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Kyrgyz Republic: Poverty Reduction Strategy Paper—Country Development Strategy (2007–2010)

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KYRGYZ REPUBLIC

COUNTRY DEVELOPMENT STRATEGY

(2007 –2010)

Table of contents

I. INTRODUCTION 2
1.1. Urgency for the Country Development Strategy 2
1.2. CDS development process 3
II. ANALYSIS OF CURRENT STATE AND OUTCOME OF THE NATIONAL POVERTY REDUCTION STRATEGY IMPLEMENTATION 4
2.1. Analysis of the current state 4
2.1.1. Social-economic situation 4
2.1.2. Public administration efficiency 7
III. DEVELOPMENT VISION AND GOALS 8
IV. ENVIRONMENT IMPROVEMENT 10
4.1. Social and political stability 10
4.2. Macroeconomic policy 10
4.3. Strategy of foreign debt management 12
4.4. Investment policy and investment climate 13
4.5. Financial sector development 14
4.6. Fiscal reform 16
4.7. Export support and encouragement 18
4.8. Gender equality achievement policy 20
V. DEVELOPMENT FOCUS AND PRIORITIES 22
5.1. Economic potential enhancement 22
5.1.1. Energy sector 22
5.1.2. Mining 25
5.1.3. Development of agriculture and processing industry 28
5.1.4. Development of small and medium business 31
5.1.5. Construction 35
5.1.6. Tourism development 38
5.1.7. Transport infrastructure 41
5.1.8. Communication and information 43
5.1.9. Innovation technologies development 45
5.2. Combating corruption 48
5.2.1. Political reform 48
5.2.2. Deregulation of economy 50
5.2.3. Reform of public administration 52
5.2.4. Capacity building of public and municipal servants 54
5.2.5. Legal reform 57
5.3. Human and social development 59
5.3.1. Education essential to the society 59
5.3.2. Accessible and quality health care 64
5.3.3. Labor and an effective system of social protection and social insurance 66
5.3.4. Labor market and optimization of migration processes 69
5.3.5. Broadening of population participation in cultural life 73
5.4. Providing of environmental sustainability 76
5.4.1. Providing of environmental safety 77
5.4.2. Provision of complex safety of the population and territory in the case of natural disasters and catastrophes 79
VI. ROLE AND PARTICIPATION OF THE REGIONS IN THE DEVELOPMENT 82
VII. PROCESS OF STRATEGY IMPLEMENTATION 87
7.1. Control over the process 87
7.2. Resource provision 88
7.3. Risks and threats 89
VIII. MONITORING AND EVALUATION 92
IX. ANNEXES 95
Acronyms 161

I. INTRODUCTION

1.1. Urgency for the Country Development Strategy

1. Country Development Strategy (CDS) is the most important concept paper that outlines midterm vision of the Kyrgyz Republic and determines major directions of development and country activities in 2007-2010. Overall goal of the CDS is to improve level and quality of people's life by ensuring sustainable economic growth, creating opportunities for employment and gaining high and sustainable income, accessibility of wide spectrum of social services and compliance with the high living standards in health-friendly environment.

2. Urgency for drafting and approval of the new midterm vision of Kyrgyzstan's development is first of all based on social-economic and political changes and reforms we've been witnessing in the Republic lately. After March 24 events in 2005 people of the country views the new power as embodiment of new hopes and expectations, opportunities and prospects for the country development. Besides the need in this document is tied to completion of the process of implementation of the National Poverty Reduction Strategy (NPRS) for 2003-2005.

3. In the process of NPRS implementation several reforms have been undertaken. It ensured macroeconomic stability and average annual economic growth in the amount of 5%, real income of the population increased; health and education services improved according to a number of indicators, all of these factors reduced poverty level from 52% to 44%.

4. However 2005 events revealed shortcomings and omissions that have been accumulating for the past years, major ones are weakened political system of the country, growing corruption in state structures and lack of transparency in making decisions that are important for the country, setback in equality and aggravation of status of women, children, disabled citizens and other vulnerable circles. Weak and inefficient public administration slowed down and triggered unfair distribution of economic growth benefits.

5. Economic foundation is getting firmer yet it is far from being fully sustainable and strong. Privatization of strategic enterprises is still underway. Energy sector recovery policy turned out to be ineffective. Investment climate in Kyrgyzstan is inefficient and unpredictable. Almost all of the sectors of economy are in shadow.

6. Previous sources of economic growth started losing their significance lately – gold deposits at Kumtor are being depleted, agriculture is facing serious production crisis. Therefore it is crucial for Kyrgyzstan to diversity economic growth sources and to ensure its long-term sustainability.

7. Despite reduction of overall poverty level, living standards of the most part of population remain low. This problem is especially visible in the countryside and remote mountainous regions where over half of people do not have access to basic public goods, including housing. Large scale growing labor migration proves high level of unemployment. Like in the past country's opportunities in supporting social bloc of reforms mainly depend on funding from international financial institutions.

8. Therefore there is a clear need for development and implementation of the new effective strategy for country development with regard to current situation that aims to overcome obstacles. Paradigm of the strategy implies the need to move towards employment of own resources and focusing on enhancement of competitiveness of the republic. Reforms plan to cover broad range of issues focused on four major areas: (i) enhancing economic potential, (ii) combating corruption, (iii) social development, and (iv) providing of environmental sustainability.

9. Only those countries with strong economic and production capacity that generate sufficient income and with ability to effectively and fairly distribute and manage resources are able to build high quality socially-oriented state policy. Implementation of some of the measures set forth in the strategy will first of all allow creating and improving relevant institutions, infrastructure and mechanisms that ensure competitiveness of the economic entities both inside and outside the country; secondly it will improve efficiency of public administration, lead to better quality and conditions for providing government services; thirdly, will create conditions and encourage human capital development.

10. Singularity of this strategy is in differentiated approach to picking priorities by regions. Therefore objectives will be set and attained differently for each region. However major perspective of

involvement of all territories of the country in strategy implementation shall be determined as implementation of decentralization reforms in economic, financial and social aspects.

1.2. CDS development process

11. Country leadership drafted Country Development Strategy for 2007-2010 in close consultations with all of the interested parties and has been approved at the National Council of the Kyrgyz Republic in December, 2006 after broad discussions with private sector, civil society, and government agencies at the National Council on strategic development of Kyrgyzstan in April 2007.

12. During the drafting process an active dialogue with international development partners took place. Policies set forth in international treaties and initiatives have been taken into account, e.g. Millennium Challenge Account, Poverty Reduction Mechanism and Economic Growth Support, Country Assistance Strategies, and other memorandums of cooperation. International community expressed overall support of the process and genuine drive for assisting Kyrgyzstan in its efforts to strengthen democracy, developing economy and social welfare of the country.

13. The document has been viewed through the prism of the development priorities as determined by President Kurmanbek Bakiyev in his Message to the people of Kyrgyzstan «On national development strategy and immediate tasks» dated September 28, 2006. The document absorbed outcome and conclusions of researches on the Kyrgyz Republic prepared by international and domestic organizations, memorandums, aide memoirs drafted by the missions of international organizations and donor countries, major critical comments and recommendations of the parliament members regarding performance of executive agencies and the most crucial issues raised by mass media, NGOs and private sector of the Kyrgyz Republic. The document was subject for environmental and gender expertise in the process of development.

14. Methodology approach applied during strategy development was two-fold: analytical and planning phase. During analytical phase the problems, goals, programs and strategies were analyzed. Current status of the country has been studied at during this phase in order to develop vision of the «future desirable» situation and ways to achieve it. Planning phase was subdivided into following stages: drafting strategy outline, planning actions, resources and costs, development of monitoring and evaluation system.

15. Принципиальным отличием Стратегии Развития Страны от предыдущих является ее направленность на достижение конкретных результатов; определение четких приоритетов развития; реальный учет мнений заинтересованных сторон через новые комплексные механизмы партнерства с частным сектором, донорским сообществом и гражданским обществом; разработка более конкретных мероприятий по реализации политики; увязка стратегии с бюджетным процессом и среднесрочным прогнозом бюджета; системный мониторинг и объективная оценка результатов работы.

16. Kyrgyzstan sets the institutional basis on development, implementation, monitoring and evaluation of similar concept paper during the process of NPRS development, which allowed drafting this document under time. Development process was covered in mass media; information was disseminated in the Internet, via various round table discussions, bilateral and multilateral meetings, seminars and conferences on this subject.

II. ANALYSIS OF CURRENT STATE AND OUTCOME OF THE NATIONAL POVERTY REDUCTION STRATEGY IMPLEMENTATION

2.1. Analysis of the current state

17. Compared to 90-ies of the past century the Kyrgyz Republic managed to strengthen its social and economic potential quite substantially by implementing numerous reforms which allowed increasing production volume and state budget in 1.6 and 4.5 times respectively, compared to mid-90-ies[1].

18. During these years the republic undertook reforms in wide range of areas: denationalization and privatization, liberalization of prices and foreign trade, industrial reforms, agrarian reform, structural reforms in health care and education, public administration. However it is worth noting that rapid reforms in the beginning weren't logically followed up at the implementation stage, which slowed down economic growth rates over several past years[2].

19. Specific focus has been made in three major directions within the framework of NPRS and CDF for the purpose of further advancement of reforms: (i) strengthening economic growth and creation of job opportunities; (ii) enhancing efficiency and targets of social protection and human development, and (iii) good governance, efficient public sector and institutional and human potential.

20. Despite the level of economic growth, one of the major issues hasn't been addressed yet – that is unemployment. Moreover, structural changes in production and consumption evidence that the economy hasn't gained sustainable economic growth yet. State still retains management of strategic objects and companies affiliated therewith and business regulation.

21. Large scale reforms in social sphere supported by the international community allowed keeping health care and education potential. Yet low level of income of vulnerable population still remains a problem. Children and gender issues need more attention. Social programs haven't taken into account gender issues.

22. Insufficient speed of public administration reforms lead to deceleration of growth rates in the other sectors and reduced positive influence of economic growth on public welfare. Public administration agencies still heavily interfere in economy and corruption. Gender balance in decision-making is yet to be achieved.

2.1.1. Social-economic situation

23. Strict economic policy ensured macroeconomic stability. In 2003-2005 average annual economic growth amounted to 4.4%, GDP per capita increased from 384 USD to 475 USD. Level of inflation is still low, real income of the population for the past three years increased to 5%. However economic growth hasn't stopped number of officially registered unemployed from further increase, in 2005 it reached the level of 5%.

24. Major factors that affected economic growth in the past years are as follows: (i) sustainable growth of economy in the countries – major trade partners at the level of 7-12% (China, Kazakhstan, Russia); (ii) annual growth of personal consumption that amounted to 11% and its ratio increased from 78% in 2003 to 85% in 2005; (iii) sustainability of the investment ratio which in average amounted to 20% per annum; and (iv) better budget sustainability and level of fiscal mobilization.

25. Structure of GDP production went through notable changes with share of industrial production dropping from 17.3% in 2003 to 16.1% in 2005, and share of agriculture – from 33.6% in 2003 to 30.5% in 2005 due to increase of the service sector which starting 2002 exceeded the share of agriculture and in 2005 amounted to 40.2%.

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[1] The country hasn't reached development level gained in the last years of soviet period. GDP in comparable prices of 2005 reached 79.8%, number of employed – 108.3% and labor productivity – 74.1% compared to 1990 indicators. The level of state revenues and expenditures of 26.8% and 37.1% to GDP in 1990 hasn't been reached either.

[2] Average annual economic growth rate in 1995-2000 amounted 5.6% versus 3.7% in 2000-2005.

Table 3.1.

Key economic indicators of the Kyrgyz Republic, 2000-2005

	2000	2001	2002	2003	2004	2005
GDP, real growth (%)	5.4	5.3	0.0	7.0	7.0	-0.2
Inflation, (%)	18.7	6.9	2.0	3.1	4.1	4.9
Unemployment, (%)		7.8	8.6	8.9	9.0	9.7
Current transitions account, (% to GDP)	-5.7	-1.6	-3.1	-4.2	-3.4	-8.3
Wide moneys growth, (%)	12.1	12.2	35.1	34.5	33.6	17.6
Primary budget deficit, (% to GDP)	-6.9	-4.4	-5.1	-4.3	-3.4	-4.2
Foreign debt, (% to GDP)	102.0	94.15	114.5	104.2	95.5	77.1

Source of information: *NSC, NBKR, Ministry of Finance, IMF.*

26. Industrial growth in 2003-2005 in average amounted to 2.5% which was mostly gained for the account of gold mining and power industry enterprises which in average account for 57.2% of industrial produce. Without gold and energy average annual growth in industry amounted to almost 3%.

27. Unfavorable climatic conditions in 2005, growing oil prices and reduced livestock produce caused dropping of agricultural production volumes down to 4.2% and lead to the situation when average growth rate in 2003-2005 amounted to slightly over one percent per year, thus reducing agricultural share.

28. Average annual growth rate of gross production in construction amounted to 7.3% during 2003-2006 mainly for the account of growing domestic private investments. Foreign investments tend to decrease, e.g. PIP portfolio dropped from 3.6% in 2003 to 3.2% to GDP (less grants) in 2005. In general use of capital investments grew from 9 billion som in 2003 to 14.3 billion in 2006.

29. Payment balance has been positive lately which allowed improving situation with international reserves that amounted to 389 mln USD as of the end of 2003 and 612.4 mln USD as of the end of 2005. Level of reserve assets of the National Bank of the Kyrgyz Republic in 2005 amounted to 4.4 months of import versus 4.1 months of import in 2003.

30. Structural reforms in monetary-credit regulation allowed strengthening financial system and banking sector of the country. Stability of discount rate at the level of 4% along with 10% reduction of mandatory reserves norm evidenced milder monetary policy compared to late 90-ies. Consolidated capital of commercial banks increased in 1.9 times over 2003-2005 and amounted to 3.5 billion som. Assets of commercial banks increased in 2.8 times over three years, liabilities – in 3.1. Introduction of foreign commercial banks positively influenced development of banking sector, now they account for 2/3 of banking assets. All of these facts evidence restoration of trust in commercial banks and its growing role in funding economic activities of business entities.

31. Kyrgyz Republic managed to increase budget revenues up to the level of 1991. In 2003-2005 level of state budget revenues amounted to 20% of GDP which notably exceeds level of 2000-2002 (16.2%). Average annual growth of budget expenditures in 2003-2005 – 11% and amounted to 25% of GDP in 2005. Total amount of Public Investment Program funding reduced to 3.2% to GDP which was caused by the need for strict control of foreign debt situation. Budget deficit with the account of Public Investment Program hasn't exceeded threshold values and amounted to 4.3% and 4.4% to GDP. Thus the government managed to accomplish one of the most important macroeconomic tasks – reduction and control over deficit of state budget. Yet it was able to identify sufficient resources for real increase of income level for the most vulnerable people.

32. Kyrgyz Republic in general managed to achieve positive shifts in foreign debt management which reduced from 104.2% to GDP in 2003 to 82.4% to GDP in 2005. However high level of state debt still seriously limits social-economic policy. Despite debt restructuring within the framework of Paris Club in 2000 and 2005 the Kyrgyz Republic needs and reviews ways to relieve debt burden in order to use resources available for development purposes and enhancing welfare of its citizens.

33. Level of nominal funding of key social development areas had a stable growth tendency. Education sector had the highest funding level. Compared to 2000-2002 amount of state funding for education increased from 3.5% to GDP to 4.6% in 2003-2005. However despite the nominal growth level of expenditures on health care in relative values in fact hasn't changed and amounted to 2.0% to GDP in average. Similar situation is in social sphere where one could notice significant growth of expenditures in 2002-2003 up to 3.1% to GDP however in 2004-2005 it dropped to 2.8% to GDP.

34. Major reforms in social sphere aimed at identification of sources of adequate funding, better addressing assistance and enhancing social protection level. Despite the measures taken by the Government of the Kyrgyz Republic in 2003-2005 to raise salaries to government funded positions, benefits, preferences and other assistance, income of this category still remains low. Average amount of social benefits amounted to 366.6 som which makes 20% of minimal consumption budget (MCB) and average monthly salary of teachers and physicians makes 74.5% and 63.6% to MCB respectively.

35. In 2000-2004 one could see significant reduction of overall poverty level regardless of evaluation method and review of the poverty level in 2003. E.g. according to the old poverty threshold poverty level on consumption per capita dropped from 62.5% in 2000 to 46.5% in 2003, whereas according to new poverty threshold level of poverty amounted to 49.9% in 2003 and 43.1% in 2005. According to expenditure-based estimates the poverty level in 2000 amounted to 52% and by 2003 reduced to 39.3%. According to new poverty threshold the poverty level amounted to 47.9% in 2003 and 37.5% in 2005. Extreme poverty level notably reduced, poverty level on consumption per capita dropped from 32.9% in 2000 to 17.2% in 2003 and to 11.1% in 2005.

36. Significant reduction of poverty level in 2003-2004 took place among urban population, as opposed to the situation in 2001-2002 when reduction rate of poverty level in countryside exceeded the one in urban areas. After adoption of the new poverty threshold the urban poverty level reduced from 35.7% in 2003 to 28.3% in 2004; whereas in the villages these indicators amounted to 57.4% in 2003 and 55.5% in 2004.

37. Despite substantial reduction of poverty level in the country in general there are significant regional differences in poverty level, e.g. Batken oblast has the worst situation with poverty, its level in 2005 amounted to 59.1%, Djalal-Abad and Osh oblasts – 55.9%. Almost in all oblasts except Talas and Djalal-Abad countryside poverty level exceeds urban one. Poverty level in the villages of Issyk-Kul oblast amounted to 62.9%, in Osh oblast – 59.7%, in Batken – 59.4%. The largest gap between poverty level in urban and rural areas is in Issyk-Kul oblast – 23.1% and 62.9% respectively.

38. Kyrgyz Republic always had high literacy rate – 98.7% at the moment. Country also managed to maintain high level of child education coverage. In 2003-2005 the level of primary education coverage (from 7 to 15 years) amounted to 95%. Despite maintenance of high coverage level in primary education, the quality of education continues worsening especially in the countryside. Maintenance and development of school infrastructure remains a serious problem that only aggravates from year to year.

39. Up until 2003 there was a tendency for reduction of child mortality, however in 2003-2005 after new methodology and evaluation criteria have been adopted the child mortality rate increased and amounted to 29.7 pro mil. There is substantial unbalance of these indicators by regions – child mortality is higher in the regions where prenatal centers are located (Bishkek, Osh).

40. Lately the situation had notably changed compared to 2000-2001 when average maternal mortality amounted to 48.2% kilo mil[3]. In 2002 this indicator amounted to 58.4 kilo mil, in 2003 – 53.1 kilo mil, in 2004 there was significant improvement – 46.4 kilo mil, but in 2005 it increased to 61 kilo mil.

41. Support of the international community allowed the Kyrgyz Republic to achieve 98.7% of immunization coverage thus reducing threat of rubella and measles, and there is no natural poliovirus in the republic as WHO had identified it. Tuberculosis control stabilized over the past three years. Malaria and echinococcus cases reduced. However rapid growth of brucellosis cases is alarming, in 2003-2005 this number increased to 22%. Lately there have been outbreaks of typhoid, acute

[3] Number of cases per 100,000 births.

intestinal infections; a number of virus hepatitis cases do not tend to decrease. Annual typhoid outbursts are registered; this is caused by low quality or absence of pure potable water.

42. Portion of population with no access to health care services reduced in 2000-2004 from 11.4% to 7.8%: despite the fact that health care services are accessible for most of the public, the cost of medical services and remoteness of medical outlets from some settlements is a serious obstacle for gaining access to medical services especially in rural areas.

43. Due to support from WB and ADB public managed access to tap water at the level of 84.4% in 2005, public access to sanitary-hygienic conditions has a negative trend, this indicator dropped from 32.8% in 2000 to 23.9% in 2005. Situation requires additional efforts, given outbreaks of infectious diseases especially in southern regions of the republic.

44. Ensuring financial stability of retirement plans was one of the most important tasks the government had to address lately. In 2003-2005 nominal value of the volume of insurance contributions had an annual growth of 11%. It allowed strengthening positions of the Social Welfare Fund and meeting liabilities on retirement plans. Better administration and growth of insurance contributions collection allowed annual increase of the basic portion of pensions and differentiated increase of insurance portion of the pensions. However low size of pensions remains a problem, and it has to be addressed within the framework of this strategy.

45. Child support is one of the most crucial problems. There are over 10,000 unsupervised children according to various estimates, 23,000 children work and over 20,000 do not attend school. Child support issue must be given more attention since insufficient child support can lead to «decapitalization» of human potential of the country.

2.1.2. Public administration efficiency

46. Lately in the Kyrgyz Republic quite an intensive processes took place that aimed to enhance public administration quality, that included redistribution of powers between executive, legislative and judiciary branches aiming to ensure balance of political powers; reform of the parliamentary structure that lead to unicameral parliament. Kyrgyzstan managed to undertake a number of positive steps in improvement of legislation in achieving gender equality, yet implementation thereof will require additional efforts. Strengthening institutions and procedures for human rights protection, banning all kinds of social discrimination are considered as development priorities.

47. As for the future public administration system the Kyrgyz Republic clearly stated its vision by adoption of the Strategy of Public Administration System Reform, National Anticorruption Strategy and the National Strategy for Public Administration Decentralization.

48. A set of concrete steps of institutional nature has been undertaken. National Council on Good Governance and Civil Service Council, Civil Service Agency of the Kyrgyz Republic have been established, a Law on Civil Service was passed that divided government positions to political and administrative ones.

49. Intensive functional analysis of all republican and local state administrations and local self-governance bodies was undertaken. Specific attention was paid to identification and removal of duplicating and outdated management structures and functions that did not conform to market economy conditions, and to improvement of public administration bodies' structure and determination of optimal staff number.

50. Despite the efforts to enhance public administration quality, growing corruption in public administration and lack of transparency in significant decision making continues barring country development. According to estimates of international organizations such as World Bank, European Bank for Restructuring and Development, and Transparency International Kyrgyzstan remains in the group of countries with high level of corruption.

III. DEVELOPMENT VISION AND GOALS

51. Kyrgyz Republic views development process comprehensively through the prism of sustainable human development, i.e. development focused on and aiming at human being. This development aims at poverty reduction and enhancement of living standards, health and life friendly environment, society integration, safeguard and accumulation of cultural and moral values of the people, human rights protection and achievement of gender equality and effective democratic management.

52. These goals could be reached given high economic growth rate. In 2007-2010 it is crucial to achieve annual GDP growth at the level of 8.0-9.0%, and in 2008-2010 – 6.5-7.9%. Kyrgyz Republic plans that implementation of this strategy will allow it join the group of countries with medium level of development and achieve GDP production at the level of 872 USD per capita.

53. Economic policy will first of all be aimed at ensuring sustainable economic growth by enhancing competitiveness of the country through intensification of development and growth of labor productivity, as well as higher integration of the Kyrgyz economy in world economic system via higher growth rates and export diversification and keeping liberal foreign trade policy.

54. Labor productivity growth, diversification and export growth will be ensured by encouragement of small and medium businesses and by focus on the industries that the Kyrgyz Republic has already achieved success or has potential advantages, e.g. power, mining industry, agricultural processing enterprises and service industry.

55. Solution of these tasks will focus on further development and support of favorable business environment for private sector development as well as radical improvement of the quality of investment climate that is crucial for attraction of private investment including foreign ones in the economy. Financial sector reforms will also aim at attracting savings to increase the share and volumes of economic funding out of domestic sources.

56. Tax system reform will aim at reduction of tax burden for business entities and the portion of the shadow economy, thus increasing the share of state revenues to GDP. Customs system reform will aim at growth of its efficiency and substantial reduction of time and resources spent by businesses on export-import transactions.

57. State expenditures policy will focus at ensuring relevance of the expenditures to development programs determined by this strategy and strengthening social orientation of the budget. Public Investment Program will aim to ensure support of the most important elements of production (including agricultural production) and social infrastructure in accordance with the goals and priorities of this strategy.

58. The Kyrgyz Republic will continue strict state debt management, which remains an obstacle for faster growth. For this reason attraction of foreign financial loan resources will be strictly regulated depending on practicability, preferential terms and maximization of their potential influence on economic development of the country.

59. Public administration system reform will be aimed at establishment of the efficient executive power system that provides high quality and efficient services to the population to replace the current cumbersome state apparatus. It is planned to vanish authoritarian methods of public administration and to move on to new purely democratic management model, to achieve gender parity in management in partnership with the civil society.

60. Corruption will be addressed comprehensively, in particular by: reduction and strict regulation of the state agencies interference in market mechanisms, increasing responsibility and reporting of the state structures under the civil society and enhancing transparency of the actions thereof, better legal basis. Solution of these tasks along with establishment of impartial, fair and effective judiciary system will create necessary conditions for growth of private investment in the economy of the country.

61. Public administration decentralization will allow delegating more authority to local communities and strengthening local budgets thus enhancing population mobilization in order to achieve strategic goal – ensuring adequate living standards for each Kyrgyz citizen by 2010.

62. Development experience of Kyrgyzstan over the past several years demonstrated critical role of economic development in increase of public income and poverty reduction. Social policy along with the policy of economic growth encouragement will aim at more efficient and targeted policy of providing support to vulnerable population, at continuation and deepening of the pension reform in order to achieve raise of pensions, enhancing accessibility and quality of education and health care services.

IV. ENVIRONMENT IMPROVEMENT

63. Improvement of the development environment through better social and political stability in the country, institutional strengthening of state agencies, well coordinated monetary-credit and tax and customs policy, further advancement of structural reforms, reducing foreign debt burden and strengthening foreign trade positions of the country will positively affect implementation of the strategy.

4.1. Social and political stability

64. Social and political stability is vital for economic development of any society. Stability became crucial for Kyrgyzstan since March 24, 2005 after the collapse of the former regime. New government focused on strengthening government structures. In these circumstances new democratic technologies, public grievance expressed in meetings and rallies seriously destabilized social and political situation. Often such actions violated existing legislation, and rights of certain groups which negatively affected overall economic development of the country. The most negative effect made by the unsanctioned rallies is that people feel the taste of anarchy. Undoubtedly, meetings are democratic tool, expression of the will of people that allows civil society to impact decision making by the government, when all other ways weren't successful. However it is necessary to follow legal procedures to ensure protection of the society from the threat of instability in the result of such rallies. It is necessary to provide for personal responsibility of the politicians, political parties and movements and citizens for calling for unsanctioned rallies and for violation of rights of other people, damaging economic development and destabilizing situation in the country by conducting such actions.

65. Ethnic factors also affect stability in the society. Certain political forces attempt to employ this factor for solution of their private purposes, or sometimes for destabilization of the situation in the country in general. Interethnic, international concordance is the main precondition for stability in multiethnic states. Unequal access to financial and economic resources; shifts in human resources policy, shortage of irrigated agricultural lands, especially in Ferghana valley, social unbalance, outstanding ethnic, cultural and educational problems – all of these aspects are risk factors for outburst of ethnic conflicts. Therefore the government should clearly state its ethnic policy, which would reflect all of the problems and propose solutions.

66. It is necessary to severely whip irresponsible politicians and citizens that provoke interethnic conflicts. Public administration institutions must work on the concrete action plans aimed at reaching interethnic concordance. Civil servants that abuse their positions to harm ethnic relations must be subject for criminal responsibility.

67. Tribalism and regionalism development in our society is alarming, especially when it affects social life of the republic. Eventually this problem may lead to split of the Kyrgyz society. One shouldn't keep silence or underestimate this issue. Traditional approaches to this issue not only fail to solve them but also develop double moral. Tribal and regional approaches lead to lower professionalism in public administration and worsen competitiveness of the country, as well as threaten internal stability of the society. Government plans to develop an action plan within the framework of the strategy to fight tribalism and regionalism.

4.2. Macroeconomic policy

68. It is forecasted that implementation of the actions set forth in the strategy average annual growth of real GDP will amount to 9.5%. As a result GDP per capital will amount to 872 USD by 2010 and will increase to 60.6% compared to 2006. annual real growth of average monthly salary is forecasted at the level of 14-15%, which will increase income of the population. At the same time real growth of monetary income of the population is forecasted at the level of 2-2.5% per annum which will reduce poverty to 2-3% every year.

Table 4.2.1.

Growth rate of major macroeconomic indicators in 2006-2010
(in comparable prices,% to previous year data)

	2000-2005 total	2006	2007	2008	2009	2010	2006-2010 total
GDP growth rate	119.8	102.7	108.0	108.0	108.5	109.0	137.9
Growth rate of the number of employed	109.4	102.4	102.3	102.3	102.2	102.2	109.3
Working efficiency growth rate	112.0	109.6	110.8	110.1	110.6	111.1	149.9
Real wage growth rate	174.4	112.7	114.7	114.7-	114.7	115.2	173.8
Cost of labor force unit *,%	62.3**	63.0	64.1	64.4	64.0	63.6	
Poverty level,%	43.1***	40.6	37.4	34.8	32.8	29.8	

** - by years in question;*
*** - in 2005;*
**** - in 2004 according to new poverty level*

69. This development strategy for the next 5 years was picked with regard to the existing economic structure that is characterized by obvious insufficiency of job offers with high productivity and high added value and in order to achieve two goals:

(i) higher efficiency, competitiveness and investment attractiveness of the economy through advanced labor productivity, stabilization and further reduction of cost per work force unit;

(ii) keeping and increasing economic growth in order to reduce poverty through employment and income increase from labor[4] as a major tool to achieve CDS indicators on poverty reduction.

70. Government and National Bank of the Kyrgyz Republic will continue following appropriate monetary-credit policy in order to maintain price stability to keep inflation rate at the level of 5-6% in 2007 (December compared to December 2006). Inflation dynamics will be determined by internal demand, price fluctuation at the foreign markets, budget – tax and tariff policies. Floating exchange rate will remain in the midterm perspective. Currency interventions will be carried out only in the volumes required for avoiding drastic fluctuations of exchange rate. International reserves are planned to be supported at the level of at least 4.3-3.5 months of import of goods and services. Government and the National Bank of the Kyrgyz Republic will undertake all possible steps to continue strengthening independence of the NBKR to ensure macroeconomic stability. Further transparency of the monetary-credit policy will become an important aspect raising trust of the population and market participants to the banks.

71. Midterm fiscal policy will aim at advanced growth of consolidated budget revenues versus budget expenditures which will lead to significant reduction of budget deficit during this period from 4.1% to GDP in 2006 to 3.8% to GDP in 2010.

72. The policy aimed at reduction of foreign loans under government guarantees will be continued. Loans both for payment balance funding and Public Investment Program will be cut. Government investment within PIP will be cut from 4.2% in 2007 to 1.8% to GDP by 2010 (foreign portion). At the same time the government will take maximum of efforts to enhance effectiveness of PIP projects. It is planned that the grant foreign assistance from major donors will increase.

73. Implementation of midterm investment policy will lead to growth of grow investments up to 36.5% to GDP. Their growth will be ensured through increase of private investments after removal of all administrative barriers, real trust and stability of the financial system and banking sector for

[4] Despite seeming contradiction of these purposes in short term perspective, efficient poverty reduction in mid- and long-term prospective is impossible without the priority being given to the goals of economic efficiency growth based on advanced growth of labor productivity and reduced cost per labor force unit.

insurance of potential risks of investors as well as for establishment of favorable customs and tax regimes.

74. The government will pay specific attention to the issues of stable foreign debt. In budget policy context debt stability assumes accumulated foreign debt at such a level and the size of regular expenditures on its servicing, when such payments could be made with no effect on other budget items and economic development in general. In order to reduce foreign debt burden that potentially threatens sustainable growth, the government will consider all ways for its further restructuring.

4.3. Strategy of foreign debt management

75. Breakup of the Soviet Union and gaining independence at the beginning of the 1990s put the Kyrgyz Republic in front of a number of issues, which had to be solved on its own. Lack of significant own resources, loss of subsidies from the consolidated budget of the Soviet Union necessitated foreign borrowings of financial resources. Attracted loan resources were allocated on developing and reforming such sectors of the economy as agriculture, transport and communications, industry, energy, education and healthcare, public administration, governance and private sector. The significant part of the resources, about 33% of them, was allocated on supporting the budget and the national currency. In this situation lack of a coordinated borrowing policy and weak foreign debt management based on lack of necessary experience in this sphere at the initial stages, led to the fact that the foreign debt of the country increased from the zero level in 1992 up to about 2 billion USD in 2006.

76. Having started to face difficulties with the foreign debt service at the end of the last century, The Government of the Kyrgyz Republic took a number of measures aimed at reduction of the foreign debt, including the Mid-term Strategy of foreign debt reduction for 2002-2005, adopted by the Resolution of the Government of the Kyrgyz Republic. As a result of this strategy the overall situation with the Kyrgyz Republic's foreign debt was improved, the problems, related to liquidity and creditworthiness of the Kyrgyz Government for the period from 2001 to 2004, were regulated. Within the framework of this Strategy: (i) attracting of foreign borrowings was conducted subject to preferential rate of at least 45%; (ii) the PIP volume reduced and the volume of the grants increased; (iii) the foreign debt was restructured within the framework of the Protocol of the Paris Club of 7 March 2002 and the Paris Club Protocol of 11 March 2005; (iv) there was no delay in foreign debt service.

77. As e result of restructuring, provided by creditors within the Paris Club, actual budget expenditure on the Kyrgyz Republic foreign debt service to bilateral creditors were reduced from 109 mln USD to 7,5 mln USD during three years. Reduction in expenditure on external debt service within that period allowed to allocate released resources on other needs of the national budget (social assistance, health care and education). Successful implementation of reached agreements of 2002 provided to the Kyrgyz Republic the opportunity to address again the Paris Club's creditors, but with the aim to get more restructuring already, namely, accumulated debt reduction. Thereby the Government of the Kyrgyz Republic repeatedly appealed to the Paris Club in 2005. The restructuring, provided in 2005, allowed to solve the problem of foreign debt service in front of bilateral creditors and get significant financial saving of the national budget in the long term (up to 2020), as well as get more soft (preferential) conditions of foreign debt.

