisions against problem loans/problem loans		30	33	47	46	37	32	52	49	56	46	41	47	49	49	50	48
Total provisions/problem loans		49	57	53	52	45	40	74	69	76	70	61	63	65	65	69	63
Total capital/problem loans		678	510	159	138	187	199	503	495	495	621	804	760	659	672	751	621
Portfolio performance																	
Average return on assets	1	3	2	-4	-9	-1	-3	-2	-1	-1	0	0	2	0	0	1	1
Capital adequacy																	
Total capital/total assets	14	23	22	18	16	16	16	19	20	20	23	32	31	28	29	28	25
Risk-weighted capital adequacy ratio	46	55	31	5.2 3/	23.9 4/	24.5 5/	28.5 5/	30.5 5/	30.5 5/	30.1 6/	47	54	52	47	55	43	42
									(In thousands of soms, unless otherwise indicated)								
Exposure to exchange rate risk																	
Total foreign currency assets 7/	479	1069	1907	1873	1981	2379	2166	2328	2379	2298	2047	2554	2696	2997	2988	3283	3834
Total foreign currency liabilities in foreign exchange 8/	489	980	1857	1895	1985	2332	2100	2287	2341	2325	1944	2023	2223	2444	2435	2808	3512
Net exposure (assets minus liabilities)	-10	89	50	-22	-4	47	67	41	38	-27	103	531	473	553	553	475	322
(As percent of capital)	-5	14	5	-3	-1	7	9	4	4	-3	11	35	30	36	35	29	19
Foreign currency on-lending ratio (in percent)																	
Credits in foreign currency/deposits in foreign currency	45	92	113	91	76	78	71	72	72	72	72	69	71	75	76	85	70

Source: National Bank of the Kyrgyz Republic.

1/ Without KyrgyzKramdsbank.
2/ As determined by Banking Supervision, taking into account credit performance and collaboral.
3/ Kramds had negative total capital, Bishkek had capital adequacy ratio of 0.05.
4/ Kramds, Bishkek had negative total capital.
5/ Kramds had negative total capital.
6/ Kramds, Akyl had negative total capital.
7/ Foreign currency deposits, foreign currency loans to private sector, and foreign assets.
8/ Foreign currency deposits of private sector and of nonresidents, liabilties to nonresident banks.

Table 38. Kyrgyz Republic: Banks with Licenses Revoked during 1996-2002

No.	Bank	Date of revocation of the license
1	Kyrgyzelbank	2/14/1996
2	Agroprombank	5/3/1996
3	Hen-Fen Hong-Kong International Commercial Bank	5/21/1996
4	Orient German-Kyrgyz Bank	5/21/1996
5	Kyrgyz Jer Joint Bank	12/17/1996
6	Kyrgyzvnesh Bank	7/18/1997
7	Mercury Bank	3/31/1999
8	Maksat Bank	4/9/1999
9	Bishkek Bank	2/24/2000
10	Akyllnvest Bank	4/21/2001
11	Insan Bank	5/17/2001
12	Kyrgyz Kramds Bank 1/	6/14/2001
13	Kurulush Bank	6/21/2001
14	Issyk-kul 2/	4/30/2002
15	Kyrgyz Kramds Bank	4/30/2002

1/ On January 18, 2002 the bank license was returned to KyrgyzKramdsbank in accordance with the decision of the Supreme Arbitrage Court of the Kyrgyz Republic.

2/ On September 25, 2002, returned according to court decision.