

Table 1. Kyrgyz Republic: Prior Actions

For issuance of documents

1. Adoption by parliament of the budget for the year 2000, as agreed with the Fund staff.
2. Elimination of export duties on wheat and flour.
3. Issue new treasury bonds to replace treasury bonds 11/97 and 12/98.
4. Reduction of the personal import duty exemption from \$3,000 to \$1,000.
5. Observation of financial targets for end-November, as agreed with the Fund staff.

For Board consideration

1. Observation of financial targets for end-December, as agreed with the Fund staff.
 2. Clear or reschedule external debt service arrears.
 3. Establishment of a unit at the Ministry of Finance that will monitor the public investment program and will co-sign with loan recipients disbursement documents; issuance of instructions to spending agencies to incorporate PIP disbursements in budget execution reports in line with new reporting system.
 4. Increase energy tariffs in line with the World Bank's recommendations.
 5. Re-establishment of a high-level committee, with representation from the NBKR, the Ministry of Finance, the Ministry of Justice, and other relevant agencies, to oversee development of comprehensive bank resolution and restructuring program.
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Table 2. Kyrgyz Republic: Quantitative Targets for 2000
(In millions of soms, unless otherwise indicated) 1/

	1999		2000			
	Oct. 31 Actuals	Dec. 31 Projections	Mar. 31 Performance criteria	Jun. 30 Performance criteria	Sep. 30 Benchmark	Dec. 31 Benchmark
I. Quantitative benchmarks and performance criteria						
1. Floor on net international reserves of the NBKR in convertible currency (end-of-period stock, in millions of U.S. dollars) 2/	-34.7	-31.2	-38.4	-29.1	-18.1	-35.9
2. Ceiling on net domestic assets of the NBKR (end-of-period stock) 3/	2,454	2,523	2,983	2,978	2,817	3,295
3. Ceiling on cumulative fiscal deficit of the general government	...	5,333	776	2,411	3,627	4,342
4. Cumulative floor on tax collections in cash 4/	3,940	4,741	1,448	3,005	4,935	7,162
5. Ceiling on outstanding stock of budget arrears and arrears to Kyrgyz Energo 5/	174	0	0	0	0	0
6. Ceiling on outstanding stock of pension arrears 6/	184	0	0	0	0	0
7. Ceiling on outstanding stock of external debt of less than one year 7/ (in millions of U.S. dollars)	0	0	0	0	0	0
8. Ceiling on contracting or guaranteeing of new nonconcessional debt 8/ (cumulative, in millions of U.S. dollars) Of which:	0	0	0	0	0	0
1-10 years	0	0	0	0	0	0
9. Ceiling on the stock of external arrears (in millions of U.S. dollars) 9/	4	4	0	0	0	0
II. Indicative targets						
1. Ceiling on reserve money (NBKR liabilities)	3,827	4,034	4,032	4,382	4,785	4,431
2. Ceiling on net domestic assets of the banking system (end-of-period) 3/	4,672	4,247	5,249	5,295	5,083	5,359
3. Cumulative floor on non-wage budgetary expenditure on health	...	365	107	251	402	628
4. Cumulative floor on non-wage budgetary expenditure on education	...	485	119	280	448	700
5. Cumulative floor on repayment of budgetary loans	-114	-228	-60	-103	-137	-300
Memorandum items:						
Disbursements of (nonproject) foreign loans and cash grants (in millions of U.S. dollars)	...	57	18	27	18	4
Privatization receipts	83	250	54	76	110	360

Sources: Data provided by the Kyrgyz authorities; and Fund staff estimates and projections.

1/ Foreign exchange components valued at the exchange rate US\$1 = som 48.0, gold holdings valued at US\$292.4 per ounce, SDR valued at SDR 1 = US\$1.407. Targets exclude claims and liabilities to BRO countries.

2/ Gross reserves exclude international reserves of NBKR that are pledged or blocked.

3/ Excludes counterpart of the loan by the Eximbank of Turkey and the EBRD enterprise loan which are channeled through the NBKR.

4/ Beginning January 1, 2000. Includes collection of tax arrears but excludes tax offsets.

5/ Budget arrears include wages, Social Fund contributions and Social Fund subsidies, pension supplements and categorical grants.

6/ Pension arrears of the Social Fund.

7/ Excludes normal import financing.