78. Realization of activities on reduction and efficient foreign debt management, as well as comprehensive restructuring of the Paris Club in 2002 and 2005 led to the improvement of debt indicators. Thus, correlation of foreign debt to GDP decreased from 112% in 2001 to 78% in 2005. The share of external debt service in the income of the state budget decreased from 31% to 12%. However, today the situation with public debt still remains unstable. As for the 31 January 2007 the state debt of the Kyrgyz Republic amounted **2 136.3 mln USD**, including: internal debt – 179.0 mln USD, external debt – 1 957.3 mln USD. The problem of debt instability locks economic reforms, carried out by the Kyrgyz Government. Taking into consideration this fact, as well termination of terms of the mid-term Strategy of foreign debt reduction for 2002-2005, the new **Strategy of Kyrgyz public debt management for mid-term perspective (2007-2010)** was developed to further improve the system of state debt management and to get debt stability.

79. The strategy is based on keeping of positive results in foreign debt management and implementation of new directions of the country public borrowing, corresponds to the Public

Investments Policy (PIP) and closely connected with the economic development of the country. **The objective of the Strategy is to achieve the stable level of the public debt**, optimization of its structure and establishment of the basis for efficient state debt management through realization of the following tasks: (i) reduction of the public foreign debt burden; (ii) increase of the volume of internal borrowing and (iii) introduction of the risks management practice.

80. To achieve these objectives the Kyrgyz Government will follow the following principles: (i) timely foreign debt service; (ii) attraction of soft external credits; (iii) attraction of foreign credits within PIP in accordance with the state's priorities and annual economic growth; (iv) diversification of portfolio of public securities ; (vi) transparency and availability of issue and allocation of public securities.

81. According to these principles the Government will be aimed on the implementation of the following activities: (i) participate in appropriate programs on external debt reduction; (ii) take efforts to end negotiations on restructuring of the Kyrgyz bilateral debt to the creditors-non-members of the Paris Club; (iii) conduct negotiations with the creditors on conversion operations (debt exchange on activities, ecology, development); (iv) keep minimum requirement on 45% of the grant element regarding all newly attracted public external borrowings; (v) expand the policy of direct investments attraction and external assistance provision in the form of grants; (vi) develop and adopt normative legal act, providing mechanism of state guarantees provision; (vii) develop and approve the mechanism on foreign borrowings attraction, which identifies the priority and economic efficiency of loans; (viii) identify the volumes of annual borrowing, which will be calculated on the basis of annual macroeconomic indicators; (ix) provide requirement to enterprises with state share more then 50% and municipal bodies to preliminary agree with the Government the operations of attraction of private debt and the debt, that is not guaranteed by the Government. (x) broaden the instruments of internal borrowing through issuance and allocation of new types of state securities; (xi) improve the mechanism of state securities allocation; (xii) increase the number of securities holders through the development of primary, as well as secondary securities market; (xiii) improve the legal basis on public debt.

4.4. Investment policy and investment climate

82. In the conditions when foreign debts are restricted due to high level of foreign debt and upcoming cuts in share of state investments funded mainly out of foreign loan resources, encouragement of private domestic and foreign investments in country's economy must become another major focus of the country in 2007-2010 by carrying out a set of measures for significant improvement of investment attractiveness of the country.

83. Unlike significant improvement of the business environment the investment attractiveness of the country hasn't improved, and investment climate despite rather liberal investment legislation and all efforts taken lately[5] remained unfavorable. According to researches conducted by WB and EBRD BEEPS-2005[6] the integral indicators of the investment climate quality in the Kyrgyz Republic amounted to 25.2 points in 2005 versus 18.2 points average for ECA countries[7] and is considered as

[5] Annual investment summit discussions were held to identify priorities of the countries in investment attraction, develop mechanisms on overcoming barriers that barred investment inflow; Consultative Council on foreign investments was established with involvement of highest leadership of the country, foreign investors as well as leading local businessmen. This Council drafted several investment matrix that provided for reduction of state interference in economy through less regulatory and controlling functions, the laws «On Arbitration», «On micro financing organizations in the Kyrgyz Republic», «On financial leasing», ««On introducing amendments in the Law of the Kyrgyz Republic on foreign migration», «On investments to the Kyrgyz Republic», «On banks and banking activities», «On joint stock companies»< «On investment funds», «On education», «On incorporation of changes and amendments to the Tax Code of the Kyrgyz Republic», «On tariffs of insurance contributions in state social insurance», «On bankruptcy of commercial banks», and other laws focused on attraction of investments have been passed.

[6] Investment Climate Surveys. Draft Country Profiles. Kyrgyz Republic. 2005 Survey. World Bank, 2005.

[7] Research methodology shows that the higher is integral indicator, the worse is the quality of investment climate. Seeming contradiction between improving business environment and unfavorable investment climate can be explained by the real contradiction between rather developed legal regulation system which is the basis for estimation of the quality of business environment, and insufficient and controversial nature of introduction thereof in real economic relations of business and state which serves the basis for assessment of the investment climate quality. However it should be noted that the major development problems in these two spheres mainly concur.

one of the most unfavorable in the ECA region. Therefore within the framework of CDS it is planned to achieve average 2005 ECA indicator by 2009 and exceed this level by 2010.

84. Major issues that must be addressed for significant improvement of investment climate and speeding up economic growth rate are listed below in order of importance for business: (i) low quality of tax administration; (ii) ambiguous and unpredictable changes in economic policy of the state; (iii) high level of corruption; (iv) high cost of funding; (v) macroeconomic instability; (vi) customs and foreign trade regulation; (vii) crime and absence of order; (viii) Low qualification of human resources; (ix) uneasy access to funding; (x) judiciary system and conflict resolution.

85. As one can see from this list of major structural and institutional obstacles for increase of investments and business development, the problem of enhancing quality of investment climate is of comprehensive nature and involves almost all areas of public administration and regulation in the Kyrgyz Republic. Due to this reason major steps on improvement of investment climate are set forth in respective parts of CDS.

4.5. Financial sector development

86. Banking sector prevails in the financial system of the Kyrgyz Republic. The sector of non-banking institutions and micro crediting organizations mainly focused on agriculture and small businesses is relatively developed compared to the other CIS countries, its credit resources accounted for 26% of banking loans in 2005[8]. Securities market and insurance industry are at the primary development stage.

87. Despite substantial growth in the banking sector over the past 3 years its role in funding economic growth is still insignificant and rather low compared to the other ECA countries. On the other hand moderate inflation rate over the past several years (within 5% limit) and significant decrease in failures to return loans down to 6% in 2005 did not lead to lower cost of crediting (average credit rate in Kyrgyz som amounted to 24.9% in 2005, and in currency – 18.7%). Spread rate remains extremely high (gap between credit and deposit rates), in 2005 it amounted 18.9%, which three times exceed average spread rate in ECA countries, and given reduction of credit risk that existed for the past several years, proves substantial inefficiency of the banking sector, outdated technologies and high transaction costs, which is also reflected in higher requirements to the cost of collateral (180.5% of the cost of the loan in 2005 compared to average 153.7% for ECA countries). Accelerated growth of deposit base versus credit portfolio also lead to rapid growth of liquidity level of the banking system. Low level of banking participation in funding economy is also evidenced by BEEPS-2005 data, according to them only 8.4% of financial resources of business in the Kyrgyz Republic were borrowed from the banking system versus 15.6% in ECA countries in general.

88. With regard to this major development priority of the banking system of the Kyrgyz Republic in 2007-2010 will focus on growth of volumes and access to loans by creating conditions for advanced growth of financial mediation, sustainability and trustworthiness of banks and financial-credit institutions. It is planned that for the account of expanding capital base of the banks, attracting more deposits and long-term banking funding correlation of assets, loans and deposits to GDP in 2010 will exceed the levels of 30%, 15% and 20% respectively. It is also planned to expand the share of bank loans share in the portfolio of financial resources of enterprises.

89. For the purposes of reinforcement of public trust to banking system and achievement of CDS planned growth of the level of deposit base and credit resources by commercial banks and NBKR with technical assistance from donors will introduce the modern risk management systems, meeting criteria of proper (adequate) capital and appropriate quality of credits. Steps will be taken to prepare for gradual introduction of deposit insurance system by: (i) adoption of the Law of the Kyrgyz Republic «On deposit protection» and adoption of appropriate amendments in judicial and procedural and banking legislation; (ii) establishment and institutional strengthening of structures responsible for deposit insurance; (iii) organize the process of insurance payments collection; and (iv) employment of the deposit protection system in 2008 in accordance with the NBKR plan.

[8] 3 922 million som or 12.8% of added value of agriculture in 2005.

90. Ongoing planned process of agglomeration and consolidation of commercial banks through higher requirements to the size of minimal capital of commercial banks as well as creation of conditions that encourage mergers and devourment that lead to agglomeration of banking market will facilitate enhancement of efficiency of the banking system and growth of crediting in the economy. Regulation of the foreign investments process will be carried out solely within the framework of country risk diversification. For the purposes of developing healthy competition in the banking market it is planned to reduce state share in the capital of commercial banks. Therefore in 2006 the Kyrgyz Agricultural Financial Company was transformed into «Aiyl-Bank». Specific attention will be paid to adoption of the law and actions to be taken to counter laundering of moneys generated illegally and terrorism financing, as well as to establishment of appropriate specialized structures and institutional reinforcement thereof with donor assistance.

91. For the purposes of lowering cost of credit resources and simplification of crediting procedures the controversies of certain laws with the law of the Kyrgyz Republic «On collateral» must be removed as well as its practical implementation in terms of withdrawal of the collateral by the banks before court trial, legal restrictions of the mechanisms and terms of use and sale of agricultural lands considered as collateral by the banks in exchange of loans issued to farmers will be significantly abated otherwise expansion of banking crediting in agriculture, lower collateral levels and activization of the land market are deemed impossible.

92. The terms and mechanisms for introduction and expansion of mortgage crediting will be established in order to speed up construction, formation of reliable sources of funding thereof and transformation into dynamics of economic development as it is in other CIS countries. Introduction of mortgage crediting mechanisms will be carried out in accordance with the same scheme as the deposit protection system, that is: (i) discussion and adoption of mortgage strategy (selection of mortgage model with regard to opportunities of the state, population, banks and construction industry, form of state and population involvement, need and opportunity to establish specialized structures, selection of the type of securities, collateral and circulation thereof, required changes in the system of banking surveillance, etc.); (ii) adoption of the law of the Kyrgyz Republic «On mortgage and mortgage securities» and incorporation of appropriate amendments in judicial and procedural and banking legislation; (iii) establishment and institutional strengthening of structures responsible for regulation of mortgage relations; and (iv) introduction of mortgage crediting in 2009.

93. For better coverage of the population of remote areas with financial services, establishment of the infrastructure of micro financing market and creation of job opportunities further implementation of the Midterm strategy of micro funding development in the Kyrgyz Republic in 2006-2010 is needed. Implementation of this strategy will allow doubling a number of micro funding lenders (220,000 persons), by ensuring appropriate growth of the number of micro lending associations in rural communities. The volume of credit portfolio of micro funding institutions will also double and will amount to 6-7 billion som by encouraging inflow of resources to specialized non-banking and micro crediting institutions.

94. Reform of the payment system will facilitate development of new payment mechanisms through banking accounts convenient for individuals and businesses. It is planned to develop an infrastructure on acceptance and servicing payments with use of banking innovation services and technologies as well as payment cards all over the territory of the republic for wire transfer of regular and budget payments, salaries through commercial bank accounts.

95. In midterm perspective the Kyrgyz securities market should go through radical changes, for that the Financial Market Development Strategy for 2007-2010 must be drafted in order to enhance the role of the capital markets in attraction of investments and mobilization of assets for funding economy, this Strategy should also aim to develop insurance market, non-government retirement funds, gambling and lottery business, improvement of accounting system, financial reporting and audit.

96. Measures aimed at further strengthening of institutional basis of the securities market, in particular establishment of one central depository and one mega-regulator in the financial market for better surveillance in non-banking financial sector for protection of legal interests are considered as priorities along with better transparency and efficiency. Financial market could become more active only after gaining investors' interest.

97. Development of the securities market will ensure balanced development of the financial sector of the Kyrgyz Republic and thus will facilitate sustainable economic growth and lowering macroeconomic risks.

98. There are 11 private companies operating in the insurance sector of the Kyrgyz Republic, their turnover in 2005 amounted to 0.13% to GDP. In midterm perspective activization of the insurance market deems possible only with introduction of mandatory insurance forms, in particular civil liabilities of vehicle owners, as well as liability of hazardous substance carriers, liabilities of organizations that exploit dangerous production objects, liability of carriers under the passengers, liabilities of employers for causing harm to employees health and life in the course of performing his functions. It is planned to carry out preparation steps in 2007-2010: drafting concept paper, adoption of appropriate legal acts, establishment and drafting regulations and appropriate institutional structures and introduction thereof in 2011-2012.

4.6. Fiscal reform

99. Tax system reform in Kyrgyzstan will pursue accomplishment of three tasks: ensure balance economic development; encourage business activities through reduction of tax burden and notable improvement of tax administration quality. For these purposes the new version of the Tax Code will be passed in 2007, it will serve as the unified codified document covering all types of taxes and tax activities and integrating the whole tax field in the country.

100. The following assumptions necessitated the need for the new version of the Tax Code: (i) need to simplify taxation; (ii) use of lower tax rates and wide tax base; (iii) evening up tax burden between various types of taxpayers; (iv) restriction of tax preferences and exemptions; (v) setting equal conditions of taxation for local and foreign enterprises and individuals; (vi) reward bona fide taxpayers.

101. The following are key principles of fiscal policy in this strategy: (i) predictability; (ii) transparency; (iii) fairness; (iv) systemic nature of measures within the framework of approved Strategy for tax policy improvement in the Kyrgyz Republic in 2006-2008.

102. The fiscal reform strategy sets forth the following steps: (i) improvement of VAT system collection including reduction of overdue debts on VAT reimbursement; (ii) keeping increased VAT registration threshold; (iii) expansion of the tax base by canceling existing exemptions; (iv) keeping flat scale of income tax (10%) and profit tax rate (10%); (v) further cut of the insurance contributions tariffs down to 25%; (vi) improvement and simplification of taxation through introduction of the single imputed tax with submission of annual financial reporting for better transparency; (vii) gradual abolition of cascade taxes; (viii) review of excise taxes on alcohol and introduction of the new excise for imported vehicles; (ix) transformation of fees for development and reproduction of mineral base to the tax on depths use and introduction of bonuses and royalty; (x) Introduction of the property tax once collection mechanisms are finalized; (xi) tax rates for vehicle owners have been increased in January 2006, this will facilitate tax burden redistribution towards wealthier people; (xii) review and increase of the land tax on non-agricultural lands; (xiii) VAT exemption for import of production equipment; (xiv) liquidation of FEZ except those in Bishkek and Karakol; (xi) abolition of VAT collection from agricultural produce supply; (xvi) abolition of preferences on profit tax for credit unions and income tax for lottery prizes; (xvii) review possibility of lowering VAT rate.

103. These measures will be successful along with the reform of tax administration aiming at balance of rights of taxpayers and tax agencies, reduce corruption among tax and customs officers and enhancement of efficiency of these agencies. Enhancement of tax administration efficiency assumes: (i) liquidation of tax procedures that imply individual decisions taken by tax offices, or individual agreements between taxpayers and tax officers; (ii) tightening liability for violation of income registration; (iii) tightening criminal liability for hiding taxes; (iv) simplification of the mechanism of indisputable collection of tax debt admitted by the entities; (v) improvement of the mechanism of applying cashier machines.

104. The following actions are planned to reorganize tax service activities: (i) optimization of the organizational structure and functions; (ii) introduction of modern information technologies; (iii) change of mechanisms of organizational and methodology activities for the purposes of comprehensive administration system; (iv) eliminate conditions for corruption in fiscal agencies through limiting their

contacts with taxpayers by introducing single door mechanism for business registration and filing tax returns; (v) possibility for submission of tax returns via electronic communication channels; (vi) decrease of the number of tax inspections based on the tax non-payment risk assessment of businesses; (vii) optimization of work with large taxpayers.

105. For better administration, tightening taxpayers' liability, countering registration of bad faith firms and tightening founders' liability the norms will be adopted to require minimal founder contribution depending on property form, legal status and nature of economic activities of businesses.

106. Major tasks on improvement of customs administration will be focused on creation of favorable conditions for (i) encouraging foreign trade by Kyrgyz businesses; (ii) attraction of large investments in Kyrgyz economy.

107. Steps that will allow enhancing efficiency and transparency of customs fees administration assume: (i) simplification of customs inspections at the border; (ii) complete computerization of customs clearance and control, other processes of information sharing, its collection and analysis as well as opportunities for filling out import and export transactions electronically; (iii) reform human resources training system, encourage development of the institute of customs brokers, customs carriers, customs warehouses with strict control of violation of free competition in this sphere; (iv) ensure transparency of customs operations through providing access to all stakeholders to the information, development of partnership between customs and business community, as well as ensuring unrestricted and rapid information exchange between customs of the Kyrgyz Republic and of its major trade partners as well as other government agencies of the Kyrgyz Republic.

108. The following measures will be taken in order to simplify and speed up customs clearance procedures: (i) primary notification mechanism will be developed and introduced to allow informing customs office of the goods to be imported in advance in order to save time spent for customs clearance; (ii) introduction of the single door principles for organization of joint control from the agencies responsible for radio-, veterinary, transport (radiation, veterinary, sanitary and phyto-sanitary control) and other forms of control to be conducted in one place; (iii) collection of customs duties and fees in strict compliance with the requirements set by the WTO agreement on customs assessment that state that *ad valorem* customs duties must be collected mainly on the basis of the information submitted in the invoice but not on the basis of basic or minimal prices set by the government therefore it is necessary to ensure efficient information exchange system with the customs services of the countries – major trade partners of the Kyrgyz Republic as well as training for customs officers.

109. During 2007-2010 administrative agencies must gradually stop charging for their services, by 2009-2010 they will be fully funded from the state budget.

110. For the purposes of attracting additional financial sources in Kyrgyz economy it is planned to draft a law on legalization of income which will provide for one-time action on money, real estate and movable property legalization for the citizens of the Kyrgyz Republic which earlier were out of legal field and haven't been reported.

111. Clear distinction between the revenue sources between the levels of budget system will boost tax and other fees collection and serve as an important precondition for more efficient inter-budget relations. The need to identify income potential of each local self-governance body will require identifying new norms of interest from government taxes, assigning own income sources to LSG bodies with regard to government expenditures policy and tax reforms that are underway.

112. Specific attention will be paid to legalization of informal sector of economy, which accounts for [45-50%] to GDP (UNDP research). Shadow economy negatively affects tax and social basis and leads to vicious circle of mutual increase of the tax burden and shadow sector. Shadow economy causes unfair competition for registered enterprises and distorts official statistics, which leads to inefficient policy decisions.

113. Shadow economy can no longer be considered as a temporary phenomenon. It will continue expanding when there is no economic growth, higher employment or fairer income distribution. Moreover, poverty and gender inequality accompany shadow economy.

114. At the same time shadow economy has a significant potential from the viewpoint of growing employment and income. Legalization of shadow economy will allow reducing poverty and can effectively general new jobs, innovations, income and growth. Therefore a special commission will be

established under the Ministry of Finance with involvement of government and public organizations to develop and enforce reforms aimed at legalization of shadow economy, and at:

(i) creation of favorable legal and business environment through cutting costs for starting up new business and increasing benefits from official registration;

(ii) adoption of laws that recognize and protect businessmen and workers in informal economy area with specific focus on the rights of businessmen and gender equality;

(iii) introduction of unified taxes, fair and simple from administration viewpoint that will not provoke companies to step out of legal business.

4.7. Export support and encouragement

115. Foreign economic policy should focus on support of openness of the economy and building up, diversification and increase of stability of export. With regard to it the government undertakes a set of measures on reducing production and transaction costs and facilitating access to foreign markets for locally produced goods and services, and will avoid any actions on support of import replacement and encouraging export by managing exchange rate, providing subsidies or introducing import restrictions, will work with the local enterprises on improving customs-tariff policy and on participation of Kyrgyzstan in formation of the single customs tariff of EurAsEc. CDS indicators on foreign trade development are presented in Annex X.4.

116. Development of regional cooperation and removal of existing trade, transport and transit barriers is a key in supporting export. For that the government in cooperation with international organizations will facilitate the process of joining WTO for all the neighboring countries to make trade relations more predictable. Negotiations should result in easier access to their markets for Kyrgyz goods and services and lower cost of transiting goods through their territories.

117. Besides the measures will be taken to develop and diversify transport infrastructure (automobile and rail roads, airways) connecting our country with the rest of the world. in cooperation with the neighboring countries Kyrgyzstan will be pursuing simplification, better transparency and harmonization of customs rules and procedures at the borders, eliminating corruption in border and customs services, measures will be taken to simplify transit through the territory of the countries of the region including transit through Kyrgyz territory.

118. Government of the Kyrgyz Republic will activate joint inter-government commissions on efficient consideration of bilateral cooperation issues with the major countries – trade partners, will continue participating in the activities of regional organizations of CIS countries, EurAsEc, SCO, ECO in implementation of joint documents on export development.

119. Expansion of border trade with the neighboring states and increase of the role of Kyrgyz diplomatic missions in export promotion should become an important step. It is planned to review possibility of joining a group of small countries with small and vulnerable economy and participation in negotiations on agriculture and access to the industrial goods markets and trade facilitation.

120. In order to lower export costs the government will refuse from the outdated system of standards that restrains access to foreign markets for Kyrgyz goods and vice versa. Reform of technical regulation sphere will continue on the basis of the law «On basics of technical regulation in the Kyrgyz Republic». It is planned to set up mandatory requirements to products and production processes according to safety parameters in the form of technical regulations and transfer to the system of voluntary standards. Introduction of procedures on conformity of products and production processes to ISO 9000, ISO 14000 standard requirements.

121. The Government will implement the Export Development and Import Replacement Program for 2007-2010 (approved by the Decree of the Government of the Kyrgyz Republic #43 dated February 9, 2007) for the purposes of developing export potential, building up production of high quality and competitive goods as well for improvement of legal and normative basis for foreign trade.

122. It is assumed that by 2010 foreign trade turnover of the Kyrgyz Republic will increase to 5316 mln USD. Foreign trade structure plans to increase export volumes to 17.6% per annum, i.e. export of goods and services should increase from 1350 mln in 2007 to 1986 mln USD by 2010 with average annual import growth in 12.8%.

Table 4.2.2.

Forecasted dynamics of export and import in 2006-2010

	2004	2005	2006	2007	2008	2009	2010	2007-2010 total growth rate
GDP, mln USD	2218.5	2460.8	2834.8	3249	3659	4137	4695	165.6
Export of goods and services, mln USD	943	942.3	1167.1	1350.0	1583.4	1837.2	1986.0	170.2
Import of goods and services, mln USD	1127.5	1397.0	2205.1	2411.7	2693.0	3077.7	3330.0	151.0
Trade balance of goods and services	-184.5	-454.6	-1038	-1061.7	-1109.6	-1240.5	-1344.0	
Export of goods and services,% to GDP	42.5	38.6	41.2	41.6	43.3	44.4	42.3	
Import of goods and services,% to GDP	50.8	57.2	77.8	74.2	73.6	74.4	70.9	
Trade balance of goods and services,% to GDP	-8.3	-18.6	-36.6	-32.7	-30.3	-30.0	-28.6	

4.8. Gender equality achievement policy

123. The main coordinating organ for the implementation of state gender policy is National Council on matters of women, family and gender development under the President of the Kyrgyz Republic. State secretary of the Kyrgyz Republic is a Chairman of the national Council; its working organ is a Secretariat that is a structural subdivision of the Presidential Administration of the Kyrgyz Republic. In Jogorku Kenesh of the Kyrgyz Republic institutionalization of gender policy is implemented through the establishment of position of the Special representative of the KR President on gender development matters in Jogorku Kenesh of the Kyrgyz Republic.

124. In 2006 according to the Kyrgyz President's Decree «On approval of Regulations and composition of the National Council on women, family and gender development issues under the President of the Kyrgyz Republic» (dated February 13, 2006, # 64) the status of the National Council was increased, and mandate and composition broadened through inclusion the members of the Kyrgyz Government into it and increasing the number of civil society representatives. Expansion of functions of the National Council took place as well: performance of the policy towards children was included in addition to women, gender and family issues.

125. Taking into account structural changes, which took place as a result of constitutional reform, it is necessary to conduct activities on further strengthening and increase of efficiency of work of the National Council on women, family and gender development under the Kyrgyz President, Secretariat on women, family and gender development of the Kyrgyz President's Office to provide coordination of efforts of state agencies and civil society, identify the priority directions of gender policy.

126. The important task of the new stage is to strengthen the role of the Kyrgyz Government through establishment of new and strengthening of existing specialized bodies on performance of state policy in the executive branch of the authority, including in the ministries, central bodies, administrative agencies and local public administrations of all levels.

127. In 1996, Kyrgyzstan joined Convention on liquidation of all forms of discrimination towards women as of December, 18 1979, having established principle of non-admission of discrimination on gender, and having taken the obligation to enable equal for men and women right to enjoy all economic, social, cultural, civil, and political rights. In general, the legislation of the Kyrgyz Republic is considered as advanced in terms of setting up of equal rights for men and women. Evidence to that may be Article 13 of the Constitution of the Kyrgyz Republic, Laws of the Kyrgyz Republic «On fundamentals of state guarantees of gender equality provision» as of March 12 2003, №60, «On social and legal protection from family violence» as of March 25 2003 №62, «On reproductive right of citizens» as of January 13 2000, №5 and others.

128. However, during recent years in Kyrgyzstan, certain recoil is observed in key aspects of gender policy. Enhanced islamization has adverse effect on women's status. It is essential to oppose new strategies aimed at overcoming the established situation of gender asymmetry in administration and decision-making, and implementation of equal rights and possibilities policy, towards attempts of conservative political forces to curtail gender equality achieving, to veil women's contribution into the development of society and state.

129. There were only 7 women in the Parliament acted in the years 2000-2005 among its members. The experience of recent elections to Jogorku Kenesh (Parliament) of the Kyrgyz Republic has shown that growth of the number of women in representative power branch at the top level has been promoted by proportional system of elections (on party lists) introduced in 2000 elections. With the passing of the new Constitution of the Kyrgyz Republic at the referendum on February 18 2003, election of deputies to Jogorku Kenesh of the Kyrgyz Republic according to proportional system was excluded from the legislation. As a result, there is not a single woman in the Parliament elected in February 2005.

130. Growth dynamics of women's representation in top structures of public administration compared to previous years has reduced. Human resource policy in top public administration organs requires reforming, taking into account gender aspects.

131. In economic sphere, vertical and horizontal gender segregation at the labor market is observed. General unemployment scale among women is 8% higher than among men. Gap in payment to men and women has a trend to grow.

132. Expected live interval under birth is reduced, maternity mortality rate and infant mortality rate increased, growth of morbidity rate with malignant neoplasms occurred, problems of men reproductive health become relevant, alcoholism and drug addiction increased.

133. In education, it is necessary to remove gender disparity between boys and girls, men and women, including learning during lifetime. Education for gender equality should be aimed at: (i) transforming gender relations in a way, that both women and men receive equal possibilities for their capacity development; (ii) advocacy of cultural traditions and examples to overcome negative gender stereotypes in traditional culture.

134. In view of enhancing migration processes, issues of trafficking become relevant, as well as providing of protection and support to trafficking victims. In general, complex measures are required to prevent and reduce gender violence in the society.

135. Adoption of specialized National programs, aimed at gender equality achieving is positive: National program «Ayalzat» (1996-2000) and National action plan on gender equality achieving in the Kyrgyz Republic for 2002-2006. (NAP). However, these programs didn't have adequate funding, which served as an obstacle for their full implementation.

136. In the Complex Development Framework of the Kyrgyz Republic 2001-2010 (CFD) and in National poverty reduction strategy (NPRS) for 2003-2005, gender issues have been included on a segregated basis. Gender approaches are introduced in several sectoral strategies, concepts and programs. In the current Country Development Strategy, the gender approaches are included as gender mainstreaming.

137. The National Action Plan to achieve gender equality in the Kyrgyz Republic for 2007-2010 (NAP-2), basic document, identifying directions and priorities for the mid-term period, is currently under development for further implementation of the state gender policy. NAP will ensure coordination and consolidation of efforts of state bodies, legislative and executive authority with civil society structures and international agencies to achieve goals of gender equality and will be the CDS plan of action for 2006-2010 on achieving gender equality and mechanism of realization of gender aspects of all MDG.

V. DEVELOPMENT FOCUS AND PRIORITIES

5.1. Economic potential enhancement

138. Development and substantiation of country development economic priorities have been implemented based on search of key internal sources of economy development, so called «points of economic growth».

139. Various economic and econometric evaluation models have been used as the main instruments to select priorities: country intersectoral balance[9] (ISB), Cobb-Duglas production function and SWOT-analysis. The application of the above mentioned methodologies and analysis models assumed assessment of current status of the country economy, study of the economic policy and various programs, study of problem spheres that are obstacle for growth, and, accordingly, removal of those barriers – pre-condition for the development.

140. The task of ISB study of the Kyrgyz Republic and Cobb-Duglas production function to determine country «points of growth» was analysis of economy sectors that have largest cumulative impact on other sectors consuming their products, or considering sectors' elasticity. Structures of added value for the types of the economic activity, as well as element structure of added value for these sectors have been studied.

141. The obtained results of the economy intersectoral balance, elasticity of sectoral links and their influence on country gross domestic product, rates and structure of added value for these sectors along with analysis of growth sources based on Cobb-Duglas production function are evidence that the priority sectors for the Kyrgyz Republic are, first of all, power generation and distribution, transport sector and maintenance, construction, development of the agriculture through the foodstuffs production.

142. It should be noted that the application of econometric analysis and assessment have not been exclusive criteria, according to which economy development priorities have been determined, they have been just starting point under formulating of the Strategy. The obtained results of the economic analysis have been subject to additional complex analysis, including regional market analysis, its development and requirement prognosis, competitiveness analysis of selected priority sectors, pricing analysis in these sectors, check for necessity to stimulate priorities, development of decisions and policies to increase investments into these sectors, necessity to replace management and introduction of market-oriented management methods and technologies in this direction, as well as necessity to adjust state policy as a whole.

5.1.1. Energy sector

143. **Current status and development background.** Kyrgyz Republic has 2% of all energy resources of the Central Asia including large coal deposits and 30% of hydropower resources, only 1/10th part of which are developed. Import in the structure of fuel and power balance of the republic amounts to over 50%.

144. There are 70 coals deposits discovered at the territory of the country, total deposits of January 1, 2006 amounted to 1316.9 mln tons. Currently about 1.1 mln tons of coal or 78% of annual consumption is subject for import. Coal industry is subsidized out of the state budget.

145. According to forecasts there are 289 mln of tons of conditional fuel of undiscovered resources of oil and gas at the territory of the country. Thus the country can meet domestic needs in oil products for less than 30%.

146. Power industry accounts for about 5% of GDP and 16% of industrial production, and 10% of state budget revenues. Electric power network ensures 100% access to energy for the population, energy consumption per capita amounts to 2400 kWh, which is rather high. Hydropower potential of 252 large and medium rivers is estimated in 18.5 mln kWh of capacity and over 160 billion of kWh of

[9] Intersectoral balance (ISB) is an instrument developed for analysis and planning of structure of public production that takes into account complex interconnections of production sectors. The theoretical basis of ISB is a theory of expanded production, simulator of which has been developed by professor V. Leontiev.

energy production. The largest hydropower resources are concentrated in Naryn river (average annual water flow 10-14 billion of cubic meters) and Sary Jaz river basins (water flow 3-4 billion cubic meters). Hydropower potential of small rivers with average long-term expenditures from 3 to 50 cubic meters per second amounts to 5-8 billion kWh per year, and only 3% are used.

147. **Problems.** Restructuring of the vertically integrated monopolist power company on a functional basis launched in 2001 ensured certain liberalization of power industry sector and creating more favorable conditions for investments. Functional restructuring allowed applying more transparent approach to determination of costs on production, transfer and distribution of power and formation of tariffs on electric and thermal power. However it failed to ensure expected improvement of economic indicators within the power system, which could be caused by incomplete restructuring, and privatization of the sector, lack of required market mechanisms and appropriate laws.

148. Financial state of power companies did not tend to improve lately. Thus, electric power bills collection in 2006 amounted to 72.3% only, including made in cash. Accounts receivable of energy companies impacts their financial relations with the other economic entities and their credit and tax liabilities to the budget, thus creating dangerous chain of mutual defaults in payment.

149. Systemic losses of electric power in the networks exceeded 40%, about 25% of them fall for commercial losses and theft. As a result quasi-fiscal budget deficit in the electric power sector as of the end of 2006 amounted to 5.4% of GDP and negatively affects macroeconomic stability and sustainability of the state budget.

150. On May 1st, 2006 unified tariff for individual users has been introduced in the amount of 0.62 som/kWh (or 1.5 cents /kWh). But the average tariff on electricity is still significantly lower than the tariff for full coverage of costs and amounts to 1.25 som/kWh or 3.12 cents /kWh.

151. Lately profits from export of power rapidly reduced. Annual payments in currency dropped in 4 times by 2004 compared to 2000, but the volumes of power remained the same. Existing mechanism of power export according to «water-power-fuel» makes no sense due to the need to pay for imported natural gas.

152. **Priorities.** Given certain specialization of power in Central Asian region the energy generated at hydropower stations is a competitive product at the regional power market. This determines large-scale export potential of Kyrgyzstan and growing share of energy consumption in the structure of expenditures of fuel and energy balance of Kyrgyzstan. Development of electric power industry must become a priority in formation of fuel and energy sector in the republic and play an important role in meeting demand of Central Asian energy market.

153. **Objective.** Major objective of the CDS in power industry is to achieve financial recovery and to create conditions for balanced and comprehensive development of power sector and power security of the Kyrgyz Republic in the long-term period by 2025.

154. **Tasks.** The following tasks should be resolved within the framework of the Strategy:

(i) ensure reliable and uninterrupted power supply first of all to domestic consumers;

(ii) creation of institutional and legal basis to implement structural reforms launched in 2001;

(iii) transfer to concession or privatize distribution electric energy companies by the end of 2007;

(iv) to define and assess assets and value of energy sector objects legislatively attracting independent auditors;

(v) to legislatively take out Kambarata hydro power station and Bishkek and Osh heat power plants from OJSC «Power stations» and propose them to strategic investors for joint continuation of construction and further operation until 2008.

155. **Policy and measures.** Goal achievement policy is threefold – institutional policy, tariff and investment policy.

156. Electric energy tariffs will gradually grow up to the level that would allow covering costs of energy companies and exclude cross subsidies to consumers by 2009-2010 along with compensation plans development for poor population and irrigation sector.

157. It is necessary to improve financial and corporate management of energy companies, tighten commercial and financial discipline in the sector, and reach profitability along with increase of tariffs by improving fee collection methods.

158. It is necessary to attract direct investments for the construction of 500 kV power lines to provide connection with energy system of Tajikistan and enable access to power market of Afghanistan and Pakistan, as well as for the construction of 500kV power line along the route Kambarata-Kemin-Almaty.

159. Currently, the average weighted tariff in the energy system is considerably lower than it is required to cover costs; it should be in the amount 106 tyiyn/kWh, or 2.66 cents/kWh taking into account inflation. Major direction of the tariff policy for energy (including thermal energy and natural gas) will aim at achieving level of tariff that would assume full recovery of costs for production, transfer and distribution of energy by 2010 (in nominal value with respect to forecasted inflation by 2010 average tariff for electric power should amount to 3 cents per kWh). Tariffs will be balance to encourage private sector growth and aim at annual reduction of quasi-fiscal deficit in the sector to 1.9% to GDP by 2010 and exclude cross subsidizing consumers. Tariffs will be determined by resistance class end users are connected to which will support real sector development. Growth of tariffs will be accompanied by implementation of measures aimed at tightening financial discipline and control, which will have to ensure fee collection in cash at the level of 93% by 2010.

160. For the purposes of adequate and more targeted compensations for poor people the government will complete the social protection reform and introduce monetization of preferences for power by 2008. In 2007 the government will develop and approve special midterm tariff policy for electric and thermal energy for the period of 2007-2010.

161. Development, effective functioning of fuel and energy complex of the republic mainly depends on solution of problems that ensure mutually beneficial cooperation between Central Asian states in creation of rationally functioning energy market in the region. This will allow optimizing operational regime of HPS, TPS, oil processing and coal mining enterprises, ensuring efficient use of generating capacity of the stations both in daily and annual regimes.

162. Mutually beneficial economic relations between CAR states must focus on deepening production and technological cooperation processes in the area of water and fuel and energy industries, creation of conditions for expansion of export potential; development and implementation of joint mutually beneficial projects on construction of new and reconstruction of existing enterprises; attracting investments in formation and development of fuel and energy complex, determining rational specialization in meeting demand.

163. Conditions will be created for power trade between South and Central Asian states. According to expert estimated the losses from existing mechanism of power export amount to dozens of mln of U.S. dollars. Policy of measures in midterm period in this sphere will aim at holding international tender in the third quarter of every year for expected volume of energy export, and its price may not be power than the cost of electric power in the energy market as of the day of signing contract.

164. It is necessary to adopt amendments to the legislation to allow private investments to Kambarata HPS and Bishkek TPS, create favorable investment climate to attract direct investments for construction of Sary Jaz cascade of HPS, Kokomeren HPSs and Upper-Naryn HPS.

165. **Programs and projects.** To develop and start implementing the program on increasing energy efficiency and energy saving.

166. Develop a program of reducing consumption of hydrocarbon raw materials and replacement thereof by alternative power sources as well as rules of access to networks and sale of power generated at alternative power sources and tariff policy for products thereof.

167. To complete denationalization and privatization of gas supply system, restructuring and development of gas transportation networks along with better efficiency of state regulation based on the state program.

168. Launch and complete privatization of oil and gas industry based on a state program. Optimize economic policy of the state with regard to depths use taxation, support oil business by encouraging direct investments in oil and gas deposits engineering.

169. Initiate the project on cutting and eventually terminating state support from the republican budget for the coal industry. Shut down detrimental mines along with providing relevant social support including retraining and resettlement of miners.

170. Continue development of the project on strengthening procedures of selection of qualified and competent human resources for appointment in board of directors and chief executive positions through transparent competitions and on improving financial reporting and liabilities of the companies CEO along with introduction of the system of net profit based bonuses.

171. Energy saving and efficient power consumption program will be developed by the end of 2007, it must become a vital element of regional and municipal programs of social and economic development, for more efficient use of public utilities appropriations by the budget funded organizations.

172. **Resources.** Total need in investments for the power sector development in midterm perspective by 2007-2010 amount to 3.5 billion USD. Investment policy in power industry will aim at attracting private capital in the sector development. Policy of measures will focus on improvement of investment climate in power industry including improvement of regulatory and competitive environment for new investments and ensuring non-interference of state agencies in business activities of energy companies.

173. First of all investments are needed in distribution companies to lower commercial losses and eliminating opportunities for theft. Rehabilitation and privatization of distribution networks will allow reducing amount of losses to the level of technical norms. Basically according to expert estimates minimal need in investments to distribution networks amounts to 250 mln USD.

174. In the midterm investment for rehabilitation of existing generating stations will be needed. Among priorities are Bishkek Thermal Power Stattrion-1, Uchkurgan HPS and At-Bashi HPS. Estimate investments in TPS-1 – 15 mln USD, Uchkurgan HPS – 15 mln USD and 10 mln USD for At-Bashi HPS. Grants and investment to these enterprises must come out of domestic sources within the program of state investments.

175. Strategic environmental planning is mandatory in the process of developing and implementing FEC objects. Environment friendly power sources will be used in the regions with weak environmental sustainability or those that are protected in accordance with global ecological conventions and international agreements (biosphere, reserves, degradation of agricultural lands and pastures from disafforestation).

176. **Outcomes.** Distribution power companies will be privatized or transferred to strategic investors in concession.

177. Accounts payable and liabilities to the budget and tax liabilities will decrease, human factor related corruption level will reduce. Market economy mechanisms of encouraging energy sector personnel will be introduced.

178. Volume of power theft by consumers and energy sector personnel will decrease which will positively affect profitability of power companies.

179. Electric power producer will have an opportunity to sell to large industrial consumers, which will allow improving and stabilizing its financial state. Industrial consumer will have an opportunity to purchase electric power at reasonable prices directly from producers, not intermediaries.

180. Cost of power resources and electric power price at the foreign markets will be determined on a regular basis to reduce production cost of electric and thermal energy at thermal stations.

181. Private investors will enter fuel and power industry, which will improve management and enhance reliability and quality of power supply.

5.1.2. Mining

182. **Current status and development background.** Mining industry accounts for over 48% of cost of all industrial products of the country, 10.1% of GDP, 41% of total export volume, and 11% of tax revenues. Over 15,000 people are employed by mining industry. For over 100 years of mining

history allowed building professional human resources. Stable growth of world prices for minerals and raw materials ensures favorable prospects for mining industry of the country.

183. However, the number of operating enterprises reduced considerably for the last five years. Mineral extraction under this trend will be reduced also, which would cause loss of jobs both at the mainline production and in terms of indirect employment. GDP, tax takings into the state budget will be reduced, while export will be cut down given the reduction of mining output.

184. Kyrgyz Republic has vast mineral resources, it can be considered attractive for investments in mining industry. Total gold reserves are estimated in 2500 tons. Two deposits with 65-80 tons of gold, large deposit of tin and tungsten with 149 and 96 thousand tons, other objects have been prepared to exploitation. 199 discovered deposits with 37 types of minerals are on state balance. There are thousands of smaller deposits of mineral resources.

185. **Problems.** Sector problems are mainly connected to the imperfection of the legislation in the sphere of earth's interiors use under the condition of transfer to the market economy.

186. Major provisions of existing laws «On depths», «On oil and gas», «On coal», «on agreement to split products from use of depths» contradict each other and require bringing to uniform standards.

187. Acting Tax Code contains contradictory interpretations regarding depths use sphere and requires serious improvement.

188. State mining enterprises enjoy subsidies and preferences granted by the government. There is a conflict of interest – government is both an owner and regulator. Creation of joint ventures with state share does not generate expected income and reduces deposit capitalization for foreign investors disabling funding mining projects.

189. Most of geology information is stored in old paper copies, its potential loss may catastrophically impact industry development. Information is slowly renewed; it is not designed to use modern aerospace technologies, which reduces efficiency of identifying deposits. Large-scale geographic maps are unjustifiably considered secret which restrains access to geology information.

190. Tensions between mining venture exploring companies and local population continue growing due to lack of mechanism that would take into account interests of local population when making decisions on deposit development.

191. **Objectives.** Below are the objectives of the strategy in mining industry development:

(i) create favorable investment climate for all depths users and the government should take on this obligation to create favorable conditions for investments, including the encouraging, legal and institutional basis;

(ii) increase of income from mining sector by diversification of production and integration in world economy, doubling growth rates of mineral raw materials production during 8-10 years;

(iii) poverty and migration reduction through creation of additional job opportunities in remote mountainous regions;

(iv) enhancing transparency of handling revenues from mining industry.

192. **Tasks.** Below see the priorities for the mining industry within the framework of the Strategy:

(i) implementation of measures to remove existing problems in legislation, tax administration and state regulation;

(ii) accelerated development of gold mining industry by launching exploitation of prepared deposits;

(iii) broadening the list of various minerals;

(iv) fulfilling obligations within the framework of the Initiative on enhancing transparency in mining industry (EITI) adopted by the Government in May 2004.

193. **Policy and measures.** The following measures will be taken to eliminate controversies in depths use legislation and to adjust it to the market system:

(i) approve the list of deposits distributed on a competitive basis;

(ii) improvement of licensing procedure with clear defining of objects subject to distribution on the competitive basis and the ones distributed on the «first come first serve» basis (to specify depths use right licensing procedures in the new version of the Regulation «On depths use licensing»);

(iii) introduction of progressive fees for withholding licenses (fees from license payments will be transferred to local communities to raise interest in presence of mining companies at their territory as well as for maintenance of the mountain cadastre system);

(iv) ensure wide and free access to geology funds on a fee basis;

(v) tightening responsibility of depths users for leaving deposit development site without proper re-cultivation, for untimely submission of geology information and for illegal extraction of minerals.

(vi) abolition of the requirement that the exploration actions plans can be drafted by duly authorized projecting companies only.

194. In implementation of its EITI commitments the Government of the Kyrgyz Republic will continue fulfilling its obligations including publishing EITI data on payments and income on a regular basis. EITI process must become an object of independent verification and audits and cover all mining companies.

195. **Programs and projects.** The following programs and projects will be implemented for achievement of the Strategy goals:

(i) Preparation of the new version of the Law «On depths». Make changes to the other laws regulating depths use and to the section of the draft Tax Code «taxation of depths use».

(ii) Privatization of mining industry objects:

a. Sale of Centerra Gold stock.

b. Privatization of the open type JSC Kyrgyzaltyn through IPO at the Alternative Investment Market stock exchange in London. Privatization of non-specialized subdivisions of Kyrgyzaltyn.

c. Privatization of mining and metallurgy enterprises (JSC Kyrgyz Mining Factory, HRAO)

d. Privatization of State enterprise Kyrgyzkomur, JSC Kyrgyzneftegas.

(iii) Program: Improvement of geology infrastructure.

a. Transfer of all geological information to electronic carriers.

b. Provide open fee-based access to geology archives. Updating such funds with new information submitted electronically by the companies, reduce terms of confidentiality.

c. State agencies must transfer all available electronic infrastructure maps to the State Agency on Geology.

(iv) Program: Developing small deposits.

a. Study small deposits developing experience gained by the other countries with developed mining industry, e.g. in China.

(v) Government should delegate the mission to attract investments to mining industry to the private sector along with relevant risks. The following projects must be implemented:

a. Prolongation of Kumtor mine operation term to the year of 2020 due to exploring of additional gold reserves within Kumtor mining field.

b. Extension of the operation term of Makmal mine to 2020 due to exploring of additional gold reserves at the deep horizons of the deposit and at the sections Eastern flank and Diorite.

c. Exploitation of small deposits with the reserves from 8 to 20 tons that are at the stage of design: «Kuru-Tegerek», «Ishtamberdy», «Terekkan», «Solton-Sary», «Togolok», «Andash», «Kuranjailoo» and others.

d. Supply raw materials to currently operating mining and metallurgy enterprises («JSC Kadamjay Syrmyanoi Combinat», «HRAO»).

e. Develop tin-wolfram deposits (Trudovoe, Uchkoshkon, Kensu).

f. Expand the list of production of deficit nonmetallic minerals.

g. 100% increase of extraction of construction materials based on the demand dynamics in the internal market.

h. increase coal extraction up to 1 mln tons, oil – to 100,000 tons, gas – to 50 billion cubic meter.

i. expand production of mineral water and balneological treatment.

196. **Resources.** In general the implementation of projects, programs and activities will require 540 mln USD.

5.1.3. Development of agriculture and processing industry

197. **Current state and development background.** Agrarian sector and processing industry remain key ones in ensuring country's food security and employment. 65% or 951,000 from all workers in the country are employed in agriculture. Besides this sector of economy accounts almost for 1/3 of GDP added value, which allows supplying industrial enterprises with raw materials and food products to the population. Moreover poorest people live in rural areas, which account for 76% of poor population.

198. Over 286 peasant (individual) farms, 1200 various associations and cooperatives were established in the process of agricultural reform. Constitutional amendments allowed private ownership in land, the law «On management of agricultural lands» was passed. Peasant and individual farms became major producers. Over 95% of agricultural products is made by private companies. Share of peasant and individual farms reached the level of 44%. Production growth in agriculture amounted to a little over 3% lately.

199. Concentration of reforms on formation of the land market in the past few years gave perspectives to poorest people since it allows access to credit resources by using land as collateral.

200. Development of the network of microcrediting institutions made a positive impact on better access to loans for agricultural producers. E.g. there are 317 credit unions that include over 28,000 participants within «Agricultural financial institutions» project.

201. Foreign assistance to agricultural sphere continued growing lately. Assessment of total foreign assistance distribution in country demonstrated that the largest portion (18.6%) was provided to agriculture. Within last 3 years in average 385 mln som were invested annually.

202. Agricultural processing industry is one of the most significant, its ratio amounts to 14%; over 50,000 people are employed by the industry.

203. **Problems.** Support is provided to poorest farmers and peasants in the form of seeds, material and technical resources, commodity loans and grants. There are annual budget allocations for repair and renovation of water objects, plant protection and quarantine, improvement of epizootic situation. Due to budget limitations volume of budget allowance covers 30-40% of the needs. Therefore development of this sector is extensive, causing depletion of soil, livestock breeding potential and other production assets. As a result agricultural production of the country is small scale and generates low profits.

204. Lack of required funding lead to drastic decrease of new equipment purchase and physical depreciation of the major part of main assets of agricultural producers which lead to reduction of their

production and technical potential. Therefore even given bigger demand for local products its production growth rate will be restrained by resource limitations, low productivity and small salaries.

205. Large number of smaller farms, decline of management skills in rural areas, dominating primitive ways and methods of farming mainly caused cutback of the quality of agricultural produce.

206. Inter-industry disparity of prices and income is a problem that needs to be addressed. In economic liberalization conditions agriculture was exposed to monopolists – suppliers of resources. Pricing pressure from a number of intermediaries and sub purchasers caused dramatic reduction of the share of agricultural producers in retail prices for final product.

207. Rural areas development problems aren't only economic, they negatively affect social development in the villages. The problem is aggravated by lack of income sources in rural areas other than agricultural business. This does not allow businesses supporting infrastructure villages or providing support in solving their problems.

208. Non-competitiveness of low quality products, lack of relative advantages of the products and processed goods makes the marketing and export tasks challenging.

209. Problems of demographic and human resources potential, lack of professionals and managers, insufficient level of management, organizational and advisory activities on formation and functioning of new market structures also impedes development of agricultural sector.

210. Thus the following are factors that impede development of agricultural sector: (1) limited access to «cheap» loan resources; (2) «weak» marketing and lack of profitable markets for sale of agricultural produce and processed goods. This entailed: (1) low purchasing prices, (2) low labor productivity and (3) low production yield. In addition there are acute problems of agricultural sector and processing industry: insufficient awareness of agricultural producers of internal demand in their products which is formed by processing enterprises and as a result lack of relevance of the quantity and types of agricultural produce to demand of processing enterprises. Major problem of agriculture that needs immediate action is incomplete agrarian and land reform and lack of unified information system on real estate and cadastre database.

211. **Priority.** Processing industry must become a drive for agricultural development. Priority of development processing industry is indisputable since this sector being an integral part of agricultural industry forms real domestic demand for production of certain types of agricultural produce. Lately real growth rate in this industry amounted to 6% per year. Alcohol production within this sector accounts for 7% of all taxes on internal production. Sugar production and cotton processing, fruit and vegetable and milk processing also play significant role.

212. **Objective.** Development of agricultural sector through stronger market relations in the areas of production, processing agricultural produce and higher income of peasants and farmers with due maintenance of healthy environment.

213. **Tasks.** Major efforts will be made to solve the following tasks: (i) stronger farms through efficient land and agrarian reform; (ii) growth of agricultural production sector at the level of 4% and processing industry – at least 7% per annum; (iii) identifying sustainable markets through establishment of agricultural cooperatives; (iv) deregulation of food market; (v) Increase of processing and export volumes from total volume of agricultural production; (vi) larger agricultural crediting and easier access to loans; (vii) development of support advisory agricultural services; (viii) improvement of legislation; (ix) creation of new jobs (doubling workforce in processing industry[10]).

214. **Policy and measures.** Policy measures in agricultural sector will aim to create favorable conditions and encourage agricultural producers. Existing constraints and barriers for promotion of goods both inside and outside the country will be removed. Coordinated policy in production area, taxation and pricing system and investments will be practiced; cooperative links and favorable conditions for formation of equal economic relations between agricultural producers and processing enterprises will be established.

[10] Currently there are over 50,000 people employed in processing industry.

215. Formation of sustainable land market is a key in agrarian and land reform, including optimization of land share sizes and enhancing efficiency of their use with market tools. It is planned to introduce mortgage crediting in rural areas, with land used as collateral.

216. At the second stage of agrarian and land reform it is planned to complete structural reforms of agricultural entities. The focus will be made on enlarging farms and establishing cooperatives on a voluntary basis where each farm retains ownership for their land share and other assets. Mainly cooperatives will be established in the area of support services and marketing agricultural goods.

217. Crop production development policy will focus on growth of production volumes through bigger yield at smaller fields for crops. On the contrary the fields for sugar beet production will be increased. Seed development in agricultural production will be delegated to private sector, with the government retaining only 10% of seed development business.

218. Livestock breeding remains traditional sector of agricultural production. Policy measures on development of livestock breeding will focus on increase of population and improvement of breed through transformation of state-owned livestock breeding farms into private farms. Breeding centers will be restored, and traditional fine-wooled sheep breeding with focus on meat production will be developed.

219. Broad network of advisory services created with assistance of international donor organizations will continue providing educational, advisory and information services to agricultural producers. Farmers and rural citizens especially poorest ones will be supported by advice on applied expertise on agricultural technologies, production technologies, agribusiness, rural skills. Performance of Kyrgyz Agrarian Information System (KARIS) will be improved for timely supply of information for peasant and individual farms. Agrochemical and agro technical services will be developed for better support services, open sale of mineral fertilizers, insecticides and pesticides, agricultural equipment and spare parts will be available.

220. Corporate management of waterworks systems will be introduced on the basis of associations of independent water users. Most of the main assets of waterworks facilities other than strategically important infrastructure objects will be transferred to private water users for ownership and management. Formation of developed structure of water users associations will be continued, they will be established in every village councils, all in-farm irrigation systems will be transferred for their disposal.

221. Processing industry will undergo modernization of enterprises, establishment of vertically integrated structures that would represent common interests of both producers and processors of agricultural products. The government's role will be in setting effective mechanisms of regulatory policy that would attract investors.

222. Highly profitable alcohol production industry will remain one of the major areas of processing industry; production volumes will be increased through lower volumes of smuggling and gray sector. Sale of alcohol products will be regulated; criminal and administrative responsibility of business entities for violation and production of illegal alcohol will be tightened. Also it is planned to increase processing of fruit and vegetable production by launching new production lines to produce canned fruits and vegetables, juices, wine and other products. Production volumes of sugar, tobacco and cotton will increase after encouraging agricultural production. Milk production will increase due to larger export to neighboring countries.

223. Better access to credit resources will allow exporting companies to invest in technical rearmament of production for higher quality products.

224. A number of laws will be drafted to create an integral system of agricultural legislation and to remove gaps and controversies of existing legislation. That includes the laws «On agriculture development», «On wholesale markets», «On agricultural bank», «On incorporation of changes and amendments to the law «On insolvency (bankruptcy), the law «On purchases and supplies of agricultural production, raw materials and food for government needs», law «On insurance in agriculture», law «On procedures, setting and collecting fees for use of water objects and water resources», law «On setting tariffs for water supply services», etc.

225. **Programs and projects.** Below are the most important investment projects within the framework of PIP to be implemented in advancement of reforms in agricultural sector:

(i) Agribusiness and marketing project (WB).

(ii) Agricultural Strategy Development (ADB).

(iii) Project on establishment of unified real estate database, cadastre cartography and creation of the database (WB, 228 mln som, 2008-2010).

(iv) Project «Rural Advisory Support Services».

(v) Rehabilitation of irrigation systems.

(vi) Regional Development of Agriculture.

(vii) Farm-irrigation system.

(viii) Regional development of agriculture.

(ix) Agrarian policy conception throughout 2010.

(x) Village development conception.

226. **Resources.** Implementation of projects, programs and activities will require 300 mln USD.

227. **Outcomes.** Below are expected results from implementation of the provisions of the Country Development Strategy in this sector:

(i) annual increase of gross amount of processed goods in at least 800 mln som;

(ii) annual 7% real increase in agricultural processing industry and 4.5% increase in agriculture;

(iii) growing number of small and medium agricultural processing enterprises;

(iv) growth of private investments in the industry (mln som);

(v) open marketing and advisory centers in each rayon;

(vi) creation of job opportunities in processing industry so to double personnel of processing enterprises by 2010;

(vii) annual increase of tax revenues from processing industry.

5.1.4. Development of small and medium business

228. **Current status and development background.** Small and medium business, as a subject of economy, exists in Kyrgyzstan for more than ten years already, and is one of the most important objects of the implemented reforms, aimed at creating of the effectively operating economic systems – one of the constituents of successful development of the country as a whole.

229. During recent years the private sector of economy, despite of the complication of political situation, continued to develop though with slower rates. Share of production in the private sector in GDP increased from 83% in 2000 to 86.4% in 2005, at that, share of small and medium business in GDP grew from 42.7% to 43.6% respectively. Private business prevails in agriculture services sphere (more than 90% from total number of enterprises), in the industry – more than 30%.

230. The implementation of the state support policy for small and medium business in the Kyrgyz Republic is conducted in accordance with the State program of entrepreneurship development in the Kyrgyz Republic for 2006-2008, approved by the government regulation of the Kyrgyz republic № 716 as of October 4, 2006.

231. **Problems.** Although positive dynamics of main indicators changing of small and medium business subjects in the Kyrgyz Republic, the capacity of the entrepreneurship is underused.

232. More than 30% of small and medium enterprises are unprofitable.

233. Current budget-tax system does not promote accumulation of funds for investment purposes, for development and stimulating of export. The existing Tax Code is not only obsolete, but also became an obstacle for business development and effective tax administration. High rate of tax payments considerably increases the cost of labor, influences price growth for the produce and general inflation rate, as well as limits the competitiveness of the enterprises.

234. Low level of transparency in state decision-making in the sphere of legal and economic regulation, influencing market environment, rights and interests of businessmen – from one hand side, complexity of procedures to obtain permits and licenses, imperfection of business tax administration – on the other hand – complicates economic activity and increases its costs.

235. In order to further strengthen the entrepreneurship the balanced program with concrete measures, aimed at releasing of bureaucratic pressure on business and enhancing of economic freedom for all economic actors is required.

236. The important direction is the task of taking small and medium business from the «shade» due to reducing of tax burden, eliminating the interference of law enforcement and tax bodies into business subjects' activity and increasing crediting amount for the real sector.

237. **Priorities.** The main priorities of CDS in the sphere of entrepreneurship support are: reducing of the bureaucratic pressure on business, further deregulation of the economy and increasing of economic freedom for all the economic activity actors.

238. **Objective.** The main objective of the Strategy on small and medium business support is to provide sustainable entrepreneurship development by means of creating favorable conditions to enhance stable activity of small and medium businesses' subjects.

239. **Tasks.** Achievement of objective depends on the following tasks solving:

(i) improvement of the legislation regulating business sphere;

(ii) provision of free market access condition for the new business subjects;

(iii) improvement of taxation by means of release of the tax burden for business subjects;

(iv) to widen access to crediting resources for business subjects for long-term crediting of small and medium businesses under favorable for borrower terms;

(v) provision of small and medium enterprises with accessible information, consultative and training services through the system of business-incubators in oblasts and rayons of the republic.

240. **Policy and measures.** Performance of public administration organs in order to deregulate economy will be directed at:

(i) improvement of the legislation in the sphere of state fiscal policy assuming simplification of taxation system foe enterprises f small and medium business categories;

(ii) development of possible mechanisms of current taxes payment by the enterprises with seasonal nature of work one a year;

(iii) possibility to allow for newly created enterprises to have a beneficial period on payment of current taxes up to one year;

(iv) improvement of threshold indicators for small enterprises;

(v) creating of favorable conditions for the participants of external economic activity, simplification and speeding-up of customs clearance and customs control procedures, introducing of special simplified procedures of customs clearance and customs control using Risk Management System (RMS).

241. With the purpose of improving the legislation that regulates state control (supervision) and other forms of checking the following measures will be undertaken:

(i) strengthen of combating corruption and malfeasances;

(ii) eliminate duplicating of functions and overlapping in the work of controlling agencies;

(iii) cut down checks of business subjects' activity;

(iv) monitoring and analysis of state regulatory organs performance in terms of effectiveness of their activity and providing assistance to business subjects;

(v) improve normative and legal base to conduct audit activity in the Kyrgyz Republic.

242. With the purpose to improve regulatory permissive system the following **measures** will be undertaken:

(i) inventory and analysis of effectiveness of certain types of business activity licensing;

(ii) improvement of the legislation in the field of land and town-planning relations regulation;

(iii) revision of normative and legal acts regulating issue of permits and making amendments and addenda to remove contradictions with the legislation of the Kyrgyz Republic;

(iv) eliminating of duplication of the state organs' authorities implementing issue of permissive documents;

(v) conducting of monitoring of normative and legal acts that regulate business sphere on the regular basis; observance of mandatory procedure of approval of draft normative and legal acts in the sphere of business by the Ministry of Economy and Trade of the Kyrgyz Republic and its discussion with business structures.

243. In the field of **technical regulation**, it is envisaged:

(i) establishment of mandatory requirements to products and production processes on safety parameters;

(ii) initiation of introducing procedures on conformance evaluation for products and production with the requirements of ISO 9000 standards.

244. On the improvement of the legislation in the field of **competition development** the following measures will be implemented:

(i) removal of barriers impeding free access to the market for the new business subjects;

(ii) creating of conditions for free functioning of business subjects, various organizational and legal forms conducting entrepreneurship activity, which is not forbidden by the legislation of the Kyrgyz Republic;

(iii) reducing the possibilities for abuse by the business subjects having dominating position in the market and violation of competition legislation requirements by market-dominating business subjects and state organs;

(iv) limitation, prevention and suppression of unfair competition.

245. With the purpose of financial and crediting support to business subjects the following measures are proposed:

(i) creating of conditions for the development of the long-term crediting of small and medium business subjects;

(ii) development of the new types of banking crediting, including syndicated credits, hypothecary crediting;

(iii) further development of paying system of the republic, enhancing of the competition in financial sector, increasing of trust of the population to commercial banks;

(iv) improvement of financial support mechanisms for businessmen and poorest strata of the population, who do not have mortgage to obtain loans or micro credits.

246. The main directions of the development of infrastructure, information and scientific and methodological provision of small and medium business should be:

(i) consulting of small and medium business projects on the base of functioning business centers and business incubators;

(ii) assistance to businessmen in searching partners, new technologies and investments, development of exhibition-fair activity of small business subjects;

(iii) strengthening of training and retraining activity in the field of processing, marketing and management;

(iv) small and medium businesses' problem coverage, enabling of free access for businessmen to publish business information in mass media;

(v) assistance in preparation and editing of learning and training materials for businessmen on various issues of small and medium business;

(vi) provision of reference information about structures and organizations working with small and medium business on the matters of registration and control, taxation, crediting, consulting and etc.

247. **Programs and projects.** Quick adoption and introducing of the new Tax Code will be a legislative base to improve tax administration. In future it is necessary to study and introduce into the tax legislation a principle of taxation based on «single tax from turnover».

248. In the field of improving the legislation that regulates state control (supervision0 and other forms of checks, the priority is removal of duplication of functions and overlapping in the work of controlling organs, cut down of the number of these organs, as well as checks of business activity of business subjects. In this view the new law will be adopted «On order of conducting checks of business entities by the authorized organs», clearly regulating both functions of control and organs implementing them, and order of conducting checks by controlling organs. The law will be based on the following principles: authorities of the state organs in terms of checks implementation should be established be the law; presumption of business subjects' fairness; contradictions and ambiguities in the legislation cannot be interpreted (used) against business entities; the subject of check should only be finding the facts of observance or non-observance of mandatory requirements by business entities. Such requirements should be open and accessible for business entities.

249. It is necessary to make amendments and addenda to the law of the Kyrgyz Republic «on protection of businessmen rights», envisaging a ban on adoption of draft normative documents worsening entrepreneurship position, to harmonize all normative and legal acts with the Law of the Kyrgyz Republic «On combating corruption».

250. To create single legislative system determining order and procedure of state registration, introduction of «single window» principle, under which all necessary documents are submitted to single state agency within strictly determined time frame, as well as solving the problem of voluntary (legally registered) closure of business, the law of the Kyrgyz Republic «On state registration of legal entities, affiliates or representatives of legal entities and individual entrepreneurs» will be developed and adopted.

251. With the purpose of improvement of license permissive system the new law on licensing will be adopted, which will include detailed list of license requirements and conditions. This will allow to avoid the situation when licensor has a right to demand from applicant huge number of documents certifying compliance with sectoral acts, setting up unjustified requirements. Elements of auto sourcing will be developed and adopted – transfer of services function to private sector.

252. To restrict and put in good order rule-making activity of ministries and agencies the new version of the LAW of the Kyrgyz Republic will be adopted «On normative and legal acts of the Kyrgyz Republic». Which will contain clear unified procedures and subjects of the development of draft normative and legal acts, hierarchy of normative and legal acts will be established, introduction of reference rules will be restricted and ordered, mandatory legal, financial and economic and other expert examination of drafts and acts will be introduced with forecasting of consequences of their adoption, and that will have a status of Constitutional law. In addition, single for all rule-making organs Regulation will be established based on this law.

253. Resources. In general the implementation of projects, programs and activities will require 140 mln USD.

254. Financial and crediting and investment support to small and medium business will be implemented due to the funds of crediting organizations oriented at financing of business subjects, as well as due to attraction of donors assistance of the international organization within the frame of the implemented projects.

255. **Outcomes.** Stage by stage implementation of measures will promote closer coordination of the main elements of the state policy in the field of entrepreneurship with the main mechanisms of the economy reforming.

256. Implementation of measures is directed on support and protection of small and medium business at the state level by means of improving of legal base, flexible financial and crediting mechanism, integral system of informational, scientific and methodological and human resource provision.

5.1.5. Construction

257. **Current status and development background.** Currently, in the Kyrgyz Republic objects of transport and communication, energy, gold mining and house-building are the priorities in the construction. Total volume of gross construction product in 2006 made up 12141.4 mln som. Out of total amount of fixed capital major share is contractor's works (64%), which is connected to the construction and reconstruction of hydroelectric station, highways, industrial enterprises, rural water supply network, general education schools, houses.

258. Housing problem in the construction is one of the most acute. Only out of the registered citizens 166 thousand of families need improvement of their living conditions, more than 1.6 thousand families live in emergency and dilapidated houses, 17 thousand families live in dormitories and rent houses from private persons. More than 16 thousand families are subject to resettlement from dangerous zones, vulnerable to predictable natural disasters. Much more families really need improvement of their living conditions. This problem is especially acute for young families. Their financial capacity is limited, since majority of the young ones have low incomes and do not have savings.

259. The volumes of house-building in the republic do not satisfy this demand; at the moment average provision of dwelling per person is 11.9 square m. More than 65% of families have living area of less than 5 square m per person.

260. The state ceased to be one of the participants in house building. Its share in the total volume of house building in 2005 decreased to 3.3%. In such circumstances the population of the republic began more actively address their own dwelling problems. During 2001-2005 years due to the population 2156.4 thousand of square m dwellings have been built, or 94% from total volume of commissioned dwellings.

261. **Problems.** In view of sharp reduction of budget resources during recent years construction of social dwellings has been completely stopped. Under continuous insufficient funding disregard of maintenance norms for the infrastructure facilities and protection zones has increased, as well as violation of city general layouts, which also caused difficulties in adequate maintenance of the infrastructure and increases risks for the population. In view of considerable domestic migration to the cities Bishkek and Osh the dwelling problem in those cities has been aggravated and has become a source of social tension.

262. **Priorities.** The main priority of social infrastructure development of the Kyrgyz Republic for the period 2007-2010 will be development of accessible dwellings for citizens and solving relevant issues.

263. **Objective.** The objective of the Strategy in the field of social infrastructure development is complex addressing of problems connected to the transition to sustainable functioning and development of dwelling sphere providing accessibility of dwelling to citizens, safety and comfortable conditions of living.

264. The implementation of the strategy will be done in the following directions:

- house building;
- provision of dwelling accessibility.