8/ Following SM/96/86, a loan is classified as concessional if its grant element is at least 35 percent, calculated using a discount rate based on the 10-year average of OECD commercial interest reference rates (CIRR), for loans of maturity greater than 15 years; for loans of maturity 15 years or less, the discount rate should be based on the six month average of the OECD CIRR.

9/ On a continuous basis.

Adjustors

1. The floor on net international reserves of the NBKR will be adjusted: (i) upward/downward by 100 percent for excesses/shortfalls of the disbursement of (nonproject) foreign loans and cash grants; (ii) upward/downward by 100 percent for excess/shortfall of privatization receipts in foreign exchange; and (iii) upward by 100 percent for any overdue or rescheduled debt service obligations for 2000. The adjustment for any shortfall is to be limited to US\$ 10 million.

2. The ceiling on net domestic assets of the NBKR will be adjusted: (i) downward/upward by 100 percent for excesses/shortfalls of the disbursement of (nonproject) foreign loans and cash grants; (ii) downward/upward by 100 percent for excess/shortfall of privatization receipts; and (iii) downward by 100 percent for any overdue or rescheduled debt service obligations for 2000.

3. The ceiling on the cumulative overall fiscal deficit of the general government will be adjusted downward/upward by 100 percent for any shortfall/excess relative to the program projections from the disbursement of project lending to the general government. The adjustment for any excess is to be limited to Som 280 million.

4. The ceiling on net domestic assets of the banking system will be adjusted: (i) downward/upward by 100 percent for excesses/shortfalls of the disbursement of (nonproject) foreign loans and cash grants; (ii) downward/upward by 100 percent for excess/shortfall of privatization receipts; and (iii) downward by 100 percent for any overdue or rescheduled debt service obligations for 2000.

Table 3. Structural Performance Criteria and Benchmarks
Under the Second Annual PRGF Arrangement

I. PERFORMANCE CRITERIA FOR END-MARCH 2000

1. Submit draft legislation to parliament to subject all enterprises registering in the FEZs to the tax on profits earned in the FEZ and reinvested outside the FEZ, and to make clear that any income tax exemption does not extend to employees.

II. STRUCTURAL BENCHMARKS FOR END-MARCH 2000

1. Adopt a comprehensive bank resolution and restructuring program, developed in cooperation with Fund and other organizations.
2. Complete on-site inspections of at least 2 banks.
3. Issue an international tender for an audit of KyrgyzGasMunaizat, Kyrgyzgas, and Munai.
4. Adopt new compensation system for civil servants, including decompressing the wage scale for highly qualified employees.

III. PERFORMANCE CRITERIA FOR END-JUNE 2000

1. Adopt changes to licensing regulations which eliminate sublicensing and create unified procedures for review, granting and monitoring of licensing.
2. Complete an audit of the NBKR's international reserves by a reputable international accounting agency.

IV. STRUCTURAL BENCHMARKS FOR END-JUNE 2000

1. Amend the tax code to include all customs duties, excises and other duties in the VAT base.
2. Amend draft law on the establishment of a premium-based deposit insurance law in line with MAE and AsDB proposals.
3. Submit the Law on State Debt to parliament.
4. Separate the airports from Kyrgyz Airlines, transfer local airports to local authorities, and separate the operations of international and domestic flights.
5. Introduce National Bank Bills.
6. Complete on-site inspections of 5 additional banks.

V. STRUCTURAL BENCHMARKS FOR END-SEPTEMBER 2000

1. Sell 40 percent of shares in Kyrgyz Telecom according to published criteria.
2. Submit to parliament a system of presumptive taxation for small businesses (in line with FAD recommendation), for implementation in 2001.
3. Reduce early retirement privileges and special pensions.

VI. STRUCTURAL BENCHMARKS FOR END-DECEMBER 2000

1. Introduce a property tax system in coordination with the establishment of a land registry system.
2. Reduce all in-kind tax payments and netting out of arrears to no more than 10 percent of tax revenues in 2000.
3. Reduce the top tariff rate to 15 percent.
4. Complete privatization and restructuring plan for Kyrgyz Airlines (including issuing an international tender).
5. Offer for sale majority shares in at least 50 enterprises under the case-by-case privatization program.
6. Complete audits of KyrgyzGasMunaizat, Kyrgyzgas, and Munai.
7. Offer for sale one power distribution company, and finalize and approve a concept paper for submission to parliament for the denationalization and privatization of KyrgyzGas.