265. **Tasks.** To achieve the above objective it is necessary to solve the following tasks:

(i) in the field of dwelling construction – provide rate of growth of dwelling construction and reconstruction, bringing its structure and technical features into line with the

demand and requirements of the population, increase quality and effectiveness of house-building;

(ii) in the field of providing accessibility of dwelling – develop effective market of housing and financial mechanisms allowing accessibility of dwelling for citizens with sufficient paying ability as well as support to citizens with low income in terms of improving of their housing conditions at the expense of republican and local budgets within the limits of established social standards.

266. **Policy and measures.** To solve the main task in the field of housing the following measures will be implemented:

(i) create effective economic mechanisms of attracting private investments in house-building;

(ii) to satisfy requirements of house-building for quality ecologically pure having modern design types of produce and materials with wide range of properties answering paying ability of different groups of the population building both elite houses and quality houses for people with average income;

(iii) transfer to modern energy saving architectural and construction designs;

(iv) reforming and re-profiling of construction industry enterprises, including modernization of large-panel construction and house-building industrial complexes;

(v) forming of consistent tax policy stimulating funding of house-building due to bank credits and other credit organizations, but excluding provision of unjustified tax exemptions and benefits to certain participants of dwelling market (citizens, builders, investors, creditors and so on);

(vi) creating of legal environment to reduce risks of commercial banks while crediting construction and reconstruction of dwelling;

(vii) creating of conditions to form effective markets of land plots for construction, market of contractors and building materials;

(viii) introducing of economic levers ensuring timeliness of completion and putting into operation of constructed objects, transfer of uncompleted objects to effective builders;

(ix) simplifying of administrative procedures of approval of new construction projects, obtaining of necessary permits and control over the construction process;

(x) attracting of investors by means of ensuring legal guarantees of land tenure and building, based on principles of legal zoning by means of setting up of town-planning regulation on types and parameters of building;

(xi) implementation of effective antimonopoly policy in the market of construction industry, re-profiling or closing of unprofitable enterprises taking into account social implications;

(xii) forming of organizational and methodical basis to arrange monitoring system for dangerous natural and man-caused processes and coordination of elaborations in the field of protection of house building objects from these processes.

267. To solve the main tasks in the field of accessibility of dwelling the following measures will be implemented:

(i) to enhance guarantees of housing owners' rights, as well as rights of bona fide purchasers of dwellings, improvement of the legislation of the Kyrgyz Republic with the purpose to regulate rights of family members of dwelling owner;

(ii) to change to role and content of the institution of social renting of state and municipal housing;

(iii) to amend dwelling legislation with the purpose to improve mechanisms of protection of lessees and lesser at the real estate market;

(iv) to improve mechanisms of consumer rights protection in the sphere of housing;

(v) to develop legislation and normative and legal base necessary to develop system of long-term mortgage crediting of the population, secondary market of mortgage credits and emissive mortgage bonds;

(vi) to create condition for long-term savings of citizens and establishing of state control over various forms of attracting funds of population to finance house-building and purchase houses (saving-banks for construction, credit unions and associations and other organization that do not have licenses of credit organizations but performing its functions);

(vii) improvement of functioning of administrative (public and municipal) organs and development of private professional institutions to provide real estate service in the sphere of housing, improvement of judicial system.

268. **Programs and projects.** Series of programs and projects have already been adopted in Kyrgyzstan where one of the main directions is housing crediting that should become effective way to improve provision of poor population with dwellings, similar to market system of mortgage lending. State program of mortgage lending consists of three components:

(i) housing for young teachers and doctors within the frame of «Deposit of young teacher» and «Deposit of young doctor» programs;

(ii) setting up of a saving system of mortgage lending;

(iii) share building of social dwelling.

269. The first component of the program assumes provision of targeted financial aid to teachers and doctors to improve their living conditions in rural areas. The state support will be provided in the form of subsidy of the initial payment for credit borrowed from commercial bank to purchase dwelling. During first year the program will cover 1000 young specialists, during next two years – 500 specialists a year, which require annual budget in the amount of 3.6 mln USD.

270. Implementation of the second program component will allow creating system of savings to build housing both due to savings of the population for house-building, and current earnings and available savings, and due to future income of citizens. With the help of setting up of such saving system of long-term crediting citizens having accumulated certain amount on their accounts would be able to use state support in the form of bonus equal to accumulated sum of their savings for the purpose of house-building. It is assumed that to stimulate deposits of citizens in this saving system it is necessary to arrange annual incentive in the amount 10-30% from total sum of annual savings. Interest rate may be maintained at the level considerably lower than in the market. Within the frame of this system by 2010 it will be possible to provide mortgage lending more than 3.5 thousand families and to bring number of participants of this system to 5 thousand families annually.

271. The third component of the program (assumes construction of social dwelling due to resources of republican budget for narrow category of most urgently needed citizens (including families with disabled children, families with many children and incomplete families) with long-term redemption of received housing from the state. This mechanism assumes co-financing of projects from the part of local self-governance bodies and organizations. The incentive for their participation in the program will be allocation of certain number of apartments in a newly built house, proportionally to their share in the construction; this organization may themselves make arrangements in terms of to whom these apartments would be transferred under condition of long-term redemption.

272. **Resources.** Total requirement in financial means for the implementation of Strategy measures makes up 200 mln USD.

273. **Outcomes.** Successful implementation of Strategy will allow improvement of living conditions for the population of the country; accessibility of dwelling purchase, growth of volume of newly built dwelling and reconstructed dwelling and provision of dwelling at the expense of citizens belonging to individual categories determined by the legislation of the Kyrgyz Republic. Targeted support for the population in terms of payment for dwelling and utilities will be achieved. Quality of communal services, safety and comfort of living, housing legislation of the Kyrgyz Republic will be improved. Conditions for the improvement of the demographic situation in the country, implementation of

effective migration policy, reduction of social tension in the society, as well as sustainable and independent development of all municipal institutions will be created.

5.1.6. Tourism development

274. **Current status and development background.** Tourism is one of the most rapidly developing segments of world economy; it is a complex profitable, inter-industrial business that ensures high employment level, public welfare and high living standards. For relatively short period of time international tourism took an important place in world economy, according to information of the World Tourism Organization tourism accounts for 10% of the world economy, average annual growth rate amounts to 4-5%.

275. Currently there are over 808 mln of tourist arrivals are registered, export of tourist services (profits from international tourism) amounts to almost 1 trillion USD.

276. As for the tourism potential of the Kyrgyz Republic one can state that tourist-recreational potential of Kyrgyzstan is significant, it has a lot of opportunities for tourism development, especially international one. Foreign experts describe our republic as: «there are only a few countries in the world with such an amazing combination of nature and culture and the most picturesque landscapes in the world».

277. There are 14 resorts and recreation zones, 10 mountainous and alpinist zones in the Kyrgyz Republic. Kyrgyzstan has unique relict nut forests in Arslanbap, over 2,000 mountain lakes, and Issyk-Kul lake with its great beaches, crystal clear water with mineral springs, mud- and thermal-mineral treatment is a resort zone of world level due to its unique combination of mountainous and seaside climate. It should be noted that in soviet times Issyk-Kul had a status of federal resort, every year up to 1.7 people visited Issyk-Kul.

278. Unfortunately tourist capacity is not being used to full extent. For the past 3 years annual revenues from international tourism amounted to 70-75 mln USD only; to compare with the role of tourism in the other countries – it takes the lead in the economies of medium level of development, e.g. in Spain it accounts for 41.7%, in Greece – 40.4%, Austria – 32%, it takes second and third positions in highly developed economies: in Portugal – 22%, Switzerland – 10%, Italy – 9.8%, Denmark – 8.7%, France – 8.5%. In Kyrgyzstan tourism accounted for only 3.5% of GDP in 2005.

279. Given proper conditions the international tourism industry could generate at least 400-500 mln USD annually in the Kyrgyz Republic by serving about 2 mln foreign tourists.

280. **Problems.** One of the major problems that bars development of tourism as a priority export-oriented branch of economy is imperfect legal basis. Tourism industry is a diversified complex regulated by various sections of law: international, transport, customs, land, tax, licensing, environmental, etc. Therefore, an appropriate law of the Kyrgyz Republic «On tourism», which is rather outdated must be supplemented by adoption of a number of laws and pieces of secondary legislation that would aim to create favorable conditions for development of domestic tourism, appropriate businesses, etc.

281. Insufficient information on Kyrgyzstan as a country of tourism in the foreign markets due to weak advertising and promoting efforts in tourist fairs in CIS countries, such as Russian (Ural and Siberia), Kazakhstan, and failure to participate in major tourist fairs and exhibitions. Current efforts on promotion of tourist product of the Kyrgyz Republic are obviously insufficient due to shortage of funding. This year only 4.1 mln som were allocated from the budget for these purposes (versus 6 mln in 2005).

282. Underdeveloped stage of tourism infrastructure restrains tourism development in Kyrgyzstan. Remoteness from major international tourist markets and limited access to other regional markets restrain inflow of investments to the tourist sector, air travel is the biggest challenge for a country that remote and deprived of the access to sea.

283. Due to climatic conditions of Issyk-Kul the tourism season ranges from 60 to 70 days depending on the weather. Therefore direct foreign investments must be made in construction of all year round tourist objects as well as in reconstruction and renovation of existing resorts with full range of services including balneology treatment, swimming pools and hot water.

284. **Economic inefficiency of tourism industry.** In the Kyrgyz Republic one can see quite an opposite picture – due to growing costs of tourist products (main sales unit in tourism) its competitiveness notably reduced in the foreign markets, thus with dearer airplane tickers it makes more sense to fly to Turkey or Egypt for a week from Moscow rather than to Issyk-Kul. Major reasons for development of gray economy in tourism sector – high level of taxation and absence of clear protectionist government policy towards tourism.

285. As for accommodation in «organized» sector (sanatoriums, inns, tourist bases, resorts, etc.) it is burdened by VAT on tourism services; tourist agencies can't acquire documents for VAT reimbursement when shopping in the market, thus making their expenses 20% dearer, and the consumers have to pay for that. On the other hand these entities underreport their real revenues to make sure their annual turnover is below VAT threshold, this does not encourage tourism development.

286. Old hotel fees in 3 som made no difference for the clients, but current tax in 3% from the cost of room is rather large and on the one hand makes staying more expensive for the clients, on the other hand forces hotels to underreport real amount of revenues.

287. Lack of state system to keep track of tourists arriving to the Kyrgyz Republic like Russia and Kazakhstan did by introducing the system of migration cards to have a clear picture of quantitative and qualitative composition of tourists. This system enables identifying directions of tourist flows and developing competent policies on encouraging most promising types of tourism.

288. Problems with issuance of tourist visas – introduction of visa-free regime for the tourist from foreign countries at least during the tourist season has been up in the air for a long time. Despite the Decree №213 of the Kyrgyz Republic government dated 15.04.2003 enabling tourists to independently apply for tourist visas in embassies abroad, it brought no changes in the number of tourists that were worth mentioning. Besides, Kyrgyz embassies are located only in few countries and Spanish tourist will not fly to Brussels just for the Kyrgyz visa. Ukraine case serve as a positive example, all EU citizens can travel to Ukraine visa-free, this decision increased number of tourists in several times.

289. **Priority.** Major focus on tourism development will be made on Issyk-Kul lake, our main tourist-recreation resource, but in Kyrgyzstan there are 14 other resort-recreational zones, 10 mountain tourist and alpinist zones, one of the tallest mountains Pobeda peak (7439 m), Lenin peak (7134 m), Khan Tengri (6995 m) that attract attention of the tourists from CIS and foreign countries. In addition it is worth noting that focus on Issyk-Kul oblast only may lead to negative consequences. Kumtor accident in 1998 and events of 2005 can serve as example, when failure to attract tourists due to various reasons turns into a failure of the whole industry, covering more that one region. Another solution is expanding geography of tourism development by staking on southern regions of Kyrgyzstan that have equally abundant tourism resources. Profitability of resorts and recreational objects is comparable to those at Issyk-Kul, and the season lasts from April to October.

290. **Objective.** Main objective of tourism development for the nearest future is in creation of a modern competitive tourist complex that would satisfy the needs of both Kyrgyz and foreign citizens in tourism services that could also create conditions for sustainable tourism development in the Kyrgyz Republic. Establishment of stable environment and socially oriented highly profitable tourist industry generating stable currency income and creating job opportunities, re-entering traditional tourist service markets in Russia (including Ural and Siberia) and in Central Asia as a resort-recovery center – all of these are the elements of the goals of this Strategy.

291. **Tasks.** The following tasks must be solved to achieve objective:

(i) draft modern strategy to promote tourist product at domestic and international markets with focus on formation of positive image of Kyrgyzstan as a country of tourism at the international tourist market;

(ii) create conditions for development of internal and incoming tourism;

(iii) enhance quality of tourist service.

292. **Policy and measures.** Given the fact that tourism to a larger extent is an import-replacing and export-oriented sector of the economy, its development needs require:

(i) create conditions to attract both domestic and foreign investments, first of all in development of network of tourist class hotels (2-3 star hotels), and smaller hotels in particular;

(ii) establishment of priority tourist-recreation zones based on the sustainable development principles;

(iii) construct new and reconstruct existing highways and side roads to major tourist centers;

(iv) establishment of national hotel chains, especially in the historical and cultural heritage sites;

(v) enhance service standards by setting government classification of hotels;

(vi) improve visa strategy towards citizens from the countries that pose no migration threat;

(vii) create conditions for development of social tourism.

293. Enhancing tourism service quality requires:

(i) introduce economic responsibility for tourist operators and tourist agencies to protect consumers rights;

(ii) enhance existing professional standards for basic positions in tourism industry;

(iii) develop and introduce training programs by fields and train personnel of the hotels and firms;

(iv) support promising applied researches in tourism area.

294. Formation of modern strategy of promoting tourist product at the domestic and international markets requires taking following steps:

(i) large-scale advertising and information campaign in mass media in Kyrgyzstan and abroad;

(ii) development of exhibition and fair activities in tourism industry, setting one Kyrgyz national stand to demonstrate tourism opportunities in Kyrgyzstan;

(iii) organize presentations of tourism opportunities of the Kyrgyz Republic in major countries – sources of tourists for Kyrgyzstan;

(iv) establish a network of information centers for foreign and Kyrgyz tourists in places with high concentration of tourists;

(v) formation of modern tourism statistics in accordance with international requirements that takes into account multiplying effect from development of this sector.

295. **Programs and projects.** These are the priorities for the Strategy implementation:

(i) submit to the Parliament of the Kyrgyz Republic draft law «On incorporation of changes and additions to the law «On Free Economic Zones» to establish free economic zones for tourism purposes in the most promising regions taking Russian experience as an example and ensure investment regime and certain preferences for investors;

(ii) submit to the Parliament of the Kyrgyz Republic draft law «On incorporation of changes and additions to the Tax Code of the Kyrgyz Republic to amend the section on VAT so tourist businesses that provide services at the territory of the republic are subject for zero rate taxations, and those that sell outside the country directly or through non-residents using wire transfer using the experience gained in Ukraine, Byelorussia and Kazakhstan;

(iii) adopt resolution of the government of the Kyrgyz Republic «On introduction of unified state system of classification of collective accommodation means» to guarantee proper level of hotel service quality for the tourists;

(iv) with regard to transfer of the tourism to the real sector, as well as to the fact that the existing Program of measures on tourism development in the Kyrgyz Republic through

2010 adopted by the resolution of the Kyrgyz Republic government №33 dated February 2, 2001 is outdated due to insufficient funding, a new General scheme (Master plan) for tourism development in the Kyrgyz Republic through 2009-2020 must be drafted.

296. **Resources.** Implementation of measures, programs and projects in the tourist industry by 2010 will require 170 mln USD.

297. **Outcomes.** Efficient tourism development will allow developing internal tourism, attracting more tourists to the Kyrgyz Republic, increase revenues to the country economy, and on the one hand to ensure growth of tax proceeds to the budgets at all levels, and on the other hand to encourage development of neighboring sectors of economy and create new jobs due to multiplying effect from tourism.

298. According the information from the World Tourism and Travel Council (WTTC), international tourism generates up to 10.6% of world GDP. Implementation of all programs and measures of the Strategy will increase the share of tourism to GDP of the Kyrgyz Republic to 10-12% by 2010. According to our estimates export of tourism services (revenues from foreign tourism) will reach 200-250 mln USD. Number of foreign tourists' arrivals will exceed 2 mln people. investments to the main capital in tourism industry may amount to 45-50 mln USD given certain conditions.

5.1.7. Transport infrastructure

299. **Current status and development background.** Total length of motor roads in the Kyrgyz Republic is about 34000 km. The length of common use roads is about 18810.0 km, the rest 15190 km – are the roads of cities, villages, agricultural, industrial and other enterprises. The length of motor roads of international importance is 4163.0 km, of state importance – 5678 km, while of local importance – 8969.0 km. Out of them the length of common use roads with pavement is 7228 km, including 11 km with cement concrete pavement, 4969 km with asphalt concrete pavement, and 2248 km with black gravel pavement. There are 9961 km of gravel roads and 1621 km of earth roads.

300. The total length of transport corridors of the Kyrgyz Republic is 2242 km, which include 8 routes: Bishkek-Osh (672 km), Bishkek-Georgievka (16 km), Bishkek-Chaldovar (Kara-Balta-Chaldovar section – 31 km), Bishkek-Naryn-Torugart (539 km), Taraz-Talas-Suusamyr (199 km), Osh-Sarytash-Irkeshtam (258 km), Osh-Isfana (385 km), Sarytash-Karamyk (142 km). According to the recent research, the main part of transport corridors are in unsatisfactory condition, which causes increased cost of the transported goods, operational costs, as well as longer time spent for the transportation. Currently, out of 2231 km only 717 km are being rehabilitated.

301. **Problems.** According to recent research, out of 2242 km of motor roads – 502 km are in good condition, 133 km are in satisfactory condition, 250 km of motor roads are in unsatisfactory condition, and 1357 km are in poor and very poor condition. Since the main part of transport corridors are in a sad state, it leads to increasing costs for the transported goods caused by increased operational costs – costs for fuel and spare parts, increased time of transportation. In order to compensate the above costs and derive maximum profit, freight companies tolerate overload of vehicles, which has an adverse effect on road pavement and leads to even worse deterioration of available main road network. Increased transportation costs force business to hide taxes that causes direct and indirect damage to the economy of the country.

302. Lately budget appropriations on roads maintenance amount to 200-250 mln som annually, which is only 15-20% of the funds required for proper road surface maintenance of needs. Due to insufficient funding about 200 km of roads with hard surface are lost every year, for the past 5 years over 1000 km of roads have been destroyed.

303. **Priorities**. By taking into account that the automobile transport carries over 95% of freight and passengers, this Strategy prioritizes construction and rehabilitation of the road network.

304. **Objective.** Basic network of roads should meet higher working standards to minimize transportation costs for goods and service producers to ensure access to regional and local markets of goods and services, labor and social services.

305. **Tasks:**

(i) Rehabilitation of 5 routes of automobile roads – international corridors:

- Osh-Sarytash-Irkeshtam (total length 258 km);
- Suusamyr-Talas-Taraz (total length 199km);
- Bishkek-Naryn-Torugart (total length 539km);
- Osh-Batken-Isfana (total length 385km);
- Sarytash-Karamyk-Jergital (total length 142km).

(ii) Maintain and improve internal network of automobile roads by annual coarse surface finish of over 1000 km.

(iii) Capital repairs of internal network of automobile roads.

306. **Policy and measures.** Taking into account objective situation in the social and economic life of the republic, budget deficit and the fact that currently there is no way to exceed budget allocation for road maintenance, and the Ministry of transport and communications with the money allocated is unable to repair 2000 km of automobile roads or to properly maintain remaining 17000 km of roads, a new approach to automobile roads maintenance should be developed.

307. Road industry is one of the few branches of economy of the republic not covered by market relations. Besides lately there had been stable lack of funding for maintenance of road industry, and there is no funding at all for repair of road surface – except Bishkek-Osh road rehabilitation funded by ADB loans.

308. Analysis of the needs required for current maintenance, medium and capital rehabilitation shows that the Ministry of transport and communications should use allocated funding for certain prioritized sections of automobile roads, in order to keep these roads operational. Estimates show that the length of these priority sections should not exceed 5400 km. Therefore with regard to the current situation automobile network development must be based on the following aspects:

(i) Determine priority sections of roads – delegation of certain sections connecting villages and rayon centers to local communities in order to reduce length of roads under the Ministry's supervision. This allows solving two major problems:

- Ensure required transport-exploitation characteristics and road safety at priority road sections;
- Attract private sector to encourage development of private contractors.

(ii) For the purposes of efficient use of budget funds and increase of funds allocated for road maintenance the road maintenance units must be commercialized, and delegate some of them to the local self-governance bodies. This will allow reducing production functions of the Ministry and eventually introducing market mechanisms in road management.

(iii) Change of existing road taxes and fees that form the basis of the Road fund and introduction of next generation relevant to introduction of road tariff that would charge not only for access to but for use of the roads as well. For the purposes of eventual doubling and tripling special means generated from production and business activities of the structural subdivisions of the Ministry of transport and communications it is necessary to ensure legal basis for the following types of activities: introduce weighing platforms to charge for overloaded trucks; increase fees on permits; fee for driving through tunnels, etc.

(iv) Keeping existing network of automobile roads with hard surface and gradual rehabilitation of ruined roads by liquidating under repair that's been accumulating for years.

309. **Programs and projects**:

(i) Osh-Sarytash-Irkeshtam (total length 253 km);

(ii) Suusamyr-Talas-Taraz (total length 199km);

(iii) Bishkek-Naryn-Torugart (total length 533km);

(iv) Osh-Batken-Isfana (total length 385km);

(v) Sarytash-Karamyk-Jergital (total length 142km).

(vi) Repair surface of over 1000 km. Annual rough surface treatment of roads with the length up to 1000 km;

(vii) Capital rehabilitation of internal network of automobile roads. Capital and routine repair, installation of asphalt concrete pavement, reconstruction and repair of bridges and road facilities of domestic road network.

310. **Resources.** Overall resource base of the road industry for 2007-2010 amounts to 610 mln USD, with 17.8 mln USD for administration; rehabilitation of transit corridors and other projects –420.0 mln USD; medium and capital repair of domestic network –175.5 mln USD.

311. Lately budget appropriations on roads maintenance amount to 200-250 mln som annually which is only 15-20% of the funds required for proper road surface maintenance. Maintenance and improvement of domestic road network requires only 175.5 mln USD, that includes funds for maintenance and interim repair (coarse coating) 528.5 mln som (12.6 mln USD * 5 years = 63.0 mln USD) and for capital repair 945.0 mln som (22.5 mln USD * 5 years = 112.5 mln USD).

312. **Outcomes.** Fundamental benefit from rehabilitation includes first of all better road safety due to better road surface, setting road signs and facilities and as a result reduction of the number of human losses in accidents, cheaper carriage, shorter travel, lower cost for exploitation of vehicles, including cost of fuel and spare parts and lower cost of goods. Besides, higher quality of highways increases welfare of poor people that reside in the areas covered by the project due to social and economic development of the rayons impacted by the project.

5.1.8. Communication and information

313. **Current status and development background.** The sector of telecommunications, being exclusively important component of the country's economy, during recent years demonstrated positive development dynamics by 20% annually. The introduction of satellite TV and broadcasting was speeded up in the remote settlements. Currently, 65 settlements are covered with satellite TV and broadcasting. International and long distance communication network has been expanded. Growth of taxes has been provided mostly due to the growth of the number of cellular communication users and expansion of Internet services. Incomes of the communication operators annually have been increased by 25% in average. Number of telephone subscribers increased by 20% compared to 2001 and makes up 466,806 subscribers, number of mobile phone subscribers increased for the same period in more than 42 times.

314. The national communication operator OJSC «Kyrgyztelecom» performs all obligations with regard to provision of all regions of the republic with quality modern communication services; while systematic works on expansion and modernization of the company telecommunication infrastructure, as well as construction of main communication lines are carried out. In 2005, the company received 1,948 mln som of total revenue and 294.3 mln som of profit from operational activity, while profit before taxes made up 215.9 mln som. In 2006, for nine months the company received 1.94 billion som of income.

315. Development of communication services will be oriented at the creating of high-tech telecommunication system that provides wide range of services and promote integration of the country into the worldwide information space. Mobile communication will stay the leader in the telecommunication sector. It is predicted that annual growth of cellular communication subscriber's number will make up 30%-50%. Total number of Internet users will reach one third of the country population by 2010. By 2010, more than 90% of personal computers will be connected into local networks, while 100% of state organizations will use automated accounting systems.

316. In the field of informatization in the course of National strategy implementation, adopted in 2002, «ICT for the development of the Kyrgyz Republic», one of the main priorities of which became the establishment of the «electronic government», the following tasks have been addressed: (i) the first stage of state Internet portal establishment has been implemented, it has information about the

directions of activity and services provided by the public administration organs; (ii) all central organs of public administration have developed their web sites and posted them in the Internet; (iii) network of public access to the information for rural and remote areas citizens has been created (total 91 centers).

317. **Problems.** The main problem of the sector is uneven development of telecommunication infrastructure in the regions and major cities of the republic. Currently, there are 500-550 settlements that do not have telephone communication. To address this task the program of telephone installation for rural areas till 2010 with attracting of foreign investments will be developed. The issue of Fund of universal service establishment is being considered; at that, attracting of both state budget funds, and communication operators' funds is planned. In order to provide more flexible and effective management of the telecommunication services market, the privatization process of OJSC «Kyrgyztelecom» will be speeded up, this will promote more effective introducing and application of advanced technologies.

318. **Priorities**. Priorities of the telecommunication sector development are the development of telecommunication infrastructure and construction of main communication lines to provide all regions of the country with minimum package of telecommunication services and introduce alternative modern technologies to enable access to information and telecommunication resources.

319. **Objective.** The objective of the sector is to build modern high-tech and competitive National data transfer network based on advanced innovative technologies application at the same time providing guaranteed and equal access of the population to informational resources of the country, as well as integration of the National network into world information space.

320. **Tasks:**

(i) Construction of main fiber-optic communication line;

(ii) Telephone installation in those settlements that do not have it currently (526 settlements);

(iii) Full coverage of the republic by TV and broadcasting;

(iv) Rationalization of the National strategy «ICT for the development of the Kyrgyz Republic»

321. **Policy and measures.** Taking into account budget constraints and absolute social orientation of the given strategy, the Ministry of transport and communication proposes as a dominant under selection of projects for funding to indicate socially important and urgent projects in terms of provision of communication services to the population.

322. Norms of the Kyrgyz Republic Law «On electrical and postal communication» should become the main tool of the universal service provision to the population of all regions, where guarantees should be provided for citizens to receive minimum guaranteed package of telecommunication services. The Universal Access Strategy implementation will allow addressing problems of info-communication services development in the rural areas, enabling equal access of the population to information resources, as well as addressing the problem of balanced development of the telecommunication infrastructure of the Kyrgyz Republic.

323. The public access centers' program, enabling access to information and communication technologies, as well as easy access to Internet and other information services on the base of SE «Kyrgyz pochtasy» postal offices has been developed in order to facilitate access to information resources in the regions with poorly developed telecommunication infrastructure. Expansion of geography for Public access centers is one of the possible implementation options of the Universal access strategy.

324. Stimulation of the development and telecommunication service market liberalization, transparency and competitiveness in the communication service market are impossible when all main communication lines belong to single company – OJSC «Kyrgyztelecom». The project of main fiber-optic communication line construction and establishment of alternative main line communication operator should address the problems of enabling competition in the telecommunication market.

325. **Programs and projects:**

(i) construction of the main fiber-optic communication;

(ii) rural communication development project (CDMA-450, Vi-MAX+VSAT);

(iii) RIU RLTR infrastructure modernization

326. **Resources.** In general, the required resources for the sector will amount to 120 mln USD.

327. **Outcomes**. The implementation of the priority projects in the field of telecommunications and IT will allow addressing problem of access to information resources for broad layers of the population, as well as creating prerequisites for building information society with high intellectual and economic resource for the development. In addition, the implementation of the above projects undoubtedly will become catalyst for the development of communication and informatization sector and the economy of the republic as a whole. The development of telecommunication services market, as a result of project implementation addressing most acute problems of the sector, in turn, will influence macro economic indicators of the country. On the other hand, telecommunication infrastructure development projects are socially oriented and are aimed at provision of the population with quality and accessible communication services, as well as providing balanced development for all regions of the Kyrgyz Republic.

5.1.9. Innovation technologies development

328. **Current status and development background.** Economic strategy of the Kyrgyz Republic at the conceptual level must take into account evolutionary trends that dominate in formation of modern system of world economy. Every developing country including Kyrgyzstan must solve two objectives: implementation of the import-replacing policy recognizing its new understanding as a stage required for creation of the essential domestic market and pursuing export-industrial participation in international labor division.

329. Currently there is a form of products – an outcome of intellectual activity, technologies and licenses market is developing. Industrial property protection system is an essential feature of developed countries.

330. Production and technology sector of the world economy and industry, especially in the area of high technologies are taking global scale. Development of highly duty and energy saving technologies, that allow producing high technology goods and services, that could be offered at international markets, expansion of international integration in this area became a strategy of economic growth for most of the industrially developed countries in Western Europe, USA, Japan and South-East states, and actually formed new economic model. It is based on national innovation models (NIM) of the industrially developed countries that allow interaction between enterprises and institutional environment, scientific and educational systems, regulation in the area of intellectual property.

331. These are the general trends for innovation area of the world economic activities as of the end of the twentieth century:

(i) growing number of producers of new knowledge and competition growth;

(ii) larger dependence of goods and service producers from new knowledge producers;

(iii) small enterprises gaining significance as the most dynamic element of NIM;

(iv) deficit of highly qualified new knowledge and technologies producers and lower qualification requirements for the producers of final product;

(v) globalization of scientific-production sector of the world economy and, as a subsequence, international labor division and redistribution of added value from producers of goods and services to technology owners.

332. **Problems.** There is critical situation in the Kyrgyz economy in the area of innovations. When the country opened for foreign goods it lead to lower demand for local scientific product and it was squeezed out of the domestic market. Backlog in a number of industries is becoming irreversible, and the cost of development and maintenance of modern technological level is so high that often it is more beneficial importing ready goods. Lower demand for innovation products forces enterprises to cut the volume of scientific products and prioritizing simpler and cheaper products. Production of electronic,

computing, optical-fiber equipment, software, and telecommunications, robot construction that are the core of the fifth technological level products is reduced.

333. Major barriers in innovation process development:

- limited centralized financing;
- lack of own capital;
- insufficient attractiveness of long-term investments by banks, foreign investors and the public due to high risks;
- lack of developed infrastructure of innovation market that would fulfill producers' needs.

334. There is a real threat that in 3-4 years Kyrgyzstan will face a problem of inability to serve the economy needs by the national scientific-technical potential. Kyrgyzstan will inevitably have to solve internal problems by constant purchase of equipment and technologies and largely depend on outside sources, which will undermine national security.

335. **Priorities.** Kyrgyz economy development basis will include innovations development as a priority, to ensure distribution of equipment and fifth technology level technologies determining competition of products at the modern world market as well as development of equipment and sixth technological level in those restricted sectors that have essential fundamental inventing and conversion basis.

336. **Objective.** Objective of the strategy in the innovative technologies development area is in creation of economic conditions for production of competitive innovation items in order to implement strategic national priorities of the Kyrgyz Republic: improving living standards, achieving economic growth, developing fundamental science, education, culture by putting together efforts of the state and business sector of the economy on the basis of mutually beneficial partnership.

337. **Tasks.** The following major tasks must be addressed in order to achieve goals set forth by the Strategy in the field of innovation technologies development through introduction and commercialization of scientific and technical developments, accelerated development of science intensive technologies and resource saving production:

(i) to ensure legal regulation of innovation activities;

(ii) ensure rational combination of the mechanisms for state direct and indirect incentives and market mechanisms for innovation activities;

(iii) create conditions for capacity building in local science and ensuring succession in scientific and technology areas;

(iv) ensure active development of innovation activities of enterprises and organizations that work in the area of commercializing technologies;

(v) strengthen state regulation and support of scientific-research and experimental-design efforts in competitive areas: power, mining industry, communication and telecommunications, biotechnologies, software development;

(vi) ensure development of innovation technologies aimed to enhance efficiency of power and natural resources use;

(vii) accelerate consolidation of scientific, educational and production efforts to enhance competitiveness of the economy;

(viii) provide state support to formation of integrated scientific, educational and production centers oriented on production of commercial goods and sale of innovation products in cooperation with small high technology enterprises;

(ix) ensure efficiency of the State-private partnership when implementing innovation projects of highest importance for the state;

(x) encourage foreign investments in high-end technology industries of the country economy.

338. **Policy and measures.** Innovation system development policy will be implemented in the following areas:

(i) creation of favorable economic and legal environment towards innovation activities;

(ii) formation of innovation system infrastructure;

(iii) creation of the system for government support of commercialization of the intellectual labor outcome.

339. Mechanism for implementation of the innovation system development state policy throughout 2010 will include:

(i) formation of integral system of organizational, legal, economic and other forms of innovation encouragement, support and regulation including;

(ii) increase of the off-budget resources share as innovation projects move on, including;

(iii) encourage businessmen to develop innovation activities.

340. Following are major steps to be taken for implementation of the state policy towards innovation technologies development:

(i) set up monitoring of domestic and world markets of innovation products, analysis of parameters and dynamics of their development, forecast innovation –technological development of the country;

(ii) formation and development of the control and accounting system for scientific-technical activities;

(iii) development of state support of local innovators, also by purchasing their innovations for government needs and placement of state orders for innovations on a competitive basis for the enterprises of all forms of ownership;

(iv) develop conditions to encourage replacement of import by local competitive innovation products;

(v) development of state support of export of competitive innovation products with protection of rights for intellectual property;

(vi) development of conditions for establishment of state-private partnerships in innovations;

(vii) facilitate development of trading securities of high-end technology industrial enterprises in order to enhance their liquidity including trading options for the right of purchasing rights for the product of scientific-technical activities;

(viii) improvement of financial leasing system for unique scientific, technology and production equipment;

(ix) creation of conditions for long-term crediting and encouragement of investment projects of innovation companies;

(x) create conditions to attract and keep talented young people in innovation business;

(xi) develop a system of ongoing training for specialists to better organize and manage innovation activities;

(xii) coverage of success stories and experiences of innovation activities in mass media including support of innovation exhibitions and venture fairs;

(xiii) develop a system of statistical surveillance in innovation area to keep track of major development indicators of innovation system development.

341. **Resources.** The need in resources is estimated in 100 mln USD.

342. **Outcomes.** Implementation of the Strategy should facilitate completion of structural reforms by 2010 in economy that would lead to growth of the share of high-end technology industries and the area of complicated organizational, technical and personal services in GDP.

343. Innovation system to be created will allow taking the economy of the country of out the export – raw material development zone and supporting high dynamics of the growth of processing enterprises and fully ensure competitiveness of Kyrgyzstan in world community and its integration in the world economy.

344. By 2010 the level and dynamics of commercialization of intellectual activities results, lower risk for investments in high-end technologies and enhancing competitiveness of the country must serve as a decisive factor of improving living standards of the population and ensuring economic and social stability and national security of the Kyrgyz Republic.

5.2. Combating corruption

345. Today corruption is the main obstacle for the implementation of Millennium development goals in Kyrgyzstan. As a result of corruption, ineffective distribution of welfare causes poverty and inequality. Although relatively high economic growth indicators, the wide strata of the population do not have access to the results of economic achievements, which led to disturbances and following pre-term resignation of the President and Prime Minister of KR in March, 2005. Actually, corruption appeared to be incorporated into the governmental structure, and real steps aimed to control it, despite of the former leadership statements, were imperceptible.

346. Currently, the main document that determines objectives, tasks and consequence of anti corruption measures is a State strategy of combating corruption approved by the Decree of the President of the Kyrgyz Republic as of June, 21 2005. Provision of comprehensive corruption control measures as well as general coordination of the CDS Action Plan regarding corruption will be entrusted to the National Agency on corruption prevention of the Kyrgyz Republic and its surveillance organ – National Council of the Kyrgyz Republic on corruption combat.

347. **Priority.** Priority directions in combating corruption are political reform, deregulating of economy, reform of public administration, capacity building of public and municipal servants, legal reform.

348. Tasks and objectives of anti corruption policy. Corruption control measures in the country is the main condition for Kyrgyzstan to be included in the list of countries selected for the donors' support within the frame of Millennium Challenges Accounts program. The international experience shows that higher income, investments and growth as well as low level of poverty are reported in those countries where there are effective and fair public institutions, where promotion is based on merits of apprentices observing gender equality principles, where there are clear regulating provisions, legislation is not «captured» by the elite groups that pursue their own ends, where civil society and mass media have an independent «voice», which ensures accountability of the government. Achievement of the above objectives should become the main tasks of anti corruption policy in Kyrgyzstan.

349. Lack of monitoring and evaluation system in the country for the implemented reforms didn't allow assessing of successfulness or unsuccessfulness of changes and caused a distrust of the society to a numerous programs. Both official public, and independent monitoring and evaluation systems should be established to enable informing of the society about effectiveness of corruption control measures in the country.

350. No doubt, to resolve such a complex task, not only will of the country leadership will be required, but also considerable resources, including those from donor organizations. According to calculations, to implement all directions of corruption control within the frame of CDS 100 thousand USD will require.

5.2.1. Political reform

351. **Current status and development background.** Constitution of the Kyrgyz Republic provides power of people represented and ensured by publicly elected leader of the state – President of the Kyrgyz Republic, division of power to legislative, executive and judicial branches, distribution of government power functions and functions of local self-governance. Constitution declares responsibility of governmental organs and execution of their powers in the interests of people.

352. Today in Kyrgyzstan the President stays above all branches of power, determines main directions of domestic and foreign policy. In addition, In addition, the President appoints Prime-Minister and members of the Government; excuse a member of the Government on his/her own or according to the Prime-minister's proposal; accepts petition on retirement of the Prime-minister, Government or its member; takes decision on retirement of the Government or its member in cases, provided by the current Constitution.

353. President is a warlord, he/she has such authorities like control over defense and security agencies, bringing and signing of laws, right to veto the laws, adopted by the Parliament, as well as issuance of decrees.

354. The Parliament has the authorities to approve the Government's structure on the presentation of the Prime-minister; express discredit to the Government, separate member of the Government in cases, provided by the Constitution.

355. **Problems.** After adoption of the new Constitution of the Kyrgyz Republic the process of establishment of efficient system of control and balance of state power branches. Instability of political situation is connected to much extent with the imbalance of the political system.

356. **Priorities.** The reform of public administration according to the new Constitution must become the priority of political reform.

357. **Objective.** The objective of reform is to create system of checks and balances including robust procedures of accountability for powers, political parties that have to become an effective instrument to counteract corruption and competent element of policy having real authority and resources.

358. **Tasks.** The main tasks of the reform should be:

(i) to increase influence of political parties on country administration;

(ii) to enhance responsibility and accountability of all power branches to people.

359. **Policy and measures.** Political parties for the first time received the opportunity to suggest the candidature of the Prime-minister to the President and participate in the public policy development With this regard it is necessary to introduce election of candidate based on party lists at the same time introducing quota for women in the lists of candidates (as a temporary special measure) and ensure transparency in the process of forming and using of electoral funds, prepare and publish reports on sources of their forming and using.

360. All functions on economic issues, matters of state participation in the economy of the country and on other spheres of executive branch activities should be under the jurisdiction of the Government of the Kyrgyz Republic with further transfer of those functions to the sector and specialized ministries and agencies. To avoid duplication of functions and unnecessary overlapping of structural divisions it is necessary to clearly distribute functions and determine areas of activity for the Administration of the President of the Kyrgyz Republic and Prime Minister’s Office of the Kyrgyz Republic.

361. As a preventive measure from «capture» of the state by a group of elite, following their own interests, as well as to enhance openness of legislative process, it is necessary to regulate process of lobbying of the draft laws. Corruption control measures are necessary, for example, when formulating parliament budget, budget of parliament apparatus, regulation of parliament work and budget hearings.

362. A mid-term measure aimed at reduction of corruption conditions in public administration organs should be strengthening of the independence of such surveillance institutions as parliament and Chamber of accounts. To achieve maximum effectiveness of Chamber of accounts it is necessary to develop mechanism for ensuring of control on implementation of recommendations based on audit results and transfer to conducting of effectiveness audit.

363. Administrative and territorial reform aimed at reduction of the number of chains in the administration will considerably reduce scales of bureaucratic administration and create pre-conditions for enhanced accountability of authority and transparency in their actions.

364. **Programs and projects.** The new Constitution of the Kyrgyz Republic was adopted and confirmed in the Law «On new edition of the Constitution of the Kyrgyz Republic of 15 January 2007 # 2» within a long and complicated process of constitution reform. The new Prime-minister was appointed after agreement with the Parliament, the new structure of the Government was approved, the Office (Apparatus) of the Government was established instead of the Office of the Prime-minister. The main direction of further activities will be the establishment of mechanisms of interaction between various branches of authorities and within executive power, establishment of the mechanisms of inclusion of political parties and society in the decision making process.

365. **Resources.** Funding will be implemented from the state budget while actively searching assistance from donor organizations.

366. **Outcomes.** The main outcomes of reform implementation will be:

(i) identification of mechanisms of interaction at all levels of public administration between the President, Government, Parliament and judicial authorities according to the new Constitution;

(ii) effectively functioning and more transparent legislative process in the Parliament;

(iii) active participation of political parties in the administration of the country;

(iv) broad representation of women in the parliament;

(v) enhanced effectiveness of public administration;

(vi) increased accountability of public administration and transparency of its actions.

5.2.2. Deregulation of economy

367. **Current status and development background.** In the economic sphere the biggest issue is unfavorable climate for business. This restrains investments and entrepreneurship, and thus, growth of economy. In general, the legislation of the Kyrgyz Republic complies with the market economy, so does the economic strategy submitted by the government. But the way they are implemented is more of a hamper than well being of market economy. The main gap in the implementation of the legislation is excessive interference of the State in private business. Corruption is an important part of this process, including both «small» corruptions when low-level officials demand bribes, and large-scale corruption when influential officials ask for considerable bribes. There are other important aspects, such as unnecessary discretionary powers that are given to officials, excessive licensing and regulating, as well as relationship and institutions inherited from the soviet times. Among them there are politization of economy and society, dominating role of the state, counteraction to initiatives and responsibilities at a low level of administration, as well as lack of respect to laws and contractual obligations.

368. **Problems.** Excessive regulating of economic activity in the Kyrgyz Republic leads to such consequences as worsening of competitive environment, growth of shadow economy, increased prices for goods and services, because of the fact that unofficial payments are included in them, reducing of revenue part of budget compare to potential possibilities. Excessive regulating with regard to its adverse effect to the economic development may be compared only with high tax burden, because it leads to growing costs of businessmen both transactional and labor, which easily can be avoided by shifting of business into the shadow economy.

369. There is a certain interest of public administration apparatus in existence of defaulters to support its interests with the help of bribes and widening of illegal activities. As a result, coalescence of state and shadow business takes place. The role of judicial system is also noticeable in increasing or decreasing of the shadow economy. Where laws are not working, where the entrepreneurs do not trust the law and judicial protection of ownership, it is more profitable for them to work in the shadow sector with its established traditions and mechanisms.

370. All these things are directly linked to corruption in the economy of the Kyrgyz Republic and require urgent measures to deregulate the economy.

371. **Priorities.** To overcome drawbacks of existing regulatory system of the republic, as well as to minimize intervention of state organs into activity of business entities it is necessary to:

(i) create a system of stable and predictable legislation of the country;

(ii) transfer to the implementation of public regulating based on laws exclusively, rather than on ministerial instructions;

(iii) impose ban on adoption of legal and normative acts that worsen situation for businessmen and violating their rights;

(iv) simplify order of registration and canceling of business for businessmen;

(v) optimize activity of ministries and agencies providing service to the population with the purpose to reduce excessive regulative functions;

(vi) toughening of punishment for public administration structures in the case of unjustified checks of business activity.

372. **Objective.** To reduce regulative and controlling functions of the state in the sphere of business, creating favorable environment for the growth of corruption.

373. **Tasks.** The main tasks in the sphere of deregulating of economy should become simplification of access to the market for business entities and reducing of excessive regulative functions of public authorities.

374. **Policy and measures.** With the purpose of creating unified legislative system determining order and procedure of state registration it is necessary to adopt a new law «On state registration of legal entities, their subsidiaries or representations and individual entrepreneurs». This law should:

(i) introduce principle of «one window» under which all required documents are submitted through one state institution, and in certain period of time (no longer than one week), businessman gets whole package of registration documents, including registration in all other relevant state bodies;

(ii) create unified system of legislation determining order and procedure of state registration of legal entities, unified state register, as well as provision of information included into the state register to market entities;

(iii) liquidate numerous organs dealing with the registration of legal entities;

(iv) establish a clear list of reasons for refusal of the registration and unified approach to payment for the registration services matters;

(v) solve problem of effective voluntary (legally made official) leave of business from the market; the law should detail procedures of the enterprise liquidation, harmonize all procedures of striking off the register in all registration organs (tax organ, Social fund and etc.).

375. According to the businessmen inquiry licensing permissive system as well as checks conducted by state inspection organs are one of the main problems in the relationship between entrepreneurs and state organs.

376. With the purpose of improving the licensing permissive system it is necessary to adopt a new law on licensing that will establish full list of requirements and conditions for licensing. This will allow excluding the situation when licensor has a right to demand from applicant a lot of documents verifying conformity with ministerial acts establishing unjustified requirements. The new law should:

- establish unified and comprehensive list of activities subjected to licensing. All types of activities that are not require licensing based on national safety, law enforcement, environment protection, protection of property, life and health of citizens should be excluded from this list;
- introduce procedure of revising of activities subjected to licensing, based on known procedure «guillotine», according to which, if state bodies during certain period of time are not able to confirm necessity of concrete type of licensing (in accordance with strict criteria of substantiation), it should be excluded from the list of licensed types of activities.

377. To release businessmen from unjustified burden of checks it is necessary to reduce their number and duration, as well as increase their effectiveness. With this purpose it is necessary to adopt a law «On order of conducting checks of business entities by authorized organs», underlying the following principles:

- law should establish authorities of state organs to conduct checks (any checks conducted by state organs authorities of which are determined by secondary legislation acts (for instance, provisions or rules), will be illegal and will not have any legal consequences for business entities);
- presumption of honesty of the business entities;
- contradictions and vagueness of the legislation cannot be applied (used) against business entities
- subject of the check should be only ascertainment of the facts of compliance or non-compliance with mandatory requirements by business entities (these requirements should be open and accessible for business entities).

378. To create stable and predictable legislation, eliminate vagueness for the entrepreneurs, reduce risks for investment activity it is necessary to adopt new version of Law «On normative legal acts of the Kyrgyz Republic». The new law should include:

- norms ensuring clear systematization and hierarchy of normative legal acts;
- introduction of mandatory legal, financial and economical and other specialized examination by experts of draft acts with forecasting of implications of their adoption;
- establishment of reasonable periods for effectiveness of laws allowing economy subjects preventing damage from adoption of these laws.

379. **Programs and projects.** Currently, there are a lot of various public-state and purely state organs in different forms in the sphere of coordination of public administration and public structures of private sector activities in the implementation of state policy in the sphere of economic development, attracting of foreign investments and support of entrepreneurship. At the moment Kyrgyzstan considers the possibility to optimize work of such institutions. For this purpose analysis of activities of all above mentioned bodies was conducted and the Investment Council under the President of the Kyrgyz Republic was founded of representatives of governmental institutions, main donors (international financial organizations), private sector (foreign and national investors) by the Kyrgyz President's Decree of 24 February 2007. One of the main tasks of the established body is to provide the development, preparation of recommendations and proposals to the President, Government and other state bodies on business environment and investment climate improvement issues and their implementation.

380. **Resources.** Funding will be conducted from the state budget under active searching for the assistance of the donor organization.

381. **Outcomes.** As a result of measures provided by the given strategy, a new order of registration (re-registration) and liquidation of legal entities as well as regulating of business activity, which will allow reducing interference of state organs into entrepreneur activity and will facilitate coming of new business entities to the market.

5.2.3. Reform of public administration

382. **Current status and development background.** The main role of any Government in the development of country's economy is provision of the environment facilitating private sector development. Six out of ten questions of investors are referred to the matters of administration (predictability of laws, bureaucracy, effective judicial system, administration of taxes, corruption and regulating of entrepreneur activity). With this regard the reform of public administration is the main direction of the current Strategy.

383. In the field of reorganization of ministries and administrative agencies by the government during recent years a considerable step ahead has been made under the support of the international organizations, such as UNDP and TASIS. Based on functional analysis approach in majority of

ministries their functions and tasks have been revised, recommendations on eliminating of extra and duplicating functions have been given. However, lack of monitoring and evaluation system in the country didn't allow following actual implementation of the given recommendations. In fact, majority of conflict of interests are still in place leading to corruption, especially in the regulatory field.

384. Horizontal functional analysis has been conducted superficially causing irrational distribution of functions between ministries and agencies, uneven placement of human resources between state organs and within them.

385. Analysis of functions of local public administrations and local self-governance bodies has been conducted only in pilot regions and its results have not been evaluated. Funding mechanism to ensure implementation of functions delegated to local self-governance bodies has not been determined.

386. **Problems.** Public administration structure should be reformed on functional lines, eliminating unnecessary and duplicating functions. The government should create field to conduct business without interfering with special privileges, subsidies and protection. With this regard higher accountability and transparency are required for the work of the government. Without reforms in the field of public administration it is unlikely to achieve progress in market economy or in satisfying hopes of the Kyrgyz Republic citizens.

387. **Priorities.** Establishment of the Government, promoting economic development of the country, should become the priority in the sphere of the public administration reform.

388. **Objective.** One of the main objectives of public administration reform is re-orientation of tasks and functions of state organs and institutions from direct intervention and participation in market activity to market regulation and provision of public well-being.

389. **Tasks.** The main task in reforming of the public administration should be increasing of effectiveness of executive power organs work by means of optimization of their structure and clear determination of their functions and authorities. It is also necessary to achieve clear distribution of functions between public administration organs and organs of local self-governance in accordance with the tasks and objectives provided by the legislation.

390. **Policy and measures.** It is necessary for the government to reduce unnecessary, duplicating functions based on comprehensive analysis of functions of the ministries and agencies, consolidate parallel functions, conduct actual decentralization of state functions and based on the above conduct large scale reorganization of its structural subdivisions, liquidate parallel structures, cut down bureaucracy.

391. The introduction of decision-making procedures based on international experience of regulating and consulting with stakeholders effect analysis should become an important anti corruption mechanism. At the moment there are no such procedures but the new government has already declared that those procedures are necessary and that they will be introduced based on formats and procedures of public policy.

392. Mandatory anti corruption expert examination of draft laws and acting normative and legal acts will considerably reduce possibility for corruption among officials. Expert examination should reveal corruption-bearing norms and stop them at the stage of preparation.

393. Departmental rule-making facilitate corruption when ministries and departments themselves define order of implementation of their powers. That is why it is necessary to introduce a mechanism of justification of all normative and legal acts regulating their activity by ministries and departments with the purpose of inventory and eliminating of excessive regulation. Those acts that will not be justified by the relevant state organ by the certain deadline will be terminated.

394. One of the most important and urgent measures to prevent corruption in public administration system is the matter linked to effectiveness of formulating and implementation of the state budget. Budget money of the state for transition economies is the most vulnerable part of corruption actions of officials. We are talking about both outside loans and revenue forming system, as well as funds distribution system.

395. It is necessary to conduct reform of tax administration, implying achievement of balance between tax payers' and tax organs' rights, reduction of corruption in tax and customs organs, as well as increasing of effectiveness of these organ's activity.

396. The important direction of corruption control measures is the reform of state financing with regard to its enhanced transparency and accountability. Special attention will be drawn to such method of budget formulating and implementing as program budgeting.

397. Among the series of these anti corruption measures there is establishment of electronic government allowing reducing number of direct contacts of regular citizens and officials, opening of the whole list of public services and conditions of their provision to customers.

398. During resent years actually all of the main elements of civil society participation in fighting corruption were available in Kyrgyzstan. Those are participation of civil society in decision-making, freedom of press widening access to information, parliamentary surveillance, forming of coalitions and collective actions, involving at the level of local communities, participation of women. However, influence of power on these processes was so considerable, that such participation of civil society had been converted into pure formality. That is why it is necessary to formalize procedures of consultations with the society by means of adoption of normative and legal acts regulating this process.

399. Reforming of public administration at the local level and development of local self-governance will also facilitate fighting corruption. First of all, it is necessary to ensure effective legislation base of local self-governance, including clear distribution of authorities and functions of public administration bodies and local self-governance as well as reform of inter-budget relations. The above measures will be implemented in general within the frame of implementation of the national strategy «Decentralization of public administration and development of local self-governance in the Kyrgyz Republic till 2010».

400. **Programs and projects.** In the corruption control state Strategy measures on reorganization of public administration organs based on functional analysis are provided. These measures provide conducting of analysis not only vertically, but also horizontally to reveal duplicating functions and structural subdivisions.

401. Measures to create monitoring and evaluation system to evaluate reforms in the field of public administration are proposed to be implemented jointly by the government of the country and UNDP.

402. Functions of the new National Agency of the Kyrgyz Republic on prevention of corruption include preparation of the legislation package on prevention and combating corruption, coordination of activities on implementation of the state strategy.

403. **Resources.** Funding will be conducted from the state budget under active searching for the assistance of the donor organization.

404. **Outcomes**. As a result of the implemented measures it is planned to achieve the following:

(i) creating of a compact and effective Government;

(ii) reduction of the scale of bureaucratic administration;

(iii) control over the implemented changes, taking when appropriate preventive measures;

(iv) taking actions to prevent corruption;

(v) transparency in the activity of public administration organs;

(vi) achievement of higher degree of transparency and accountability in state financing;

(vii) improved quality of draft budget based on principles of program budgeting.

(viii) adoption of public service decentralization strategy and development of local self-governance.

5.2.4. Capacity building of public and municipal servants

405. **Current status and development background.** According to the law of the Kyrgyz Republic «On public service», a public service in the Kyrgyz Republic is based and acts on principles of

professionalism, competence, integrity, accountability. The law guarantees legal economical and social protection of public servants, as well as salary sufficient to provide adequate life standard for the public servant's family. In addition, continuous improvement of public service system, transparency and impartiality of selection, work assessment and promotion on competitive basis, as well as exclusion of political influence and unjustified interference into the activity of public servants are assumed.

406. Reality of public service in the Kyrgyz Republic today is far from being similar to principles declared in the law.

407. The Law of the Kyrgyz Republic «On public service» provides for functioning of the Agency of the Kyrgyz Republic on public service, which is permanent state body. Agency on public service develops and implements unified state policy in the sphere of public service. Agency on public service publishes summary information with regard to assignments and discharge of public administration servants in mass media, as well as implemented competitive selection of candidates for vacancies of public service positions.

408. Starting from 2004, following adoption of the Law of the Kyrgyz Republic the institution of state secretaries has been established. State secretary is a public servant occupying higher administrative position in the ministries, state committees and administrative agencies of the Kyrgyz Republic.

409. Position of the state secretary is permanent and not replaceable in connection to the resignation or discharge of the head of the state organ. The position of the state secretary in terms of legal status is equal to first deputy head of the state organ.

410. Selection decision to occupy position of the state secretary is made on competitive basis. State secretaries in the executive organs are assigned and discharged by the Prime Minister of the Kyrgyz Republic upon recommendation of the Council on public service and approval of the state organ heads.

411. The Law «On declaring and publishing data on income, liabilities and assets of persons, holding political and other special state posts, as well as their close relatives» was adopted to establish the system of openness and transparency of officials' income, their accountability and responsibility to the people.

412. **Problems.** As a result of the international community pressure that openly pointed at the unchecked growth of corruption in public service system, the previous regime was forced to start implementing measures with regard to reforming of public service system in the early 2000s. Certain measures were planned within the frame of public service reform program supported by the World Bank and other donors. The new laws on public and municipal service have been adopted; specialized agencies have been established. At the same time public and municipal service in the Kyrgyz Republic have in general common problems similar to the ones in developing countries, which are characterized by insufficient funding, poor institutional arrangements of public administration organizations, considerable politization, clannish arrangements and corruption.

413. Salary of public servants that stays considerably lower than competitive level is one of the reasons of low quality performance, as well as favorable environment for corruption. Although adoption of the new law on public service and establishment of specialized agency on public service, the country has poor capacity, which doesn't allow actually introducing meritocracy principle of public servants selection. Public servants still have poor guarantees of social and legal protection. Impact of political processes on effectiveness and professionalism of public service stays high. This, in turn, causes considerable turnover of qualified staff.

414. Lack of well developed controlling mechanisms and tight measures of responsibility for non-implementation of provisions of the Law «On declaring income …», leads to the situation, where some top officials do not submit their declarations.

415. At the moment the unified working mechanism that regulates principles and norms of formulating of salary funds in the public sector does not exist. Following narrow departmental interests various ministries and other state organs are forming salary fund (including rises and bonuses), promoting legalization through legal and secondary legislation normative acts. The existing system of payment for labor is not flexible enough as well, it does not allow providing incentive to active and initiative employees at the expense of cutting down bonuses for passive employees of the same

department or division. Process of salary indexation in budget institutions remains behind the dynamics of prices growth against a background of growing cost of living and consumer price index. Indicator of average salary in social sector is almost two times less than in public administration sector, while three times lower than in coercion sectors. Though the proportion should look like: Public service sector – 1.0, Coercion sectors – 1.2 and Social sector – 0.8.

416. **Priorities.** The main priorities of public and municipal service development should be filling it with professional and honest servants, this require implementation of remuneration of labor reform, as well as making honest and qualified employees protected from political changes.

417. **Objective** of public and municipal service improvement, capacity building of its servants is to establish system that effectively performing functions and responsibilities of state in front of its citizens, would be professional, open and accountable as much as possible.

418. **Tasks.** The main directions of public and municipal service development should be:

(i) remuneration of labor reform for public and municipal servants, ensuring of social guarantees that would enhance prestige of public and municipal service and its reliability in the opinion of the society;

(ii) provision of public and municipal service with professional staff taking into account principles of gender equality;

(iii) development of permanent training and retraining system at the base of the Academy of Management under the President of the Kyrgyz Republic;

(iv) ensuring of effective legal and social guarantees for public and municipal servants;

(v) establishment of the required legislation to organize municipal service;

(vi) capacity building of personnel services in the ministries and agencies;

(vii) improvement of human recourse management in local self-governance bodies;

(viii) development of preventive measures on combating corruption by means of introduction of professional codes of conduct for public, municipal and military service, as well as in law enforcement bodies and social agencies;

(ix) development of income declaration and control of expenses mechanisms for public servants and reinforcement of responsibility measures for non-compliance with the obligations of declaring;

(x) creating of practical mechanisms of civil society participation in decision-making process with regard to important decisions in each public administration organ;

(xi) strengthening of performing discipline.

419. **Policy and measures.** To solve the above tasks the government should provide relevant measures, including development of detailed funding mechanisms for all of the directions of public and municipal service reform. The government should study the international experience and propose its scheme to reorganize system of payment. At the same time, based on the results of functional analysis, the radical reduction of the number of public servants should be done.

420. The effective preventive measure against bribery and abuse of power should be detailed regulation of official duties in the normative documents. Everyone should know the list of prohibited options of conduct of public and municipal servants, the relevant awareness campaign and training will be conducted for this purpose.

421. In the course of reorganization of the public service such structures as the State committee of the Kyrgyz Republic on taxes and fees and the State customs committee of the Kyrgyz Republic, should undergo the most fundamental changes, because in these spheres a direct contact between businessmen and public servants takes place.

422. **Programs and projects.** To the moment the Strategy of public administration system reforming is developed and being implemented with the support of donor organizations. The system of competition selection for public posts is already started and widely introduced. The strategy and working program provide concrete measures on training and retraining of personnel, its rotation and income declaration. Measures to protect public servants from arbitrariness of leadership are being

developed. A proposal regarding remuneration of labor reform is prepared with the participation of the Ministry of Finance to be submitted to the government and the President of the country.

423. **Resources.** Funding will be conducted from the state budget under active searching for the assistance of the donor organization.

424. **Outcomes.** In the course of measures' implementation it is planned to achieve the following:

(i) ensuring of political neutrality and stability of public service and clear differentiation of political and not political positions;

(ii) defining of modern selection criteria for candidates at the positions of public servants on competitive basis, improvement of professional education system, further promotion in the public service.

(iii) attracting to public and municipal service of highly qualified specialists;

(iv) achievement of transparency and responsibility of public and municipal service;

(v) observance of gender equality while filling higher public administration positions;

(vi) adoption of professional codes of conduct.

5.2.5. Legal reform

425. **Current status and development background.** According to the Constitution of the Kyrgyz Republic justice in the Kyrgyz Republic is done only through the courts, courts are independent and subordinate only Constitution of the Kyrgyz Republic and Laws of the Kyrgyz Republic. Judicial system of the Kyrgyz Republic consists of the Constitutional Court, Supreme Court and local courts. In addition, the Constitutional laws may establish specialized courts.

426. The Constitutional Court of the Kyrgyz Republic is the highest organ of judicial power on protection of the Constitution of the Kyrgyz Republic. Supreme Court of the Kyrgyz Republic – is the highest organ of judicial power in the sphere of civil, criminal and administrative legal procedures, as well as on other cases provided for by the laws of the Kyrgyz Republic. Local courts of the Kyrgyz Republic are rayon, city and oblast courts. Local courts are the main constituents of judicial system of the country, and majority of civil, administrative, economic and criminal cases are in their jurisdiction according to the procedural law of the Kyrgyz Republic.

427. In accordance with the redraft of the Constitution of the Kyrgyz Republic dated 15 January 2007 the judicial bodies were gifted additional authorities: giving sanction to arrest, detention, seizure, search, limitation of secrecy of correspondence. The Constitution adjusts that every person has the right on judicial proceedings with the participation of panel in cases, provided by law.

428. **Problems.** Judicial power in the Kyrgyz Republic is one of the weakest constituents of public administration system in Kyrgyzstan. Low level of professional competence, high degree of corruptibility and readiness of many judges to implement political orders of executive power caused mistrust to the courts among population and economic entities. Because of this fact courts are not able to effectively perform functions of constitutional and human rights and freedom protection, protection of property right, contractual obligations, to control legality of administrative decisions and so on. Events of spring of 2005 after the revolution showed from one side, deep crisis of judicial system, and from another side its complete inability to perform functions that are supposed to be performed in democratic constitutional state with market economy. Partially this situation is caused by the following reasons:

- Political motives of judges' assignment and their discharge from the position;
- Insufficient funding of judicial system, including low level of salaries of judges and prosecutors;
- Lack of transparency in legal procedures for the society and lack of mechanisms regulating implementation of the court decisions, including coercive.

429. At the moment there is a real threat of «capture» of the judicial system, judicial organs experience pressure both from the political side, and from the criminal structures. Effectiveness of court decisions implementation is catastrophically low.

430. **Priorities.** One of the main directions in the legal sphere is reforming of judicial and law-enforcement systems.

431. **Objective.** Complex judicial and law-enforcement reform is urgently required to create effective guarantees of the constitutional rights and freedoms, improvement of business and investment climate, as well as to control administrative despotism of the state organs.

432. **Tasks.** The proposed reform should solve the following tasks:

(i) to give a signal to the society about fundamental character of changes, as a result of which a completely new, competent and independent judicial system will be established;

(ii) to have complex character, including a reform of legal education, reform of material and remedial legislation, reform of law-enforcement organs (office of public prosecutor, militia, state safety organs and so on), as well as judicial and execution organs, penitentiary system and system of legal service (advocation, notary and so on);

(iii) to ensure high professional and morale criteria under selection of candidates for the positions of judges and limit the possibility of dismissal them from their posts; this will guarantee independence of judges and their accountability, individual, rather than corporate, with having been responsible only in front of law;

(iv) to ensure transition to the new system without lowering quality of the services provided;

(v) introducing of legal procedure with the participation of panel (jurymen);

(vi) delegating of responsibilities on providing sanctions on arrest, detention, seizure, search, limitation of secrecy of correspondence from prosecutor's office to judicial bodies.

433. **Policy and measures.** Within the frame of preparation of the Concept of Threshold program of Millennium Challenge Corporation Kyrgyzstan should undertake a series of measures on reduction of corruption in judicial organs, enhancing of its independence and effectiveness, fighting corruption in law-enforcement organs and more effective criminal prosecution.

434. With this purpose functional analysis of judicial system should be undertaken to determine its optimal size and structure, and to adopt a new law «On status of judges», where authorities of the independent organ would be provided, ensuring public and professional control over judges (National Council on justice), procedures of selection and assignment of only qualified personnel with the right to conduct internal investigations, to adopt measures for development of legal policy and strategy of courts activity and management, protection them from political harassment, provision of real separation of judicial and executive powers. To confirm the functions and authorities of judicial self-governance bodies – congress of judges and Council of judges.

435. To create conditions for the development of entrepreneurship changes will be introduced aimed at the simplification of legal proceedings and shortening of duration of law suits on commercial cases, order and size of the state fees charged upon results of court decisions. The unified system of judicial information and management will be introduced, it will allow for automatic distribution of cases and open access to court decision through the Internet.

436. To achieve the efficient and open system of justice and involvement of the population in the legal proceedings process and implementation of norm of the Kyrgyz Constitution of 15 January 2007 it is necessary to reconsider the norms of the Criminal and procedural code with the necessity to delegate the authorities of prosecutor's office on providing sanction on arrest, detention, seizure, search, limitation of secrecy of correspondence to judicial bodies, as well as to consider the issue of the establishment of the institute of panel in the Kyrgyz Republic.

437. An urgent task is to reorganize law-enforcement organs, which should include definition of mission, objectives and tasks, exclusion of extra, duplicating and unusual functions, redistribution of human resources, provision of measures to prevent corruption in law-enforcement bodies. It is necessary to ensure independence of their activity from political influence. Competence and professionalism should become the main requirements for the law-enforcement bodies.

438. It is necessary to create effective subdivisions within the law-enforcement bodies to prevent corruption and conduct investigations in relation to corrupted employees. Checking measures for the employees are required, including tests on polygraph, increase of salary and education of the employees.

439. Agency of the Kyrgyz Republic on drugs control, MIA, NSSC and Financial police should also be reorganized with the purpose of removal of overlapping subdivisions in the sphere of drugs control, combat of economic and organized crimes, as well as with the purpose of enhancing of effectiveness and transparency of their activity. In the course of reorganization of the public service such structures as customs and tax services should undergo the most fundamental changes, because in these spheres a direct contact between businessmen and public servants takes place.

440. **Resources.** Funding will be conducted from the state budget under active searching for the assistance of the donor organization.

441. **Outcomes.** Comprehensive national judicial and law-enforcement reform based on functional analysis will promote:

(i) achievement of real independence and effectiveness of judicial organs;

(ii) transparency in the process of judicial decisions;

(iii) enhanced prestige of judges and law enforcement organs and confidence to them of the population;

(iv) increased role of the civil society in the process of monitoring and evaluation of the general level of corruption in judicial and law-enforcement systems.

5.3. Human and social development

442. Problems of human and social development have a central place in state policy agenda of the Kyrgyz Republic. They include poverty reduction, provision of possibility to get education, health care and favorable living conditions, as well as protection of vulnerable strata of the population. All of these goals coincide with the Millennium Development Goals (MDG), developed by the international community. Thus, MDGs form a frame of the development strategy for Kyrgyzstan for 2007-2010.

443. In this section social policy that aimed directly to the achievement of human and social development goals is considered. Its products are human capital (i.e. educated and healthy population) and social capital (i.e. unite society based on mutual assistance), accumulation of which is both mandatory condition, and a result of economic development of the country and establishment of effective system of public administration. That is why the main task of the strategy in social sphere is to accumulate human and social capital. Priority of social policy is solving of poverty problems through access of poor population to education, health care, social insurance system, provision of adequate living conditions to the population.

5.3.1. Education essential to the society

444. **Current status and development background.** Education today is the most important indicator and priority direction of public development in the world. In various materials of numerous international organizations determining main directions of the development of education in XXI century, it was repeatedly noted that the education was the most important condition, way of survival and progressive development of human civilization. All countries today are fundamentally changing their attitude to the education. Reasons of such attention are the fact that the most important value and main capital of modern society becomes human being.

445. Kyrgyzstan has a developed educational system, which intended to play a key role in the development of the country and prepare children and adults to life and activity in the condition of market economy and democracy, which imply their ability and intention to fruitful work for the benefit of the society, ability and openness to perceive and process new information, skills in permanently changing market environment, ability to keep balance between values of personal development and public interests. In other words, according to the formula developed by the modern pedagogy, system of education should: а) teach how to learn, б) teach how to work and earn money, в) teach to live

together. The fact that education is the largest article of state budget in modern Kyrgyzstan is evidence of its importance.

446. System of education in the country include secondary school education, primary, secondary and higher professional education, pre-school education and supplementary education. All constituents of general educational system have their own specifics and face different problems.

447. **Problems.** Current situation placed series of social and economic, public, educational and management problems before educational system. These problems are caused by several reasons.

448. Social and economic situation of the Kyrgyz Republic that led to noticeable reduction of funding for the educational system, which reflected in the budgets of the educational institutions and especially on salary of teachers that today is two times less than basket of goods. High need of the society on receiving of quality education is limited more and more by the ability of current educational system to satisfy this need.

449. **Imperfection of management of the education system.** Management system successfully performed in the past does not answer current conditions. That is why the problem of effective management of individual educational institutions is acute today. Within the conditions of transferring to market economy and establishment of the civil society it is necessary to form public-state governance and strengthening of local self-governance role.

450. **Lack of reliable mechanisms of quality assurance.** The existing forms of control-licensing and attestation – do not provide quality assurance. Devaluation of diplomas of certain schools and institutions of higher education takes place.

451. **Impossibility of full funding of the educational institutions.** The state today is not able to provide full funding of the educational institutions, which forces educational system to search for off-budget funds, but the imperfection of the legislation does not allow to effectively using additional financial means.

452. **Cut down in the number of per-school institutions.** Reduction of the number of pre-school institutions connected to objective social and economic circumstances of transition period has lead to considerable reduction of children development programs for small kids. Children are deprived from full-scale involvement into pre-school educational and development programs: thus, positive, the most favorable, early and timely period of children development is not used.

453. **Excessive overloading of school students.** During recent years the scope of information provided for by the educational standards, curriculum and plans has been considerably increased leading to increased burden on students. Moreover, market relations require a lot more of productive knowledge, critical assessment and analytical creative thinking. That is why it is necessary to introduce profile education, according to which the most complicated sections of studied subjects are transferred to older grades. In-service training and retraining of teachers of general educational institutions and teachers of professional education that had systematic and comprehensive character in the past, currently is far from being up to the modern requirements. As a whole, the system of retraining of scientific and pedagogical staff requires full restoration and improvement.

454. **Considerable lowering of quality of student preparation in primary professional education.** Training and material base of vocational schools and professional lyceums is obsolete. Educational programs require radical renewal. Vocational education faced the necessity to quickly make fundamental changes in the system of preparation of working cadres and radically reorient specialists of the system to new forms and methods of teaching.

455. **Growing gap between rural and urban conditions**, reflected in much worse conditions of studying in rural schools, shortage of textbooks, limited assess to mass media, shortage of qualified teachers on such fundamental subjects as mathematics, physics, chemistry, Russian language, foreign languages and information science, this does not provide full development of children.

456. **Corruption** caused, apart from other factors, by poor material and technical condition of the educational institutions as well as by low salary of teachers, undermines confidence of the population to the education as a whole.

457. **Worsening of human resources** and inadequate number of personnel, non-compliance of quality and profile of graduated specialists with the market requirements. From year to year number of

graduates of both higher education institutions and secondary professional educational institutions who cannot find job is growing, this is connected to both lack of vacancies, and low quality of professional training of graduates, which, in turn, causes poverty growth. All these facts say that there is serious disagreement between educational institutions and labor market. Educational institutions do not follow up process of employment of their graduates.

458. **Denial of stereotypes in understanding of objectives and tasks of the education.** Different approaches and reference points are revealed during the reforming. Kyrgyzstan should press towards using all the best from what is available in other educational systems – Russian, American, German, English and so on. Education is one of the few spheres where we should find our own noticeable place in the world.

459. In given circumstances the necessity to deepen processes of reforming education appeared, as well as more clear agreement of educational reforms with the factors of social and economic development of the Kyrgyz Republic, defining new priorities in the processes of educational reforms, putting it within limited time frames.

460. **Priorities.** Taking into account constitutional guarantees on provision of general basic secondary education, demand of the country economy for the qualified labor force having sufficient general education and ability to further training /retraining, budgetary constraints of the state, as well as taking into account achievement of MDG-2, the provision of accessibility and increasing of quality of base secondary education and primary (and secondary) professional education are the main priorities of CDS.

461. **Objective.** The main objective of the Strategy of Country Development in the field of education is establishment of self-developing, effective system of education that will facilitate economic growth of the Kyrgyz Republic and sustainable development of the country in the environment of quickly changing world, improvement of human resources, provision of personnel who are ready and able to work in the reality of the new century and satisfaction of educational requirements of developing person.

462. **Tasks.** To achieve the objectives of CDS it is necessary to solve the following tasks in the field of education:

(i) to improve policy in the field of secondary education;

(ii) to increase effectiveness and quality of secondary education;

(iii) to mobilize market resources and support initiatives to assist schools;

(iv) improvement of professional education system (primary, secondary and higher education);

(v) to create condition for export of educational services.

463. **Policy and measures.** Solving of the above tasks in the field of secondary education assumes implementation of the following policy measures:

464. Improving of school education content. This implies development of the state standard of school education; improvement of basis curriculum; development of textbooks and learning materials based on new state standards, curriculum and taking into account age specifics of children; improvement of expert examination, including gender and approbation of textbooks based on the work of expert councils. Special meaning for forming of the civil position and increasing capacity of youth to receive further education and employment is improvement of teaching of Kyrgyz, Russian, English languages, as well as languages of ethnic minorities (in those schools where instruction is conducted in their language).

465. Improve qualification of teachers and quality of their work, which require toughening of control over the level of preparation of pedagogical institutions graduates, improvement of training system for teachers with the purpose to increase their qualification taking into account new requirements for professional competence of a teacher, taking measures to fix qualified teachers at schools (especially rural schools), attracting of youths to pedagogical activity. To solve the latter task measures will be taken to enhance prestige and gradually raise salary rates for teachers with simultaneous introduction of outside quality assurance control system. The program «Deposit of the young teacher» of provision

dwelling for the young teachers will be implemented. This, along with the toughening of control and timely suppression of revealed facts, should become one of the measures leading to reduction of «informal» requisitions from students.

466. Forming of an independent assessment and control system at all stages of secondary education allowing evaluating school effectiveness. Important role in this system should play organizations of civil society; it should be based on already known elements (republican testing, independent research for quality of education).

467. Provision of support to vulnerable layers of the population, broadening of inclusive education, school network for the children having development problems. One of the measures in this direction will be provision of breakfasts for younger grades kids in high mountainous and remote regions of the republic.

468. Improvement of material and technical base of learning process especially in rural schools, including publishing of renewed textbooks and learning materials, purchasing of the required school equipment, computers and furniture, routine and capital repair of school buildings.

469. Implementation of the above measures requires considerable improvement of resource provision of schools. The main measure in this relation should become widening of state funding for base secondary education and support of costs for full secondary education. It is planned that costs for the secondary education will grow from 2.2% of GDP in 2005 to 3.5% of GDP in 2010. Increase of costs should be followed by changing of funding system for schools and transferring from financing of class-complement to per capita principle of funds allocation. Changes will be made within the structure of financing, assuming increase up to the required level cost articles for textbooks and other elements of studying process. Possibility will be considered, from one side, for the introducing of system of incentive of those educational institutions that show best results in studying, and from other side, using mechanisms of compensating actual inequality in funding of schools that are in unfavorable situation. While developing of this system an experience of various pilot projects that are being implemented in the country at the moment and touching new model of financing of school education and partnership with local authorities will be taken into account.

470. In the field of primary, secondary and higher professional education the Strategy provides the implementation of the following measures.

471. Study of market requirement for qualified staff. This assumes establishment of analysis, monitoring and forecasting system for the situation on labor market based on cooperation of a governmental and non-governmental employment services and employer's associations. Taking into account trend of considerable external migration of the population as well as long-term character of this trend, system of market requirement study should be oriented not only on domestic, but also on foreign labor markets for the citizens of Kyrgyzstan.

472. Increase flexibility of professional education system, its ability to quickly respond on continuous changes in the requirements for specialists of various trades by means of retraining from obsolete to new trades, introduction of module system of learning, improvement of qualification of engineering and pedagogical staff, strengthening of material and technical base of the institutions of this system, active interaction with other educational institutions and potential employers.

473. To develop the single state policy on radical reforming of in-service training and retraining for teaching staff of higher educational institutions and secondary professional educational institutions.

474. Broadening of the possibilities to get professional education for youth belonging to vulnerable layers of the population, which should prevent their social marginalization.

475. Financial resources for the development of primary and secondary professional education should be combined from the funds of state budget and funds of private sector (payment for the training of personnel ordered by the enterprise, tuition fee from population). State funding during considering period of time should be slightly increased and be directed mainly to the development of material and technical base, improving of teachers qualification and supporting of vulnerable categories of students.

476. **Programs and projects.** Within the frame of CDS in the field of education the implementation of the following projects is proposed:

(i) Project «Education-2». Implementation period 2005-2010. Partner: Asian Development Bank. Amount of Project is 15.5 mln USD.

(ii) Project «Vocational education». Implementation period 2006-2009. Partner: Asian Development Bank. Amount of Project 10 mln USD.

(iii) Project «Access to base education of disabled children». Partner: Asian Development Bank. Amount of Project is 1 mln USD.

(iv) Project «Development of early childhood». Implementation period 2003-2009. Partner: Asian Development Bank. Amount of Project is 10.5 mln USD.

(v) Project «Rural education». Implementation period 2007-2010. Partner: World Bank. Amount of Project is 15 mln USD.

(vi) Project «Improvement of quality and access to education». Implementation period 2007-2010. Partner: UNDP. Amount of Project is 2 mln USD.

477. **Resources.** Total amount of funds for all measurers and projects in the field of education for 2007-2010 makes up 800 mln USD. Sources to cover costs are local and republican budgets, donor organizations.

478. **Outcomes.** In general, policy measures provided by the given Strategy are aimed at the improvement of educational quality, ensuring access to education of poor and vulnerable population groups, concentration of resources on priority directions. As a result of implementation of Strategy measures the achievement of the following long-term social and economic effects are assumed:

(i) increase of competitive ability and effectiveness of Kyrgyzstan economy, caused by improved quality of human capital, more complete satisfaction of the requirements of intensively growing economy, improved effectiveness of labor resources use;

(ii) improved effectiveness of budget funds use in the field of education due to establishment of effective system of education services quality assurance, wide participation of public and state structures as well as professional associations;

(iii) increased level of educational information, its quality, transparency and accessibility for all interested parties;

(iv) introduction of new management forms in the educational system;

(v) modernization of technologies and social infrastructure of education;

(vi) restructuring of specialist training system of all levels;

(vii) increasing of volume and structure of educational service export;

(viii) reduction of resource-intensiveness of the end product in the field of education;

(ix) growth of non-governmental funding of educational programs;

(x) improvement of financial status and enhancing of effectiveness of the educational institutions, preservation and further development of their innovation capacity;

(xi) broadening of the possibility of professional self-realization for youth;

(xii) increase requirement for qualified personnel, optimization of their age structure;

(xiii) increased income of educational sphere workers;

(xiv) prevention of perspective pedagogical personnel flow to other countries and sectors;

(xv) preservation and development of training system for qualified scientific and pedagogical staff;

(xvi) concentration of budgetary funds on the development of «system-forming growth points» in the field of education;

(xvii) improve transparency and effectiveness of budgetary spending in the field of education;

(xviii) assistance to the development of various organizational and legal forms of educational institutions;

(xix) increase share of off budget co-financing of education, provision of additional tax takings.

5.3.2. Accessible and quality health care

479. **Current status and development background.** Health care is one of the sectors of the economy of Kyrgyzstan that underwent the most fundamental reforming. This reflects its key role in ensuring health; increase lifetime and well being of country citizens, as well as achieving of Millennium development goals (especially MDG-4, MDG-5, MDG-6). In 1996-2006 National health care reform program «Manas» has been implemented in the country. In 2006 the Government approved National health care reform program of the Kyrgyz Republic «Manas taalimi» for 2006-2010 developed as a result of active cooperation of relevant ministries and agencies of the Kyrgyz Republic, the entire community of specialists dealing with health care and donor organizations.

480. In 1990s health care system the same way as the whole economy experienced a serious shock, which led to worsening of practically all key indicators of the health condition of the population. In recent years, however, health condition of the population undergo a series of positive trends, including infant mortality rate reduction, as well as TB sickness rate and mortality rate because of TB, measles sickness rate sharply reduced, as well as other vaccine controlled infections. Still, mortality and sickness rates for many diseases stay high and maternity mortality rate got increased. Considerable changes happened in terms of accessibility of medical service for the population: share of state funds that is spent for poor increased, unofficial payments often replaced by official co-payments. However, level of such payments still stays high, the gap between the regions of the country in terms of accessibility and quality of health care service still remains.

481. **Problems.** The most serious problems of the health care currently include:

(i) insufficient state funding of the health care system, in particular, funding of the health care system from the state budget (without PIP) reduced from 3.7% of GDP in 1990 to 2.3% in 2005;

(ii) considerable financial burden because of continuous unofficial payments and high level of co-payment falling on those households which use health care services at in-patient or out-patient level;

(iii) insufficient quality of health care service provision at all levels of the system;

(iv) insufficient involvement of the population, local communities and public associations in the activity on improvement of health condition of the population;

(v) necessity to build capacity of health care sector, including rise of pay rate for the medical staff, strengthening of material and technical, as well as information base of the system;

(vi) protection of maternity and childhood to achieve Millennium development goals, taking into account both medical aspects of the problem, and factors linked to poverty and unhealthy way of life.

482. **Priorities.** The priority direction in the field of health care for the period 2007-2010 taking into account MDG-4, MDG-5, MDG-6 will become increasing of accessibility and effectiveness of the primary health care oriented at the provision of quality health care and prophylaxis character upon cooperation with broad strata of the population and support of flexible in-patient assistance.

483. **Objective.** The main objective of the health care reform in the Kyrgyz Republic for 2007-2010 is to improve health condition of the population by means of establishment of responsible, effective, complex and integrated system of health care provision based on guaranteed social standards, as well as increased responsibility of each citizen, family, society, public administration and governance organs for the health of every individual and society as a whole.

484. **Tasks.** To achieve objectives within the frame of the given Strategy the following tasks need to be solved:

(i) to increase effectiveness and able to respond health care system by means of forming of complex, integrated system of health care service provision, which is up to the requirements of the population and society;

(ii) reducing of financial burden for the population based on sustainable funding of the health care sector, fair distribution of resources aimed at improving of accessibility for the population, especially poor and vulnerable groups, to quality health care service, balanced state obligations within the frame of State guarantees program and other priority programs;

(iii) improvement of health care service quality based on further capacity building of health care sector, effective human resource management, improvement of material and technical base of health care sector, further improvement of information and communication technologies, increase effectiveness of resources use and optimization of the health care organizations activity;

(iv) improvement of the health condition of the population and achievement of Millennium development goals based on solving of priority issues of health protection and strengthening, enhancing of inter departmental cooperation under active participation of the population, NGOs and community based organizations, local communities, mass media, public administration bodies and local self-governance.

485. **Policy and measures.** The development of the health care system within the frame of the Strategy will be based on the national health care reform program of the Kyrgyz Republic «Manas taalimi» for 2006-2010, which defines the main principles of reform policy for the health care:

(i) continuity with the national health care reform program of the Kyrgyz Republic «Manas» (1996-2006) taking into account lessons learnt;

(ii) complexity and consistency of measures undertaken within the plan of reforming;

(iii) direction of strategies at poverty reduction, bridging the gap between rural and urban health care service provision;

(iv) transparency in the process of decision-making, publicity and open participation of all citizens, society, public administration organs, local administration in the matters of health protection and strengthening;

(v) compliance of financial obligations with actual financial provision of the health care sector;

(vi) broad departmental approach to the reforming of the health care.

486. Solving of the tasks in the field of health care will be implemented through measures aimed at achievement of Millennium Development Goals:

(i) increasing and redistribution of state costs in health care sector for measures;

(ii) to increase effectiveness of available resources use in the health care along with the rationale updating of material and technical base;

(iii) attracting and coordinating of donor’s aid;

(iv) involvement of public, private medical organizations, public administration organs and local self-governance

(v) improvement of program monitoring;

(vi) mandatory and full allocation of funds for the health care from republican and local budgets, Social fund budget;

(vii) introduction of funds accumulating for the health care at the republican level since 2006 and adoption of new methods to provide fair distribution of resources among regions;

(viii) support of health care organizations from authorities of local level along with the provision of additional funding of the health care;

(ix) transfer to funding of health care organizations within the frame of consolidated budget;

(x) enhancing of accountability of all health care subjects in terms of use of resources; broad coverage in mass media of processes of health care budget formulating and execution with the participation of NGOs and public associations.

487. **Programs and projects.** The main program that will be implemented within the frame of implementation of the given Strategy will be National health care reform program of the Kyrgyz Republic «Manas taalimi» for 2006-2010.

488. **Resources.** Total amount of funding for all measures and projects in the field of health care for 2007-2010 makes up 450 mln USD. Sources to cover expenses will be funds of local and republican budgets, donor organizations.

489. The main feature of health care reform implementation at the current stage is the use of SWAp approach – a new form of interaction between the Government of the Kyrgyz Republic and donors. The main distinction of SWAp is that for the first time funds of donors go to support state health care budget within the frame of standard budget procedures, rather than in the form of individual projects. Such approach to the implementation of the program is applied for the first time in post Soviet territory. This will hold to increase effectiveness of resources use based on coordination and harmonization of activity of the public administration sector, donors and civil society.

490. **Outcomes.** The implementation of Country Development Strategy will allow providing medical service to citizens due to available resources. The government will increase funding from 10.4% to 13% by 2010, under 100% execution of budget under planned and systematic financing of cost articles. Health care facilities will receive more independence and incentives to achieve it. And, finally, medical staff will have better training and labor conditions. Citizens will obtain access to higher quality service. It is very important that reforms were organized and implemented in such ways that would make possible learning and reviewing of programs based on experience.

5.3.3. Labor and an effective system of social protection and social insurance

491. Current status and development background. System of social protection in the Kyrgyz Republic includes social payments (welfare payment to families with low income [unified monthly allowance (UMA)] and social payment for disabled citizens without work experience), benefits for individual groups of population and social services provided to vulnerable categories of the population. In 2005 total number of recipients of the welfare payments exceeded 11% of the total population of the country. The state provides 37 types of benefits to 30 categories of the population, covering about a quarter of population number. The recipients of social services are mostly people, who live in special institutions – rest homes – and receive social services at home (some 11 000). The main component of the system of public social insurance are retirement pension, disability pension, survivor's pension, which are get by 10% of the population of the Kyrgyz Republic.

492. The Concept of salary reform by 2010 is being implemented in the republic to establish mechanisms of salary issues regulation. All framework Conventions, concerning the issues in the field of labor, including human rights, were ratified.

493. The bodies of the State labor inspection conduct supervisory and control functions on protection of labor rights, lives and health of working people. Some 1 800 inspections of enterprises and organizations are carried out annually, during which some 8 000 violations are disclosed. State inspection investigates more then 100 group, hard and fatal accidents. On the basis of inspections, accidents investigation, consideration of written and oral applications of citizens the total amount of annual payments and various types of compensations reaches more then 20 mln som.

494. **Problems.** In view of so many recipients of social payments and limited resources of the state budget, the size of these payments is small and its impact on improving of life standard is insignificant. Average size of UMA and social allowance in 2005 made up only 19% and 76% respectively from extreme poverty line. Direction to the category that needs social payment most should also be enhanced, often recipients are not poor people, Direction to the category that needs social payment most should also be enhanced, often recipients are not poor people, especially it concerns the system of favors. Due to the permanent insufficient funding the quality of provided social

services in rest homes remains very low and expensive. It is necessary to provide new services taking into consideration market conditions of modern society. For the moment there is a lack of trained specialists, insufficient coverage of social services types, lack of interest in their provision by local self-governance bodies. There is a need in efficient monitoring of services provision on the basis of qualitative, valid information, as well as in fragmentation of responsibilities on the national and local levels. The resources constrains also negatively effects pension provision. In 2005 an average level of pension was 780 som per month.

495. The state spends for the needs of social protection and social insurance more than a quarter (27% in 2005) of extended state budget. In recent years it was managed to fully liquidate delays in pension and allowance payments. At the same time, possibility to further increase state funding of social protection and social insurance system are limited. So, the only way to ensure social guarantees provided by the society to its citizens is to increase effectiveness and provision of support to those who most needs it, as well as increase sustainability of social insurance system.

496. Increased differentiation in the salary level between sectors of economy, regions and enterprises is characteristic for the current situation in the salary sphere. Today the salary in the budget sphere is much behind the salary level in other spheres: financial activities, transport, communications.

497. There is the lack of joint policy on the field of job safety, the vertical system of labor management is destroyed. The practice demonstrate that the significant number of work accidents occur due to the ignorance of rules and norms of job safety by managers, specialists, all workers. The system of managers, job safety specialists training is not developed.

498. **Priorities.** The priority within this Strategy for the period up to 2010 will be to provide social protection to people in need – poor, children and families in crisis situation, invalids, lonely and elderly people.

499. **Objective.** Objective of the Strategy in the sphere of social protection is improvement of life quality of the population, provision of social guarantees and support of socially vulnerable citizens who have no capacity to solve social problems themselves and objectively needing state support by means of increasing effectiveness of social assistance.

500. **Tasks.** To achieve strategy objectives it is necessary to solve the following tasks:

(i) to increase the size of state social payment;

(ii) to enhance address direction of social payments and benefits;

(iii) to reform and develop the system of social service provision;

(iv) annual 20-30% increase of budget sector employees salary;

(v) implementation of requirements of the Kyrgyz legislation on labor and job safety issues.

501. **Policy and measures.** To increase the size of state social payment under simultaneous enhancing of its address direction and limiting of the number of recipients only to those who is not able to work and really need social support, the following measures are to be implemented:

(i) gradual increase of the size of guaranteed minimum level of consumption up to the level of 280 som;

(ii) review of methodology of determination of needs of UMA due to increase of its flexibility and taking into account imputed earnings from cattle and other assets belonging to households;

(iii) to continue monetization of existing benefits, starting from benefits on utilities and fuel and gradually covering all types of benefits;

(iv) orderly decrease of employers insurance premium rates and increase of employees insurance premium rates.

502. Reform of social service provision system will be implemented. It is assumed to create effective social service provision network at the rayon level, aimed at creating of favorable conditions to families and citizens who are in need, allowing to independently solve arising social problems,

maintain social links with the society in order to facilitate overcoming of social isolation. This system proposes implementation of the following policy measures:

(i) decentralization – considerable strengthening of local public administration and local self-governance bodies role in the process of social service provision;

(ii) deinstitutionalization – i.e. development and provision of social services at home with gradual refusal from expensive and not providing adequate care system of hostels;

(iii) partnership of the state organs and non-governmental organizations, development of system of social order for provision of social services both by state, and non-governmental and community based organizations.

503. Package of measures on providing general and special social services for needy persons will include the following:

(i) providing services through public social order, and the priority will be given to the development of assistance provision at home and the establishment of other non-traditional services;

(ii) preventive and rehabilitation character of the spectrum of qualitative social services provided;

(iii) Ministry of labor and social development will be in charge for the coordination for integrated social services introducing;

(iv) development of the system of social services monitoring, accreditation and inspection;

(v) introducing of the institute of social workers and strengthening of their capacity;

(vi) increase of the level of awareness of the population, all levels of authorities, local self-governance bodies and civil society about social services;

(vii) adoption of measures on humanization of punishment for minors.

504. In parallel with other measures of the Strategy it is planned to realize the following measures in the field of labor and pension provision:

(i) improvement of conditions of budget sector workers salary;

(ii) identification and taking measures on provision of job safety and conditions;

(iii) systematic increase of the pension basic part to maintain it on the level of 12 % of the medium salary in the country;

(iv) periodical indexation of the pension insurance part;

(v) improvement of the insured citizens system, widening of the practice of annual provision of records from personal insurance accounts to citizens;

(vi) studying of the possibility and identification of necessary conditions for introducing accumulation component into the Kyrgyz pension system, assessment of long-term financial consequences, related to its introducing and which takes into account the risks, related to gender differences.

505. **Resources.** Total amount of funding for all measures and projects in the field of social protection for 2007-2010 makes up 1100 mln USD. The source to cover expenses is funds of local and republican budgets, donor organizations.

506. **Outcomes.** As a result of implementation of Strategy measures it is expected to achieve real effect of social reforms that will help to obtain fair distribution of the economic growth results. The outcome will be a provision of development of social infrastructure on provision of address directed social aid, services, benefits. The mechanism of organization and quality of provision of address directed social aid would be improved, the stable system of social services provision is established. The assignment of highly qualified staff, both public and municipal workers, including social workers, will take place. The level of traumas, occupational diseases, related to the production process, and other violations of labor and job safety legislation.

5.3.4. Labor market and optimization of migration processes

507. **Current status and development background**. National labor market and migration of the population is a result and reflection of dynamics, rate and scale and structure of retrospective and current situation of real sector of economy, communication and social infrastructure, and the peculiarities of republican population socialization. Progressive innovations in all spheres of life and active interference of new information and other technologies under the conditions of globalization cause the growth of economic and migration activity of the population, radically transform labor and require its higher quality.

508. Number of population in the republic as of January 1 2006 made up 5,166.4 thousand and increased compared to 2005 by 0.9 percent (5120.5 thousand). Although actively started process of lowering of the natural increase, due to reduced birth rate during this period for more than 1/3, in general, the population of the republic remains in the category of young: 34% are children and teenagers before 16 years, 57% able-bodied citizens and 9% pensioners. The Kyrgyz Republic is among low urbanized countries, since share of rural population (65%) considerably exceeds urban population (35%). Urbanization process during the years of independence has not only been stopped, but has been turned around. Many monofunctional medium and small towns were abandoned by its population.

509. Process of able-bodied citizens growth that started in mid-90s will continue during coming years (up to 2010) due to high birth rate and population explosion in eighties. That is why numerous group of young people predominantly from rural areas entering childbearing and economically active age having not found employment in their permanent residence places start populating the capital, Bishkek city, in mass order, or leave the republic looking for a job. Similar situation has been wide spread among graduates of all levels and types of education – schools, vocational schools, secondary specialized educational institutions and higher educational institutions.

510. In view of considerable forestalling of able-bodied citizens number growth over the growth of the number of employed population, which continued for a long period (starting from early 90s), as a result, there is a deepening disproportion between requirement and offering of labor force. Under this condition there is a stable trend of «export» of acute vital problems – growth of social tension, regional labor markets, poverty and others, from periphery and rural area to the center. Therefore, hyper urbanization (overpopulation) in Bishkek agglomeration, and especially in the capital, reached critical point. While outside labor migrants who do not have adequate experience and skills in civilized exploration of other countries, in their absolute majority experience considerable difficulties being economically, legally and socially vulnerable abroad.

511. **Problems.** Incompleteness of social and economic reforms and changes system, lack of adequate dynamics, rates and scales of real sector of economy development and its unstable character are the main factors causing stagnation in the development of the national labor market and unbalanced regional markets. All these factors led to high unemployment rate; drop of living standards, prevailing of large-scale spontaneous migration processes, unexampled growth of outside permanent and temporary labor migration and extreme intensification of movements within the republic.

512. Long lasting aggravation of the situation in the domestic labor market, accompanied by customary replenishment of unemployed people that achieved a threshold level, objectively leads to the necessity for searching, mainly unsuccessfully, employment spheres for numerous economically active populations. Lack of the possibility of their «full absorption» by the real sector of economy outside the place of their permanent residence, in the center or outside of the republic, causes labor nihilism among them and irreversible leaving to the category of economically inactive population.

513. Aggravation of labor resource situation determines loose of due controllability and dominating of spontaneity of migration processes, which inevitably entails growing destabilization of social and economic development, national security and social tension. Newly formed during the reforming period, but sustainably developing currently, directions and scales of domestic migration flows break rational system of population distribution, regional demographic and labor resource balance, regardless of territorial production-resources and communication-infrastructure capacities. Excessive reduction of the number and qualitative composition of the population of the strategically important boundary regions, mountainous rayons of traditional outrun stockbreeding and rural periphery limit

development perspectives for agrarian sector of the economy and further mining industrial exploration of natural «stockrooms».

514. Continuous concentration of the population in the capital and its agglomeration has got threatening scales. Development and expansion of communication and infrastructure capacity has been completely stopped, as long ago as obtaining of sovereignty and independence. Maximum permissible parameters of demographic and labor resource capacity of the city have been exceeded as early as in mid-90s. Numerous marginal new settlers without particular place of residence and without regular employment along with the delivery of social tension, aggravation of criminal situation and other, became a «center» and source of real threats of not only destabilization, but also to national security.

515. The large-scale and spontaneous moves of the population abroad acquired extreme acuteness. The biggest flows of labor migrants go to Russian Federation and Republic of Kazakhstan. Majority of labor migrants are people engaged in individual entrepreneurship and in «shuttling» – regular or occasional travels of the population to sell goods. Seasonal migration is also wide spread – employment of Kyrgyzstan citizens for agricultural and construction works. In view of commenced considerable liberalization of migration and legal regime for CIS citizens in the indicated countries, multiple intensification of our citizens' movement for permanent residence and to obtain citizenship is predicted.

516. Fall of the «iron curtain» and introduction of liberal international policy caused active exploration of investment and economic market of the republic by the representatives of foreign countries. Favorable geographic and transport location of Kyrgyzstan in Central-Asian region promoted impetuous development of its service and commerce complex. It is accompanied by coming and performing of labor and business activity by numerous foreign citizens from neighboring countries. Their stay along with the expansion of commerce, as a rule, provides «revival» and reanimation of individual sectors and segments of the economy (clothing and wood processing industries), where numerous jobs are being newly created. However, exceeding of optimal number and composition of foreign citizens from over-populated countries bears undesirable consequences.

517. Along with the predominantly negative character of currently occurring processes at the labor market and in the migration mobility of the republican population, they have series of unused positive prerequisites and capacities. Acquired high labor and migration mobility of unused capacity of the economically active population, and especially young ones, at the current stage of «waiting» may be directed to training on perspective and advanced trades and professions. The latter should be oriented not only to designed objects and new IT, but also to international labor market.

518. Takings of considerable cash amount from labor migrants and «shuttles» from abroad are the only livelihood for many families and their relatives. These funds restrain lowering of the living standards of the population as a whole, as well as wide spreading of poverty, and serve as additional source and channel of currency flow into the republic. Currently, amount of funds received from labor migrants began exceeding sums necessary to cover vital necessities, evidence of which are local and fragmented examples. However, regardless of real possibility to use them as investments, appropriate conditions and prerequisites for that have not been created yet at the state level.

519. Achievement of differential regulation of immigration labor flows of foreign citizens is intended to enable not only increase of commerce objects and stimulate the development of certain «cascade» sectors and spheres, but also investment into the revival of new information technologies, advanced service directions (hotel business, recreation and etc,) and labor-intensive new productions of high competitive ability.

520. Continuous keeping and deepening of formed unfavorable trends, causing increased stress of the national labor market and acute migration situation, is a main factor hindering progressive social and economic development of the republic. To reduce and remove its negative impact, the new adequate strategy, approaches and implementation mechanisms to enable «breakthrough» both in the development of the national labor market, and in the adjacent sectors, spheres and areas that determine them are required.

521. **Priorities.** The main priorities are:

(i) stabilization and regulating of domestic migration;

(ii) provision of background and conditions for civilized development of outside labor migration and increase of economically active population competitiveness.

522. **Objective.** The main objective of the state migration and labor market policy in the Kyrgyz Republic within the frame of Strategy implementation should become forming and ensuring of social and economic, legal and legislative, international agreement and ideological background and conditions for their dynamic development and overcoming of negative consequences to achieve accelerated employment rate of the population, sufficient controllability of migration processes on directions, scales and composition, contributing to sustainable economic growth, enhancing of state safety and providing of adequate conditions to observe rights of migrants.

523. **Tasks.** Achievement of the Strategy objective assumes addressing of the following tasks:

(i) creating of social and economic background and conditions of speeded up development of real sector of economy sufficient for «unbreaking» and progressive development of national and regional labor markets and implementation of intensive measures promoting employment in accordance with the Program «National population employment policy of the Kyrgyz Republic till 2010» approved by the Government Regulation № 591 as of 17.08.2006;

(ii) implementation of target coordinated measures and priorities on general overcome of population migration spontaneous character, as well as strengthening of regulatory mechanisms and instruments;

(iii) to stir up implementation of direction and priorities at all levels of local self-governance on the development and introduction of economic and market mechanisms of ordering of domestic migration processes in terms of balanced territorial distribution and eliminating tension in Bishkek agglomeration;

(iv) to provide civilized character of outside labor migration by means of implementation of the new strategies, priorities and mechanisms of initial migration capacity forming, large-scale service and infrastructure provision for increasing their competitiveness, finding and development of preferable forms, types and vectors of business and elite migration, further improvement of legislative and international agreement base and encouragement of advanced migration stereotypes, aims and behavior;

(v) to achieve optimization of immigration labor migration, deprive positive and considerable social and economic benefits from its development and reduce possible risks, threats and negative consequences from excessive number of foreign citizens stay.

524. **Policy and measures.** The state migration policy of migration and labor market will be based on the following main principles:

(i) strict observation of internationally recognized rights in the field of human rights and freedom protection, right for labor, migration and place of residence and place of stay selection;

(ii) ensuring of constitutional guarantees of the state on legal protection and social support of citizens abroad, as well as foreign citizens in the Kyrgyz Republic;

(iii) harmonious and dynamic development of national labor market, achievement of its territorial and structural balances;

(iv) enabling of differential adequate approach to various categories of migrants – Kyrgyz citizens and foreign citizens.

525. Solving of these tasks assumes implementation of the following measures:

(i) enabling and accelerated development of the real sector of economy and services spheres in achievement of progressive development of the labor market and overcoming of high unemployment rate;

(ii) targeted implementation of «National employment policy for the population of the Kyrgyz Republic till 2010» with active involvement and participation of all state

structures and local self-governance bodies to priority account and implementation of its provisions;

(iii) forming of effective complex system of controlling migration processes due to enhancing and capacity building of state migration service, its technical equipment and adequate scientific informational and financial provision;

(iv) stirring up of activity of foreign diplomatic and consular representatives on intensive and civilized entering into the international labor market, and especially to foreign developed countries and search of potential employers;

(v) priority provision of pre-conditions and conditions for active forming and development of service and structural capacity of youth competitiveness increasing, as well as competitiveness of unemployed and outside labor migrants;

(vi) rise of the number of migrants participating in economically profitable and socially preferable forms, types and vectors of business and elite migration;

(vii) provision of comprehensive support to labor migrants, engaged in «shuttling» and commerce outside the republic at all stages of migration process and conducting of working activity, setting up of business cooperation with relevant structures on migration and labor, regions and unions of the countries where predominantly work Kyrgyz citizens;

(viii) development and introduction of social and economic, investment, ecological, labor and other conditions and requirement on grounding and setting up of criteria immigration labor quotas with the purpose of protection of domestic labor market and national interests;

(ix) development and introduction by local self-governance bodies of criteria and parameters of permissible and balanced social and economic, demographic, labor resources capacity, as well as communicative-infrastructure and ecological capacity and status of their territories and by means of economic and market mechanisms start ordering and regulating of domestic and outside migration flows;

(x) prevention and suppression of illegal migration and trafficking by means of development and setting up of unified system of immigration control under the State Committee of the Kyrgyz Republic on migration and employment and on its base of unified intersectoral system of immigration control and coordination of activity of relevant state organs;

(xi) development and improvement of tools, procedures and practices to achieve full, reliable state register of the population participating in domestic and outside migration, and introduction and putting into operation of unified automated state register of the population by means of foreign grants;

(xii) provision of conditions to observe international obligations of Kyrgyzstan on human rights protection, rights for labor and migration;

(xiii) development and implementation of effective inter departmental control system on observing migration and labor legislation.

526. **Resources.** The required funding for the strategy implementation makes up 200 mln USD.

527. **Outcomes.** As a result of successful strategy implementation, population employment rate will be increased, competitiveness of labor resources, quality of life, life standards will be raised, number of unemployed, as well as economically passive population and social tension will be reduced. In migration processes spontaneity will be overcome achieving effectiveness, stabilization and good order, optimization of territorial redistribution of the population and removal of destabilization centers and sources, harmonization of migrants' wills and their social, economic and legal position will be improved, as well as well-being of their families and relatives, in addition, funds will start being accumulated as well as shares of outside takings in small and investment projects.

5.3.5. Broadening of population participation in cultural life

528. **Current status and development background.** Natural and cultural heritage of the Kyrgyz Republic is unique due to ancient history and developing culture. Preservation and further development of unique natural and historical and cultural space of Kyrgyzstan should stay key tasks of the state policy of the Kyrgyz Republic. Building of democratic state comes from primary recognition of common to all mankind interests. This determines main state policy in the sphere of culture, as provision of conditions oriented at strengthening of overall intellectual, cultural, moral development of citizens, as well as at solicitous attitude to ancestry heritage and succession of generations, preservation of originality of national and historical traditions.

529. **Problems.** Despite of the efforts of recent years aimed at the strengthening of material and technical base of cultural institutions, capital and routine repair of buildings and rooms, occupied by such institutions, conducting of considerable number of cultural events, the central problem in cultural sphere remains the problem of insufficiency of material and technical base and as a result, poor provision of cultural service to the population of the Kyrgyz Republic.

530. Other problem requiring rapt attention is the problem of general accessibility of cultural service. Considerable part of the population has limited access to quality cultural product because of remoteness from cultural centers and cities where majority of cultural institutions is concentrated. A serious obstacle is lack of information, material problems, drawbacks of public transportation work, absence of educational programs in cultural sphere, as well as provision of cultural service for children, disabled, pensioners.

531. Another serious problem is a problem of prestige of culture. Kyrgyzstan experiences competition from other countries of Central Asia, actively using cultural factor to enhance their attractiveness for tourism development and attract investments. Within the Kyrgyz Republic there is typical for market economy competition in fighting for customer between culture and other forms of leisure. At the same time the task of marketing strategy development to position culture of the Kyrgyz Republic as a factor of competitive capacity until recently has not been considered as important to be solved at the level of the Government of the Kyrgyz Republic. Presentation of Kyrgyz culture abroad as well as concert tours are not being done sufficiently active.

532. Changing of financing levers, development of social sphere problems led to worsening of the real condition of the sector and equipment of its institutions. This, in turn, immediately was told upon adverse social effects: leisure and development of creativity problems appeared, acute flow-out of qualified staff has started, capacity of self-organizing is not working in practice. In addition, historical and cultural complexes were found to be on the verge of destruction.

533. It is also necessary to pay attention to low public and economic effectiveness of functioning of some cultural institutions, caused first of all by acute deficit of management staff, transfer of majority of cultural institutions to local authority, lack of program targeted method of budget planning, imperfection of evaluation system for results of activity, poor development of feedback from the society.

534. **Priorities.** Objectives of cultural development should comply with those purposes, to achievement of which aimed the strategic efforts of the society – preservation and development of Kyrgyz people, its state, culture and language. Cultural component should be provided in the programs of social and economic development of the Kyrgyz Republic. The following principally important for the management of the cultural sphere priorities should be a basis of such programs:

(i) within the frame of modern policy of the Kyrgyz Republic culture is considered as an integral part of all without exclusions directions of state policy as a whole, reflecting its cultural values and moral and normative aspects.

(ii) culture should become an important constituent of social policy, which in modern conditions may only be complex social-cultural-educational one of the sectors on service provision to the population bringing along with health care, general education, tourism, public safety, public transport, housing and communal services and social protection, people's craft certain contribution into social and economic life of the Kyrgyz Republic.

(iii) contribution of culture is assistance to competitive ability of Kyrgyzstan in the world markets, increase of living standard of the population and quality of natural and historical and cultural environment in the Kyrgyz Republic.

(iv) the society demands cultural policy as a special direction of state activity, as well as public activity regulated by the state on stimulating socially acceptable and preferred forms and norms of cultural activity of the Kyrgyz Republic citizens.

535. **Objective.** In accordance with clause 3 article 36 of the Constitution of the Kyrgyz Republic «Citizens have a right for access to cultural values, for exercising of science and art» for 2007-2010 the main objective of the policy of the Kyrgyz Republic in cultural sphere is set up: broadening of population participation in cultural life. This objective is considered in various aspects:

(i) comprehensive development of social and cultural human and society values that should take into account historical social experience and national cultural heritage in accordance with the tasks on cultural modernization of the Kyrgyz Republic;

(ii) assistance to the population in establishment of the way of life and ideology that are adequate to new social and economic conditions, in formation of national, cultural, social and economic and state-political identity and patriotism, in defining of forms of spiritual self-determination and self-expression, public and individual socio-cultural realization;

(iii) every kind development of cultural value in all forms of social interests and demands of citizens of the Kyrgyz Republic, turning of their cultural activity into fundamental basis of social being, and cultural requirements — into the core of social order for content, forms and quality of life;

(iv) union of the citizens of the Kyrgyz Republic to knowledge and interest towards all diversity of mankind cultures, their spiritual and intellectual enrichment by means of this knowledge, upbringing of tolerant attitude to other cultural interactions, cultivation of requirement for friendly cultural interaction, communication, overcoming of ethnic, confessional aloofness;

(v) cultivation of democratic and pluralistic world view, realization of interconnection of human values with deep content of any national culture, understanding that future of mankind is determined by harmonious combination of personal freedom, as a condition for self-realization for everyone, with culture, as a universal way to co-ordinate everybody's interests.

536. **Tasks.** As key directions in the process of modernization and sustainable development of cultural sphere it is proposed to use the following categories:

(i) public requirement;

(ii) general accessibility;

(iii) public status and prestige;

(iv) comprehensive sustainable development of citizen;

(v) effectiveness.

537. Relevant to these guiding lines tasks will be formulated as follows:

- Enhanced attention to spiritual demands and interests of the population in the process of forming and provision of services in cultural sphere.
- Increased general accessibility of cultural services for all categories and groups of the population of the Kyrgyz Republic.
- Increased public status and prestige of Kyrgyz culture and its cultural activity.
- Support to diversity and richness of creative processes in the cultural space of the Kyrgyz Republic.
- Preservation of unique cultural resources of the Kyrgyz Republic and their development taking into account traditional features and typical patterns.

- Involvement of cultural sphere into the development of economy as a key factor of competitive ability of Kyrgyzstan in the world labor division.
- Increase effectiveness of regulating processes in cultural sphere.

538. **Policy and measures.** Solving of the above tasks in cultural sphere assumes implementation of the following policy measures:

539. Service modernization in cultural sphere in the interests of all groups and layers of the population of the Kyrgyz Republic. Development of cultural proposal in the Kyrgyz Republic should take into account changing requirements of the society. Cultural institutions should be more customer oriented, should increase attention to customer's requirements and wishes. It is necessary to apply differential approach to customer, depending on age, social, ethnic, or other group or audience feature the customer belongs to.

540. Enhancing of educational role of culture. Using cultural resources in educational purposes causes demand for cultural service, promote competition and economic success of individual cultural events and initiatives.

541. Ensuring of accessibility of cultural services and creative activity for people with limited physical ability and poor layers of the population. Special attention from the part of the state require matters of social integration of poor citizen, disabled, orphans, families with many children. Role of culture in solving of these issues should be increased.

542. Provision of uniform distribution of cultural proposal among oblasts and rayons of the Kyrgyz Republic. Citizens of rural areas remote from city cultural centers due to objective reasons are limited in terms of possibility to use service of majority of the cultural institutions of the Kyrgyz Republic. To solve the existing problems systematic and coordinated efforts of executive organs of the Kyrgyz Republic are required.

543. Improvement of the information environment of Kyrgyzstan culture. Insufficient awareness of the population of the Kyrgyz Republic about provided cultural services should be completed by means of improvement of awareness campaigns regarding conducted events and actions. The future of information space of culture of the Kyrgyz Republic – is in expanding of electronic resources of the institutions and in their consolidation at the basis of information and resource service centers for the population.

544. Support of processes promoting growth of prestige of Kyrgyzstan culture among the population of the Kyrgyz Republic, Central Asian countries, CIS and abroad. Assistance to dynamic development of tourist sector is one of the relevant tasks of culture today. Tourist attractiveness of the Kyrgyz Republic depends on good condition of memorials of natural and cultural heritage of the Kyrgyz Republic, the number of prestige cultural events, held in the Kyrgyz Republic, level of comfort of provided cultural services, level of service in cultural institutions. To enhance influence of culture of the Kyrgyz Republic in Central Asian countries, CIS and abroad, forming of image of the Kyrgyz Republic – is a constituent of modern policy of the Kyrgyz Republic. Inter-regional and international cultural cooperation should be developed more actively, first of all, with the countries of Central Asia and within the frame of Commonwealth of the Independent States.

545. Diversity and richness of creative processes growth promotion. Creative activity of separate individuals is the basis of the cultural processes. Creating of wide possibilities to realize creative capacity of the individual at professional or armature level is a norm of modern civilized society. Creative diversity incident to Kyrgyz Republic should be considered as a factor considerably contributing to forming of attractive image of the Kyrgyz Republic, influencing living standard, tourism development and economic growth of the Kyrgyz Republic.

546. Preservation of cultural heritage of the Kyrgyz Republic and support to sustainable development of cultural sphere. Richness of natural and cultural heritage to a considerable degree causes attractiveness of the Kyrgyz Republic for business, investments, tourism and living. The main priorities, criteria and directions of activity on preservation of natural, cultural heritage should be stipulated in separate package of legislation of the Government of the Kyrgyz Republic «On strategy of preservation of natural and cultural heritage». Additionally, the importance of work on preservation of movable heritage: library, museum, archive, cinema-, photo-, and other funds should also be noted.

547. Along with the solving of tasks connected to preservation of cultural objects, tasks of cultural institutions development should be sold more actively. It is a question of such directions as new staging in theatres, museum expositions, renewal of orchestra and concert group repertoire, publishing activity.

548. Considerable effort requires to adequately restoring buildings and rooms occupied by cultural institutions. Currently, more than 100 real estate objects occupied by cultural organizations of the Ministry of Culture urgently need repair and restoration works. Certain cultural institutions need new space and new buildings. Proposals on reconstruction and construction of buildings for existing and newly created organizations should be taken into account in General architectural layouts.

549. Development of culture with the purpose of production and distribution of original goods, services, intellectual products to enhance competitive ability of Kyrgyzstan at the world markets. For each society a sphere of its maximum originality and minimum repeatability for the surrounding world is culture. Under careful and reasonable attitude it serves as inexhaustible resource of original and hardly repeatable by the representatives of other cultures goods, services and intellectual products. These become competitive at the world market with the help of a set of standard procedures – under condition of mandatory support in intellectual, organizational and financial respects from the part of society and state. World experience shows that the most effective strategy of participation in the competition is establishing of standards relevant to own social and cultural requirements and its further obtrusion to potential competitors.

550. Improvement of management and financial and economic activity of cultural institutions. The given direction combines tasks oriented at solving of two key problems of management nature: staff deficit – first of all among leadership – and low economic effectiveness of cultural institutions activity. The staff problem is the most acute as of today. Flow-out of specialists from the sector and weak flow-in of young ones lowers productivity and quality of cultural process, lead to weakening of initiative and slowing down of cultural sphere development. Growth of economic indicators is not an end in itself for cultural institutions. Stable budget funding should cover considerable portion of their functions. However, degree of necessary budget support may be different for different types of institutions. Many of them are able to attract and earn considerable funds for their development. This work needs to be improved and broadened.

551. **Programs and projects.** The main program that will be implemented within the frame of the current Strategy will be «Program of the development of culture and art in rural area of the Kyrgyz Republic till 2010». Within the frame of CDS in cultural sphere it is supposed to prepare projects on attracting investments under partnership participation of international banks and foundations.

552. **Resources.** Total amount of funding for all measures and projects in cultural sphere for 2007-2010 makes up 2 mln USD. The source to cover costs is funds of local and republican budgets, donor organizations.

553. **Outcomes.** In general, policy measures provided by the given Strategy in the field of culture aimed at modernization of cultural sphere services in the interests of all groups and layers of the population, increasing the educational role of culture, increasing accessibility of cultural service and creative activity for the persons with limited physical ability and poor population, provision of uniform distribution of cultural proposal among oblasts and rayons, improvement of culture information space, support of processes promoting growth of prestige of Kyrgyz culture among the population of the Kyrgyz Republic and abroad, diversity and richness of creative processes growth promotion, preservation of cultural and historical heritage of Kyrgyzstan and support of cultural sphere sustainable development, improvement of management and financial and economic activity of cultural institutions.

554. Results of activity in these directions will be assessed based on concrete quantitative indicators, sector norms and indicators.

5.4. Providing of environmental sustainability

5.4.1. Providing of environmental safety

555. **Current status and development background** Nature and its components are national property of the Kyrgyz Republic, one of the main factors of its sustainable social and economic development. In accordance with the article 4 (clause 5) of the Constitution of the Kyrgyz Republic, version as of November 8, 2006, the Earth, its bowels, air space, waters, forests, flora and fauna, other natural resources are property of the Kyrgyz Republic, they are being used as a basis of living and activity of people and future generations of Kyrgyzstan and are under special protection of state for the sake of sustainable development of the country.

556. The environmental safety as a constituent of the national security is a compulsory condition of sustainable development, and acts as a basis for preservation of natural systems and maintaining of adequate quality of the environment.

557. Reforming of all sectors of the national economy should become the basis for changing the attitude to natural resources use, implementation of social and economic development taking into account preservation of the environment.

558. The environmental safety is one of the key conditions of the development of Kyrgyzstan. Its priority status is predetermined by the requirement to provide environmental safety within the country, by the international and regional obligations. Kyrgyzstan is a participant of 13 international environmental conventions and agreements. The environmental safety and sustainability are priorities for donors' programs.

559. **Problems.** Physical and geographical features of high mountain ecosystems, which the territory of the Kyrgyz Republic belongs to, determine its special natural instability and increased vulnerability to anthropogenic impact. Kyrgyzstan has relatively small areas (about 20%) with normal bio-climatic conditions for vital activity, where the main share of the population is concentrated, as well as practically the whole industrial and agricultural production; these particular zones experience maximum anthropogenic press. This fact, as well as unreasonable economic activity resulted from resource-spending administrative economy, seriously worsen ecological condition of the republic, while in some rayons and on some indicators it is characterized by crisis events threatening to grow into irreversible processes.

560. Economic problems aggravate unfavorable in general ecological situation provoking the population for predatory use of natural resources (depredation of forests, poaching, contamination of water resources, extensive use of arable lands, neglect of melioration and other measures), which leads to even worse ecological situation in the republic.

561. Current ecological situation in Kyrgyzstan is characterized by the fact that any budget expenses that do not give immediate effect for the restoration of the economy are considered low priority ones. Costs for the protection of environment during recent years reduced to critical low level and make up 0.026% from GDP. The trend of reducing investments is observed on the number of articles aimed at the environmental protection and rational use of natural resources.

562. Environmental management system is still unstable and requires considerable improvement through capacity building, further improvement of access to natural resources and its measurement and rational use for the purpose of development. Along with the addressing of the most acute issues of degradation of the environment in the country, it is necessary: (1) to develop incentive policy for long-term investments into renewability and maintainability of natural resources, (2) to develop and introduce into practice measures enabling interconnection of local communities needs' satisfaction with integrity of the environment, (3) to take into account transboundary impacts, as a result of economic activity of the country, and (4) increase human capacity, capacity of the legislative regulation of central and local institutions and organizations, involved in the process of natural recourses and environmental management.

563. **Priority.** The country development allowing long-term provision of stable economic growth that does not lead to degradation changes of the environment.

564. **Objective.** Provision of the environmental safety as a basis of sustainable development of the republic.

565. **Tasks.** To achieve objective it is necessary to address the following tasks**:**

(i) sustainable development envisaging equal attention to economic, social and environmental components, as well as recognition of impossibility of human society development under the degradation of nature;

(ii) equal distribution of incomes from natural resources use and access to them;

(iii) prevention of negative environmental consequences as a result of economic activity, accounting possible ecological consequences, including trans boundary context;

(iv) refusal from economical and other projects, connected to impact on natural systems if the consequences are unpredictable for the environment;

(v) use of natural resources on chargeable basis and reparation of damages to the environment caused as a result of violation of the legislation on the environmental protection;

(vi) openness of the ecological information;

(vii) active participation of civil society, local self-governance bodies and business circles in the preparation, discussion, approval and implementation of important decisions in the field of environmental protection and rational nature management;

(viii) involvement of private sector into sustainable nature management;

(ix) to integrate mechanisms of improved sectoral coordination of nature management and environmental management.

566. In general, the task is not to limit the economic activity, but to give it a form of environmental sustainability. The Kyrgyz Republic is characterized by quickly growing population under condition of constant values of water, land resources and limited capacity of ecosystems. It is important to provide economic growth in a way, that traditional policy oriented at the increase of effectiveness of fighting the pollution was combined with the policy options oriented at enhancing the environmental sustainability based on the environmental effectiveness of production and consumption models.

567. **Policy and measures.** Taking into account the necessity of nature preservation and improvement of the environmental quality, the state policy in the field of environmental safety will be achieved by the following measures:

(i) improvement of the environmental policy and normative base, including economic mechanisms of natural management;

(ii) provision of monitoring for the condition of the environment and rational nature management;

(iii) simplification of nature management permissive system;

(iv) enhancing of environmental regulations enforcement;

(v) creation of specially preserved natural territories network;

(vi) preservation of biodiversity and restoration of forests;

(vii) restoration and prevention of ecosystem degradation.

568. **Programs and projects.** To achieve Strategy objectives in the field of environment protection and rational nature management the following programs and project will be implemented:

(i) **Concept of environmental safety** as the main strategic document for the implementation of the state policy in the field of environment protection and rational nature management.

(ii) **Environmental Code**, regulating law enforcement in the field of environment protection and rational nature management.

(iii) **Concept of the Kyrgyz Republic transfer to sustainable development** with the purpose of integrating environmental requirements into sectoral policy.

(iv) **National strategy of biodiversity preservation**, aimed at the development of measures and policies to preserve flora and fauna of the republic.

(v) **Concept of forestry sector development of the Kyrgyz Republic till 2025, National forestry program of the Kyrgyz Republic for 2005-2015, National action plan on forestry development in the Kyrgyz Republic for 2006-2010** – reflect strategic directions of forestry sector development, nature-conservative importance of forest and

global importance for preservation of biodiversity, climate regulation, development of private business links with forestry**.**

(vi) **National framework program on sustainable management of land resources till 2016**, aimed at the attraction of donor assistance to implement practical measures on fighting desertification and degradation of land and water resources.

(vii) **National plan on implementing Stockholm Convention on resistant organic pollutants in the Kyrgyz Republic**, aimed at the arrangement of safety treatment of resistant organic substances, preventing their adverse effect on the environment and human health.

569. **Resources.** In general, the requirement to address issues of environmental safety provision in the country for 2007-2010 makes up 60 mln USD.

570. **Outcomes.** Reduction of **environmental** pollution rates in the republic in order to provide constitutional rights for favorable environment for life and health.

5.4.2. Provision of complex safety of the population and territory in the case of natural disasters and catastrophes

571. **Current status and development background.** The territory of the Kyrgyz Republic is exposed to more than 20 dangerous natural processes and events out of 70 known in the world. Earthquakes, landslides, mudflows and floods, avalanches, break-dangerous high altitude lakes, waterlogging present the highest threat to human lives, life support objects, and settlement.

572. According to incomplete data there are not less than 14 thousand dangerous spots, rayons and zones of natural disasters sources and emergency situations on the territory of Kyrgyzstan, which are distributed unevenly and actively become apparent within seven administrative oblasts of the republic, often having transboundary character with regard to destructive effect.

573. Annually, according to average statistics data, there are more than 200 emergency situations of natural character, and more than 1000 families are being resettled from the dangerous zones.

574. At the moment, there are 36 tailing pits and 23 dumps on the balance of MES, out of them 30 uranium and 6 toxic waste disposals with total volume 15 mln m^3 of waste. Thousand people are located on the territory of possible radioactive contamination on the territory of Kyrgyzstan, about 2.4 mln people on the territory of Uzbekistan, 0.7 mln people on the territory of Tajikistan, 0.9 mln people on the territory of Kazakhstan.

575. **Problems.** Currently, according to average statistical assessments, annual damage from natural disasters makes up about 35 mln USD, while funding dedicated for the liquidation of emergency situation consequences does not exceed 6 mln USD annually, which means that expenses for disaster management are five times less than damage. Annual damage growth rate, according to statistics, make up about 1.5 mln USD.

576. **Priorities.** Priority directions in the field of improvement of the environmental condition and protection of the population and territory from the emergency situations are: provision of complex safety of the population and territory in the case of natural disaster and catastrophes, establishment of state emergency situation management system.

577. The priority directions in the field of prevention and liquidation of radioactive contamination threat are recultivation and rehabilitation of uranium and toxic waste disposals.

578. **Objective.** Provision of complex safety of the population and territory in the case of natural disasters in the country and in Central Asian region.

579. **Tasks:**

(i) conducting of recultivation and rehabilitation works to obtain safety condition of tailings and dumps located on the territory of the Kyrgyz Republic;

(ii) provision of protection from the danger of breaking of high altitude lakes, dams and artificial reservoirs and dams of tailings;

(iii) annual conducting of scientific, research, engineering and survey works on the dangerous sections;

(iv) addressing problems of seismic safety provision for citizens and for the infrastructure of settlements;

(v) establishment of complex monitoring system and forecasting of landslide processes based on GIS technologies and remote reconnaissance;

(vi) establishment of new socially oriented, economically sustainable system of protection and safety provision for the population and territory in the case of emergency situations;

(vii) establishment of complex functioning monitoring network to observe hyrdogeological and seismic movements of the earth's crust.

580. **Policy and measures** It is necessary to improve the single state system of management and prevention of emergency situations, as well as to brisk up the work with the international organizations, including donors, on searching of partners and attracting of grant assistance.

581. **Projects and programs** Within the frame of Country Development Strategy it is assumed to implement the following projects and programs:

(i) Establishment and improvement of complex population and territory protection system in the case of emergency situation of both military and civil character till 2010 – State system of civil protection of the Kyrgyz Republic.

(ii) Establishment of State fire rescue service under the MES KR on the base of the State fire-prevention department of MES KR.

(iii) Further improvement and development of control centers single network for crisis situations using modern information technologies.

(iv) Enhancing of work quality of the inspectorates and control of the supervision over industrial safety and mining supervision.

(v) Implementation of preventive, emergency-reconstruction and design and survey works (putting into operation of large number of objects providing population and territory protection from activation of hillside processes).

(vi) Enhancing of monitoring of environmental condition, establishment of single system of fast detecting and forecasting of dangerous ecological situations, effectiveness of processing, issuing of hyrdometeorological forecasts and prevention of dangerous and natural hyrdometeorological events. Putting into operation large number of meteorological stations.

(vii) Project «Establishment of complex monitoring and forecasting system for landslide processes based on GIS technologies and remote reconnaissance on the territory of the Kyrgyz Republic».

(viii) Project «Establishment of complex functioning monitoring network to observe hyrdogeological and seismic movements of the earth's crust on the territory of the Kyrgyz Republic and boundary rayons of Central Asia».

(ix) Project «Providing of seismic safety for citizens and the infrastructure of settlements on the territory of the Kyrgyz Republic».

(x) Project «Protection of settlements and territories from waterlogging» in Chui valley.

(xi) Project «Protection of the population and territory of the Kyrgyz Republic from the danger of high altitude lake, dams and artificial reservoirs and dams of tailings' breaking».

(xii) Project «Landslide safety for citizens and settlement infrastructure on the territory of the Kyrgyz Republic (for the period 2006-2010)».

(xiii) Project «Establishment of new socially oriented, economically sustainable protection and safety system for the population and territory in the case of emergency situations»

(xiv) Project «Rehabilitation of tailings №1 and №3 with rare-earth metal wastes Aktyux village».

(xv) Project «Rehabilitation of tailings, Sovetsky (Kan) village».

(xvi) Project «Recultivation of dump complex, Shekaftar village».

(xvii) Project «Rehabilitation of tailings, Sumsar village».

(xviii) Project «Rehabilitation of Buurda tailings».

(xix) Project «Rehabilitation of tailings, Kadji-Sai».

(xx) Project «Rehabilitation and recultivation of tailings with uranium wastes and dumps of low radioactive rocks, Mailusuu town».

582. **Resources.** Total amount of the required funding for all measures and projects in the sphere of prevention and liquidation of emergency situations for 2007-2010 makes up about 400 mln USD.

583. **Outcomes.** Provision of safety of the Kyrgyz Republic in emergency situations of natural and man-caused character, protection of the environment from pollution, improvement of monitoring system quality, improvement of forecasting and early notification of the population.

VI. ROLE AND PARTICIPATION OF THE REGIONS IN THE DEVELOPMENT

584. **Current status and development background**. Process of NPRS-1 at the regional level accentuated by notable rise of local communities activity at all levels. To support this process local poverty reduction programs nave been developed in all oblasts and individual rayons. Funds of republican and local budgets, funds of enterprises, micro financial organizations, including credit union network have been attracted to implement these programs. To establish and develop local business funds of local population have been involved directly. Active works to attract and promote direct investments for concrete projects have been conducted. Considerable support at the local level is provided by international donor organizations, including USAID, UNDP, «Soros-Kyrgyzstan» foundation, Eurasia and other organizations. Under limited financial support, regional level programs, as well as NPRS-1 of the country, practically covered all problems, accumulated for more than ten years, to solve them during three years. As a result, «dispersion effect» appeared in terms of dispersion of limited financial resources without notable changes of life standard at the local level.

585. The highest rate of the economic development stably remained in Bishkek city and Chui oblast, that provided production of a half (in 2005 – 50.2%) of gross domestic product of the country, as well as the highest rate of production of gross regional product per capita (2 and 1.2 times higher than average republican rate). The lowest rate of production of gross regional product per capita was formed in Batken (40,8% from average republican) and Osh (according to data of 2005 – 49% from average in the republic) oblasts.

586. Active promotion of the reform aimed at decentralization of administration and financial decentralization in the process of strategy implementation will be capacity building of local self-governance organs. A series of fundamental normative and legal acts aimed at the development of local self-governance and strengthening of their financial independence have been developed and adopted. The draft 2007 budget was formed with the introduction of financial decentralization principles and developed on two levels – national and local levels – and remained the governors institution for the nearest perspective.

587. Investment environment will play a key role in the development of region economies. That is why measures will be developed to create favorable investment climate for investors for the whole territory to support strategy projects. Today, under support of European Union technical assistance Project «Investment Programming on Regional Level» investment programs for the individual sectors have already been prepared for the period 2007-2009 (Chui, Issyk-Kul and Djalal-Abad oblasts).

588. **Problems.** Development disproportion still present in the regions due to natural and climatic conditions, agrarian orientation of the economy of the most regions, inadequate development of service sphere, insufficient use of industrial capacity, differences in the layout of industrial infrastructure, access to resources, especially financial resources, communication and information services.

589. **Priorities.** The development priorities of **Bishkek city** are: (a) business tourism; (b) processing industry. Being a capital of the country Bishkek becomes «megapolis» of country business activity, where largest banks, prestige hotels, restaurants, markets, trade centers, gambling industry and telecommunication services are concentrated. Share of service sector in the structure of gross regional product of Bishkek makes up more than 60%. 62% from total number of employed population of the city, or 186 thousand people are engaged in this sphere. Bishkek occupies the first place in the country on volume of services provided. Here there is more than a half (52%) of all services provided in the country. Stable growth of services in Bishkek is kept up by high internal demand due to fast growth of income that 1.5 times higher than average in the country. In future, taking into account status of the city and availability of the relevant infrastructure «business tourism» will start developing that will create pre-conditions for the development of telecommunications, hotel service, information technologies, financial mediation, intellectual services and etc. Traditional services will keep developing as well (trade, personal services, transport services and so on).

590. More than 45% of food industry production of the country is produced in the city, there are largest enterprises producing confectionery, beverages, dairy products, tobacco products, beer, which are exported to other regions of the country and neighboring countries. One of the key tasks will be

attracting of direct investments for the modernization of the enterprises and introducing of new technologies and developing of new projects aimed at the broadening of the range of production items.

591. In **Chui oblast** development priorities are: (a) agriculture, (b) processing industry, (c) gold mining.

592. Chui oblast is one of the largest agricultural producer having 32% of irrigated arable land in the republic, provides the largest contribution into the agricultural production of the republic (its share is 30%) and is the main producer of sugar beet, grain crops, fruits and vegetables, milk. Well developed compared to other regions agriculture will be developing as a sector providing population with main types of the agricultural products and raw materials (processing enterprises are concentrated mainly in Chui oblast and Bishkek). Development of the agricultural sector in the region is maintained within the frame of the implemented ADB Project «Chui Regional Project».

593. Food and processing industry products based on processing of local raw materials makes up 35.3% from total food industry product of the republic. Oblast is the main producer of sugar, spirit, alcohol products. Availability of the developed raw material base (on primary wool processing, leather and fur raw materials, production of wide range of wool yarn, foods production), attractive investment climate, developed infrastructure, traditional and stable markets are good pre-conditions of the development of processing industry in the region.

594. Construction of gold-mine «Taldy-Bulak levoberezhny» and small deposit «Kurmanjailoo» will contribute to development of gold mining in the republic.

595. Rehabilitation of the roads Almaty-Kemin-Chyrpykty and Almaty-Bishkek (Georegievka), rehabilitation of domestic roads is the main pre-condition for the development of the economy of the region.

596. **Issyk-Kul oblast**, due to unique Issyk-Kul lake located on the territory of the oblast, occupies special place in the development of tourism industry.

597. Possibility to attract tourists by means of posting the information on websites, participation in the international tourist fairs as well as opening new tourist representatives and new tourist zones for extreme and other types of tourism are perspective directions of the tourist industry development in the oblast. Reconstruction of the international airport «Issyk-Kul» is favorable prerequisites for the tourism development in the oblast. Solving of such major infrastructure problems as (i) reconstruction of highway around the Issyk-Kul lake, (ii) construction and reconstruction of highways Karakol-Enylchek with the entrance to PRC, as well as Tyup-Kegen with the entrance to Kazakhstan and Russia will be of great importance for the development of tourism and the economy of the region as a whole.

598. For **Naryn oblast** perspective of the development is traditionally through (a) agriculture, (b) mining sector and (c) tourism.

599. In 2004 in gross regional product the agriculture had about 61.6%. Availability of vast highland pastures and traditional skills of the population are pre-conditions for the development of sheep breeding and yak breeding, increasing of meat and wool production to be exported to other regions. In addition, oblast has capacity to produce potato for seeds.

600. At the territory of oblast one of the largest brown coal deposits is located – Kara-Keche, which mining more than 55% from total volume of coal mined in the country. Planned construction of heat condensing plant at this deposit will provide growth of capacity of the existing coal mining enterprises.

601. Vicinity of China and cooperation within the frame of inter-state Agreements create favorable conditions to attract investments into the development of tourism and the economy of oblast as a whole. Active measures on cooperation development with such Chinese tourist companies as «Kon-Koi», «Kashkar CTS», «Kashkar CITS» and others will allow receive up to 20-40 thousand tourists from People's Republic of China and provide investments into the economy of the region in the amount 10 mln USD according to preliminary estimates.

602. In **Talas oblast** priorities of the economy development are: (a) agriculture, (b) processing industry, (c) gold mining.

603. Share of the agriculture in regional gross product made up more than 72.7% in 2004. The main crops in the agriculture are grains, sugar beet, potato, vegetables, tobacco, and oil crops. It is perspective to grow beans that is exported mainly to Turkey. Increased production of the agricultural products will provide growth of processing sectors (dairy products, sugar, canned vegetables). Construction of the trade house in Taraz city of Djambul oblast of Kazakhstan and rehabilitation of Taraz-Talas-Suusamyr road will have considerable influence on growth of production and promotion of products to the markets of Kazakhstan and Russia.

604. Exploitation of the «Jeruy» deposit will provide oblast's contribution in gold mining development, creation of new jobs in the region and will become a precondition for the development of social infrastructure and services sector.

605. In **Djalal-Abad oblast** development priorities are: (a) agriculture, (b) processing industry, (c) energy, d) tourism.

606. Oblast is one of the main agricultural producer of the republic (its share is more than 15%), where 77% of the population live in the rural area. Traditionally oblast is agricultural region, providing the main production of cotton (share is 70%), considerable share of fruits and vegetables in the republic, processed products of which are exported abroad.

607. The developed agriculture assumes the development of processing industry in the region.

608. The development of processing industry is planned due to deep processing of cotton, fruits and vegetables, production of canned fruits and vegetables, broadening of the range of products due to ecologically clean raw materials of Arslanbap relict walnut-fruit forests (honey, walnut, wig fruits).

609. More than 90% of power is produced on the territory of Djalal-Abad oblast (Cascade of Toktogul hydro electric stations). Planned construction of Kambarata cascade of hydro electric stations, will provide new jobs, growth of income for the population, will become an impulse for the development of services sphere.

610. Sphere of tourism has major perspectives of development in the region, due to rich natural resources, availability of tourist complexes («Arslanbap», «Asia-Trekking», resort «Jalal-Abad», tourist camp and recreation zone «Sary-Chelek» and others. There are wide possibilities for ecological tourism: Arslanbap relict walnut-fruit forests, forest massive «Kara-Alma», mountainous lake Sary-Chelek, 15 national parks and preserves. Tourism-pilgrimage is actively developed, the main objects of which are mausoleum «Shakh-Fazil», «Arslanbap-Ata» and others.

611. In **Batken oblast** priorities**:** (a) agriculture, (b) processing industry.

612. For Batken oblast, with 74% of the population living in rural area, agriculture is dominating sector of the economy (share in gross regional product was – 54.7% in 2004). Oblast is producer of tobacco, best varieties of grapes and fruits that in processed form are exported (wine, dried apricot, canned fruits, fermented tobacco). In addition, oblast has a capacity to develop goat breeding and yak breeding. Developing of new lands by means of construction of Kara-Kyshtak-Boz and Sarkent-Too-Jailoo canals is the priorities for the development of the agriculture in oblast. Oblast has considerable production capacities on tobacco fermenting, making of grapes wine, canned fruits and vegetables. Increased agricultural production will create pre-conditions for the development of processing industry, opening of new facilities.

613. For the development of the region economy the matter of importance is to create transport communications, including completion of bypass road Kok-Talaa-Pulgon-Burgondy-Batken, bypass road Aigul-Tash-Sogment-Charbak, reconstruction of domestic roads.

614. Stable operation of the JSC «Kadamjay antimony enterprise» and accomplishment of construction of the cement enterprise in Kyzyl-Kiya will ensure significant contribution to the development of the oblast economy.

615. In **Osh oblast** priorities: (a) agriculture, (b) processing industry

616. Contribution of Osh oblast into the agricultural production of the republic is **18.7%.** Share of agricultural sector in gross regional product of oblast is 59.7%. In the agriculture of oblast work 71.2% from total number of employed.

617. Oblast is one of the producers of export-oriented products: cotton, tobacco, fruits and vegetables. There are 9 cotton-processing plants on the territory of oblast, large tobacco processing factory «Osh-Dubek», 7 tobacco fermenting shops.

618. Production of ecologically clean products (organic cotton), application of resource saving technologies (drop irrigation and etc.), commission of the enterprises of deep processing of the agricultural raw materials will be of importance in increasing of agricultural production.

619. In the processing industry along with the development of the enterprises supplying foods to the population of Osh city and oblast, construction and putting into operation of new capacities in cotton processing, tobacco and fruit processing sectors is envisaged.

620. Rehabilitation of the highway Osh-Gulcha-Sary-Tash-Irkeshtam, construction of the rail road Osh-Kara-Suu-Djalal-Abad-Torugart will promote building of trade and economic relations with China, Tadjikistan, will enhance the role of the region as a transport hub of the whole Central Asian region.

621. In **Osh city** priority is a processing industry.

622. Processing enterprises mainly represent industry of Osh city. The only enterprise in the republic on processing of silk fabrics is located in the city – JSC «Osh-Jibek», there are large raw cotton processing enterprises: OJSC «Tekstilcshik», «Limatex» Ltd, JSC «Osh-Tex».

623. The development of Osh city as southern capital and the largest city in the southern region create pre-conditions for food products production. In order to provide Osh city and Osh oblast population with food products sectors on food products will be developing (dairy products, beverages, vegetable oil, bread products and macaroni items and others.)

624. **Objective.** To promote balanced development of the territories, and their involvement into the support of the country priorities accentuated in the strategy.

625. **Tasks:**

(i) to focus development of the regions on those priorities of the strategy that are typical only for the individual oblast taking into account traditional development features;

(ii) ensure planned contribution in gross domestic product of the country: Bishkek (32%), Chui oblast (16%), Issyk-Kul oblast (12%), Naryn oblast (3%), Talas oblast (6%), Djalal-Abad oblast (10%), Batken oblast (6%), Osh oblast (12%), Osh city (3%);

(iii) increase of gross regional product per capita: Bishkek (1.7 times), Chui oblast (в 1.8 times), Issyk-Kul oblast (1.8 times), Naryn oblast (1.3 times), Talas oblast (2.4 times), Djalal-Abad oblast (1.6 times), Batken oblast (3.2 times), Osh oblast (2.2 times), Osh city (1.5 times);

(iv) creating of new jobs.

626. **Policy and measures.** For the agricultural sector**:** (i) widening of markets for the agricultural products; (ii) improvement of crediting conditions for farmers; (iii) active introducing of advanced technologies in seed-farming and pedigree breeding; (iv) development of private veterinary services; (v) improvement of agro technical service; (vi) development of the market of mineral fertilizers, plant protection means and agricultural machinery; (vii) improvement of water supply of the irrigated lands; (viii) growing demand for agricultural raw material from the processing enterprises and (ix) deepening of processing degree of agricultural raw material.

627. The main measures in the development of processing industry of the regions will be: (i) modernization of existing enterprises with the introducing of new technologies, (ii) putting into operation of new enterprises, mainly small enterprises in rural area, (iii) broadening of the range of produced items, (iv) increase of competitive ability of products.

628. For the development of tourism the following measures will be taken: (i) establishment of transport infrastructure, (ii) development of information, telecommunication services, (iii) expansion of hotel and bank network, (iv) simplification of visa regime, (v) completion of privatization process of resorts and recreation institutions, (vi) advertisement development.

629. **Resources.** In general, for the implementation of regional Projects it will be required 1.07 billion USD, including:

(i) Chui oblast – 59.17 mln USD;

(ii) Bishkek – 55.6 mln USD;

(iii) Issyk-Kul oblast – 200 mln USD;

(iv) Naryn oblast – 20.6 mln USD;

(v) Osh oblast – 7.3 mln USD;

(vi) Batken oblast – 139.4 mln USD;

(vii) Djalal-Abad oblast – 530 mln USD;

(viii) Talas oblast – 21.1 mln USD;

(ix) Osh city – 105 mln USD.

630. In the implementation of the Projects it is assumed to use direct foreign investments, bank and financial institutions credits, funds of donors within the frame of investments Projects, attracted under the guarantees of the government.

631. **Projects** aimed at achievement of development objectives and priorities in the regions are presented in Annex «Investments Projects on regions».

632. **Outcomes.** Achievement of objectives and tasks set up for each territory in terms of contribution into the economic growth of the Kyrgyz Republic planned at the rate of 7.5%.

VII. PROCESS OF STRATEGY IMPLEMENTATION

7.1. Control over the process

633. The main directions of the social and economic development of the republic within the frame of the document are based on Partnership of authorities, society and business, therefore, control over the implementation should also be public. Decisions regarding distribution of resources and correction of programs should be made taking into account monitoring and assessment of the progress in the strategy implementation.

634. The proposed strategy is a tool of administrative activity aimed at all aspects of inter relations, between the participants of Strategy, and regarding the whole process of its implementation (resources, its use, outcomes and etc.). Country development strategy is considered as totality of complex target programs and local Projects, united by unified conceptual approaches, common objectives and resources.

635. Control over the process of country development Strategy implementation provides for: (i) systematic analysis and evaluation of each Program and Project to stimulate, organize and provide the development of the country within the CDS framework; (ii) constant expert examination of proposed outcomes of the CDS programs and projects; (iii) basing of necessary costs for the implementation of programs and projects; (iv) defining of potential sources of financing, encouragement of investment Projects; (v) creating of conditions necessary for the implementation of programs and Projects; (vi) selection of staff and organization of their work; (vii) creating of necessary administrative (normative and legal and resource and staffing) base of the Strategy; (viii) organization of stage by stage resource provision of adopted for the implementation Projects; (ix) organization of monitoring, revelation of deviation from declared objectives, analysis of their reasons, introducing of the required corrections.

636. Co-ordination of activity of all stakeholders regarding Strategy implementation will be provided by National Council on Strategic Development, Chairman of which will be the President of the Kyrgyz Republic. The activities of the National Council will be provided by the relevant department of the President's Office. The direct participants of the process are local and territorial governments of all levels (aiyl okmotu, city, rayon and oblast administrations), structures of the Government of the Kyrgyz Republic, National Bank of the Kyrgyz Republic, Jogorku Kenesh, courts, donor community, non governmental organizations and private sector of the country.

637. The main task of the Parliament of the Kyrgyz Republic in the implementation of the strategy will be provision of the legislation for the objectives and guiding lines of the document. Formulating of the normative and legal base, consideration and approval of state budget, systematization and increasing of the legislation effectiveness, as a condition for the implementation of priority directions of the state policy, should become a contribution of JK KR into successful implementation of strategy measures.

638. The main tasks of the executive power organs will be mobilization of the required budget funds, coordination of attracting of borrowed funds, coordination of activity of central, departmental and regional organs of executive power, creating of the institutional conditions for civil society and private sector on participation in the implementation of measures, coordination of the development and implementation of programs and projects within the frame of the Strategy.

639. The Strategy assumes active participation of civil sector in the implementation of the Strategy. Collection, summarizing and introducing of best initiatives of citizens as a result of active and continuous interaction with them, should underlie their contribution into the strategy implementation. Civil society is invited to the process of preparation of social and other standards linked to urgent needs of the population, and implementation of measures of their provision, to scientific and research works and analytical developments connected to forming of the scientific approach to the preparation of programs and projects within the frame of the strategy. The key point of civil society participation in the process of strategy implementation will be monitoring and control over effective and targeted use of funds, conducting of the independent studies regarding effectiveness of strategy implementation.

640. Since the moment of obtaining the independence until now the Kyrgyz Republic received and keeps receiving various outside assistance from donors. Country development strategy assumes

active participation of donor community in terms of providing assistance to achieve development objectives. The main task that entrusted to donors by the document is, first of all, provision of financial resources to the country to cover the gap between the available within the country resources and the required volume of financing the measures, provided by the document. With this respect it is worth noting that there is a considerable progress achieved in the field of coordination of activity of the Government of the Kyrgyz Republic and international donor community. Current donor's aid at the moment is provided in coordinated type and form, both by donors themselves, and by means of discussions with the Government of the Kyrgyz Republic, policy and volume of which are concentrated in the unified donor's country assistance Strategy. It is necessary to say that, if NPRS 2003-2005 as a comprehensive document provides for donor's assistance in the wide range of directions, then current strategy calls donor's community to direct efforts namely on priority sectors and directions. Consulting and provision of the intellectual support in the implementation of reforms, technical assistance in capacity building in the implementation of strategy measures, which is also necessary condition of successful achievement of the set up objectives is expected from donors too.

641. The implementation of strategy, being implemented by bureaucratic institutions is exposed to the impact of their intra-organizational and inter-organizational contradictions and conflicts. With this regard matter of conducting a PR campaign of the document itself both at the stage of its development, and at the stage of its implementation becomes relevant. Ensuring of transparency of the Strategy implementation will be conducted through the process of constructive dialogue between the process participants.

7.2. Resource provision

642. Implementation of strategy tasks and objectives will be supported from all accessible financial sources. One of the main financial sources will be funds of the state budget. Funds of the state budget till 2010 will be integrated into the strategy to implement concrete measures and Projects within the frame of designated priorities. Another, not less important source of country development support is and will be investment support of the international donor organizations within the frame of Public Investment Program (PIP), including grant constituent. In addition, the important source will be funds of the international donor organizations directed to cover budget deficit within the frame of program credits, as well as technical assistance. In general, attracting of outside assistance will be done in a way to eliminate risk of new debt growing. The Government believes that support of structural changes from the part of the international donors it is advisable to implement through the system of program grants rather than credits. In addition, the Strategy priorities will be supported from local budgets of the regions, as well as due to private investments, including direct foreign investments and by means of improved access to the resources of micro financial organizations. In the Action plan attached to the Strategy data on possibility of financing of four main development priorities are given: (i) to increase economic capacity; (ii) combat corruption and (iii) human and social development; providing of environmental sustainability. In the Plan volumes of lacking financing for the priority development marked as «financial gap» are estimated.

643. Total requirement for Strategy measures, programs and projects' funding makes up 8.75 billion USD. Mid-term budget forecast for the period 2007-2010 taking into account budget of Social fund will amount to 3.33 billion USD. Funding of CDS measures, programs and projects from the state budget will amount to totally 2.53 billion USD. Donor community will provide 413 mln USD for the implementation of CDS. Financial gap for CDS will make up 6.22 billion USD, which should be provided due to attracting of direct private investments and additional funds for financing from budget.

644. The required amount of funds for financing of Strategy economic priorities is estimated as 5.63 billion USD. Out of this sum state budget capacity will amount to 333.37 mln USD. The rest of the funds in the amount 5.3 billion USD (including investment projects in the energy sector, such as Kambarata-1 and Kambarata-2 with terms, which go beyond the terms of implementation of the CDS for 2007-2010) should be found from the funds of the international donors' organization and due to attracting of private investments. To attract direct investments into the development of these priorities measures aimed at improvement of business environment and investment policy are provided in the strategy. More attractive fiscal measures for normal conducting of business in our country are also designed.

645. 85 mln USD is required to fund corruption combating measures, political reform and deregulating within the frame of the Strategy. Budget capacity will make up 48.3 mln USD. The government counts for the funds of the international donor organization in the amount 36.7 mln USD.

646. Similar to previous years, budget within the frame of this Strategy will keep its social orientation. That is why, budget resources will, first of all. Reliable source of funding for measures and projects, aimed at human and social development. Total amount of funding of this sphere from the budget and outside sources is estimated as 2.6 billion USD, including from budget – 2.1 billion USD. Financial gap characterizing the amount of missing funds is estimated as 505 mln USD.

647. To provide environmental sustainability in the country, it is required 460 mln USD within the frame of CDS. Capacity of the state budget makes up 80.824 mln USD. Financial gap is 379.2 mln USD.

648. Meanwhile, for the effective strategy implementation the policy of budget resources management will be subject to fundamental changes in terms of its toughening and at the same time increasing of transparency. The decision will be made to refuse article-by-article budget forming and its orientation to unused resources. Budget will be adjusted to concrete activity results within the frame of the strategy. The correlation between amount of funding and qualitative changes that are designed in the course of concrete measures implementation will be established in the course of strategy monitoring. Full and immediate refusal from any form of non-cash accounts between budget and enterprises/citizens will be made (inter-accounts, payment of allowances in kind and so on), which should reduce possibilities for ineffective use of budget funds and corruption. Many functions that currently are formally performed by the state will be transferred to private sector.

649. Missing amount of funding (financial gap) is estimated as 6.22 billion USD, out of which share pf direct investments is (together with the required additional funding from budget) 5.8 billion USD, and about 0.42 billion USD is the share of the international donors. The government is concerned with the fact that to address strategy goals and tasks the country cannot find financial resources in the full amount, and counts on support of priorities denoted in the given strategy from the part of the international donor organizations.

650. Funding in the amount 887.3 mln USD is provided for other articles of the State budget for 2007-2010 that are not included into the Strategy priority directions.

7.3. Risks and threats

651. The implementation of the given development Strategy is connected with the real risks and threats that may hamper achievement of planned results. Among such risks are macro economic, geo political risks, man-caused and environmental risks, as well as risks of operational nature.

652. **Macro economic risks** assume misbalance of the indicators of macro economic stability as a result of high external debt, possible worsening of domestic and external price state of affairs, reducing of economic growth rate and level of investment activity, banking system crisis, budget deficit and etc. Under this scenario tasks and objectives within the frame of the given Strategy may appear unattainable.

653. Low level of budget forming characteristics of GDP appears to be real threat for the strengthening of the country budget, intended to sustainable country development. In GDP structure traditionally dominate services sector and agriculture occupying up to 70%. Low budget forming characteristics in the agriculture are connected to existing mechanism of taxation coming not from results of business activity, but by means of setting up fixed land tax. In the services sector low collection rate of taxes is caused by the availability of shadow activity, which reaches 70% from retail commodity turnover of the country only in the sphere of trade. This risk is hard to overcome, however, its impact on the achievement of objectives and solving of strategy tasks is planned to be reduced through effective mechanisms aimed at reduction of shadow activity and expansion of industry due to enhancement and development of its priorities (energy sector, mining, agricultural processing).

654. **Deindustrialization** of the economy is also evident threat to the economical safety of the country. Share of industry in GDP is two times less in comparison with 1992 (from 32% of GDP to 16% of GDP), while tax takings from industrial enterprises grew up to 50%. That is why, the Strategy provides for the reanimation of industry mainly due to: (a) promoting development of existing

enterprises, (b) construction of the new enterprises, (c) launching of idle but viable enterprises and (d) cleaning up of the industry as a whole from ballast of non-operable enterprises, which comprise almost one third from total number of industrial enterprises.

655. **Slow enhancement of the energy sector** and quasi fiscal deficit (QFD) in this sector of economy is one more risk and threat for keeping energy safety of the country and preservation of macro economic stability. Unstable financial and economic activity of energy sector is a real source of risk for macro economic stability and instability of budget and may undermine efforts on providing economic growth of the country. That is why the Government of the country starting from 2003 is implementing complex of measures to gradually reduce QFD due to reduction of commercial losses, increasing of payment collection in cash and raising tariffs.

656. **Natural and climatic factor** is an objective risk for the sustainable development of one of the priority of the Starategy – agrarian sector, because the territory of he country is located in the zone of risky agriculture. To reduce impact of this factor the Strategy provides for measures on filling up losses of harvest in the case of worsening of natural and climate conditions.

657. **Poor capacity to accumulate savings** because of high level of poverty in the country is another risk and obstacle for the growth ofdomestic resourcres, which, according to the Strategy is planned to direct on funding of investments at the level nesessary to provide sustainable economic growth.

658. **Slow movement of public administration reforms** may become one more obstacle and risk to solve tasks outlined in the given strategy. Although during recent years there is a good progress in this direction, within the frame of this strategy, however, the most complicated tasks are supposed to be solved and bring reforms to practical and effective implementation which should give real results, including on corruption reduction in the country and enhancing transparency in public administration.

659. **Geopolitical risks.** Success of the strategy implementation, first of all, depends on political situation in the country. Preserved political instability entails risks for sustainable economic growth and macro economic stability. Unwillingness of foreign investors to work in unstable situation also creates threat of economic stagnation and lowering of standards of living of the country population. Rational approach based on refusal from populist declarations and resolving of urgent needs of the population should become a basis for economic reforms. A reliable barrier should be erected to various trials of fundamentalist reorganization of Kyrgyzstan. Both autocratic dictatorship, and tyranny of democracy are equally unacceptable for the country at the current stage, because both primarily causing considerable number of irresistible political risks.

660. **Man-caused and environmental risks.** The natural and technogenic phenomena cause significant damage to the national economy and bear in itself threats for a life of the population. Practically the whole territory of the country is under influence of flood processes, that is 3103 rivers are flood dangerous. Therefore, the most dangerous phenomena of natural processes on the territory of the Kirgyz Republic are earthquakes, high waters and floods, landslips, avalanches, underflooding of territories, cloudbursts and hail. Besides, more than 70 mln m^3 of unhealthy toxic and radioactive substances on are stockpiled on the territory of the country on operating and dormant tailing dumps. In the situation of global climate change and global warming, natural and technogenic processes can suddenly take trans-border character and cause huge damage not only to the economy of the country, but beyond its borders as well. Therefore, within the CDS the Government of the Kirgyz Republic identified this direction as one of priorities of its activities. The comprehensive to the solution of problems, related to emergency situations supposes the establishment of advanced institutions, infrastructure and the mechanisms, providing emergency efficient management and alleviation of acts of God. In the situation of severe budget constrains any large technogenic or ecological catastrophe will require serious additional capital investments. In such a situation the efficiency of realization of priorities on acts of God reduction and alleviation will substantially depend on participation of international donor organizations and financial institutions in this process. In these conditions, one of the most serious tasks becomes minimization of environmental risks, connected to the general development of the country. This require forecasting and timely revelation of such threats, including assessment of ecological factors of beginnings of possible emergency situations with adverse environmental effect, development and implementation of measures to mitigate risks of emergency situations with negative environmental consequences. Among priority measures on mitigation of environmental risks will be: (a) assessment and mitigation of chronicle environmental risks for the

health of the population, (b) ensuring of priority account of the population and environment while erecting of new industries, (в) training for all groups of the population to the rules of conduct and ways of protection under emergency situation with negative ecological consequences, (г) development and improvement of universal means of protection of population and territories when beginning of the emergency situation with negative ecological consequences.

661. **Operational risks,** connected to imperfection of adopted procedures, technical and normative and legal aspects may reduce effectiveness of the strategy implementation. Similar risks are practically continuously present and have negative effect on the development of the country. The strategy appoints the task to minimize impact of operational risks on the promotion of country development priorities, planned for the period 2007-2010.

VIII. MONITORING AND EVALUATION

662. Regular monitoring and evaluation of performance of the CDS concrete measures and projects will become an efficient tool of tracking of its realization progress, which will allow: (1) to take preventive decisions to correct the process of the CDS priorities promotion and (2) to assess their influence on the general development of the country.

663. The set (matrix) of indicators, agreed with all interested parties, will be the integral part of the CDS document and become the «core» of establishment and start of the electronic system of monitoring and evaluation, which will be structured according to directions, purposes and objectives of the strategy. Indicators of the CDS monitoring and evaluation will have qualitative and quantitative characteristics. Establishment of the system of monitoring and evaluation indicators will be aimed on tracking and measurement of: (i) Strategy intermediate results by means of a set of indicators of feedback (output), demonstrating the resource contribution and execution of the planned activities; (ii) final results through indicators of result (outcome) comparatively to objectives set; (iii) results of mpact of the Strategy implementation on country development in the long-term perspective through indicators of influence (impact), reflecting consequences of the Strategy realization; (iv) national indicators, reflecting dynamics of the Kirgyz Republic development at a macroeconomic level.

664. The developed electronic system of the CDS implementation monitoring will allow to provide the analysis and assessment of deviations of actually acieved results for the concrete period of time from intermediate and final goals (indicators), provided within the CDS, with corresponding comments on the reasons of deviations. The Web-oriented information system of monitoring will be available and transparent both for a wide range of users and for decision-makers. Thus, for decision-makers special format of indicators is supposed, which allows to make operative estimations on the basis of progress «vectors» and delay «points» and to take relevant adequate decisions regarding further steps of the CDS priorities promotion.

665. Practically all state structures, both on central and regional levels, will be linked to the given system. Accordingly, these users of the information system will be in charge for the provision of effecient work of the information system of monitoring and evaluation of the CDS realization. The given information system will be based on the principles of responsibility of all parties, linked to the system. Monitoring and evaluation will be carried out on the basis of regular tracking of actual data, provided by all state and regional structures.

666. Each indicator will be maintained by reliable and effective system of statistical data and reports. National statistics committee will play the main role in the support of this work, as well as the Ministry of economic development and trade, Ministry of finance, linear ministries, other agencies and institutions. Studying of international statistics rules and standards, improvement of organizational structure characterize current condition of national statistics, and advanced methods of program and technology support of collection and processing of economical and social data. Task of effective and quality monitoring of national and state programs of economic and social development of the country, as well as relevant international programs, in the implementation of which participates Kyrgyzstan, and on which the Kyrgyz Republic undertook obligations supposed to be solved by the statistics committee. Among them are monitoring and evaluation of complex basis of development and national poverty reduction strategy (CDP/NPRS), Millennium development goals (MDG) and series of other programs. Thereupon, further strengthening of institutional capacity of state statistics in terms of provision of effective information supply to users of all levels, transparency and reliability of statistic information is recognized necessary. Special attention will be paid to the improvement and broadening of collection for annual monitoring of the population living level to improve the evaluation of poverty indicators around the country, as well as in the regions.

667. Plan of activities (Action matrix) and matrix of indicators of the CDS monitoring are interrelated, as the plan implementation and CDS final outputs are tracked through intermediate and final results of the monitoring. Further implications caused by Strategy outcome impact on long-term country development, are followed with the help of impact indicators, number of which in contract to intermediate indicators will be limited (up to twenty), including indicators of Millennium development goals.

668. With the purpose of enhancing transparency of the Strategy implementation and sharing of responsibility for its achievement with civil sector, monitoring and evaluation system is planned to be

built institutionally, through two, as a minimum, alternative channels of information: (i) state (official) and (ii) non-governmental (outside), presenting results of monitoring and evaluation of Strategy implementation by interested groups of civil sector. The Ministry of economic development and trade of the Kyrgyz Republic will head the work on establishment and start of the official state channel of information system of the CDS monitoring and evaluation. Launching of non-governmental channel (outside monitoring) should be taken under authority of one or several non-governmental organizations able to attract independent national experts in this field. Monitoring built on alternative evaluations is initiated within the frame of the given Strategy for the first time, which would become its distinction from all previous programs and strategies in the context of increasing level of partnership cooperation with the civil sector. The relevant department of the President's Administration will coordinate the launching and development of the overall system of monitoring and evaluation of the Kyrgyz Republic.

669. Monitoring, based on the alternative assessments, is initiated for the first time within CDS, that will differ it from all previous programs and strategies of the country in the context of enhancing the level of partnership cooperation with civil society.

670. The launching of the monitoring and evaluation system supposes the regular tracking of results with submission of relevant information «flows» to the Ministry of economic development and trade to create an integral picture of indicators of the CDS monitoring and evaluation on the basis of official reports. The official channels, as well as independent researches, analysis and assessments may serve as the sources of data for external monitoring and evaluation.

671. Based on monitoring data evaluation of effectiveness of the Strategy implementation will periodically be done. In the course of this evaluation the achieved progress will be analyzed in detail, «weak sides» and drawbacks will be defined in the course of implementation of measures and Projects of the Strategy. Based on obtained results operative decisions will be made in terms of selecting alternative solutions, further steps of the CDS implementation, redistribution of resources and its optimum use, improvement of coordination of efforts with donor community, more complete satisfaction of society expectations.

672. The main problem for adequate monitoring and evaluation system is insufficient institutional capacity of the country. Currently available expertise capacity regarding monitoring and evaluation may be featured as relatively low, since knowledge are mainly of incomplete and fragmented character, and their carriers are separated. Solving of this problem is impossible without integration of all potential resources and further coordination of efforts. The key role with this regard belongs to donor organizations as bearer of knowledge and experience in the field of monitoring and evaluation. Therefore, Strategy action plan includes measures aimed at resolving of these tasks with the help of international donors, including launching of projects on technical equipment and training of national experts to work in this field. Donor community may also play a key role in consolidation of capacity in terms of independent evaluation of strategy effectiveness. Experience of UN institutions, ADB, World Bank, European Commission and other international organizations in evaluation of women and children status, effectiveness of public administration, situation in the field of human rights is exclusively important constituent in the coming work aimed at forming and strengthening of monitoring and evaluation institutions in the country. In general, coordinated efforts of official structures, civil sector and donor community are pre-conditions of success in establishing and strengthening of effective monitoring and evaluation system in the country.

673. Technical assistance, provided by ADB to the Government of the Kyrgyz Republic for these purposes, has become a concrete step in this direction. This assistance consisted of two projects, aimed on the establishment of information system of the CDS monitoring and valuation, both on the national and regional levels, within the framework of support of the capacity to develop and implement the Country Development Strategy. Within these two projects it is planned: (1) to develop a set of CDS monitoring indicators with the involvement of all interested sides; (2) to develop software to launch the CDS monitoring system in electronic format; (3) to install the relevant equipment, including the regions; (4) to train a wide circle of users on the basis of establishment of the country and its regions monitoring and evaluation system.

674. In general, coordinated efforts of official structures, civil society and donor community are the guarantee of success of the establishment and strengthening of the effectively operating system of the country development monitoring and evaluation.

IX. ANNEXES

Annex IX.1. Macroeconomic indicators to the Country Development Strategy till 2010

Table IX.1.1. Macroeconomic indicators for 2006-2010

Indicators	2005	2006	2007	2008	2009	2010
	Fact	Prelim.	Forecast	Forecast	Forecast	Forecast
GDP						
Nominal GDP (billion som)	100.9	113.2	128.3	144.5	163.4	185.5
Nominal GDP (mln USD)	2 461	2 835	3 249	3 659	4 137	4 695
Real GDP growth rate (%)	-0.2	2.7	8.0	8.0	8.5	9.0
GDP per capita (USD)	479	543	620	692	775	872
Prices and salary						
Deflator of GDP	7.2	9.2	5.0	4.3	4.2	4.1
CPI, % to December of previous year	4.9	5.1	6.0	5.0	5.0	5.0
CPI, % to previous year	4.3	5.6	5.0	5.0	5.0	5.0
Exchange rate, som/USD	41.0	40.2	42.0	42.0	42.0	42.0
Nominal average salary, USD	62.6	76.1	91.7	110.4	132.9	160.8
National accounts (% from GDP)						
GDP in market prices	100	100	100	100	100	100
Taxes for products	10.8	12.3	12.2	11.8	12.2	12.2
Consumption	96.1	110.5	106.0	101.6	96.6	92.2
private	78.5	92.6	89.1	85.6	81.6	78.2
state	17.5	17.9	16.9	15.9	15.0	14.0
Gross investments	22.4	26.3	26.7	28.7	33.3	36.5
State investments	4.6	4.1	4.2	3.9	3.1	1.8
Private investments	17.8	22.2	22.5	24.9	30.2	34.6
Export (goods and non-factorial services)	38.3	41.2	41.6	43.3	44.4	42.3
Import (goods and non-factorial services)	56.8	77.8	74.2	73.6	74.4	70.9
Net export	-18.5	-36.6	-32.7	-30.3	-30.0	-28.6
State finances (% from GDP)						
Total resources of state budget	26.1	25.7	25.6	24.8	24.0	22.9
Total revenue	20.0	19.5	19.7	19.8	19.8	19.3
Including taxes	16.3	15.8	16.2	16.4	16.5	16.2
Total expenses	26.1	25.7	25.6	24.8	24.0	22.9
Including PIP (outside)	3.9	4.4	4.7	3.5	2.3	1.1
Interest payment	0.8	2.1	0.9	0.8	0.9	0.8
Deficit (including PIP)	4.2	3.5	3.0	2.8	2.6	2.4
Deficit with Social Fund	4.2	4.1	3.3	3.4	3.6	3.7

Money and credit						
Growth rate M2 (for the end of the period)	17.6	51.1	24.0	18.3	16.7	8.2
Movement of money rate	6.3	5.1	4.5	5.3	5.2	5.2
Reserves in months of import	3.4	4.0	3.9	3.5	3.2	3.5
Outside sector						
Account of current operations (mln USD)	-203.5	-663.5	-609.2	-658.0	-758.4	-801.3
Account of current operations (% from GDP)	-8.3	-23.4	-18.8	-18.0	-18.3	-17.1
Export of goods and services, mln USD	942	1 167	1 350	1 583	1 837	1 986
Export of goods and services growth rate	-11.3	8.3	9.6	13.2	12.6	5.3
Import of goods and services, mln USD	1 397	2 205	2 412	2 693	3 078	3 330
Import of goods and services growth rate	6.4	42.7	4.8	8.8	11.3	5.4
Debt and debt service						
Foreign debt (% from GDP)	77.10	66.71	65.06	57.79	50.24	42.92
Debt service/export of goods and services	6.52	5.54	6.33	5.33	5.50	5.35
Debt service/GDP	2.50	2.29	2.63	2.31	2.44	2.26
Social indicators						
Number of population (mln people)	5.14	5.19	5.24	5.29	5.34	5.38
Poverty (% from population)	43.1	40.6	37.4	34.8	32.8	29.8
Unemployment (% from population)	9.7	9.3	8.1	6.8	5.8	4.7

Assessment of Country Development Strategy resources for 2007-2010							
№	Sector/branch	Requirements		Capacity. thousand units		Financial gap. thousand units	
		Total		Total			
		Thousand som	Thousand USD	Thousand som	Thousand USD	Thousand som	Thousand USD
1	5.1.1. Energy						
	Total for sector 2007-2010	144 900 000,00	3 450 000,00	197 820,00	4 710,00	144 702 180,00	3 445 290,00
	Including due to MTBF	197 820,00	4 710,00	197 820,00	4 710,00	–	–
	Including due to private investments, donors' funds and additional budget funding	144 702 180,00	3 445 290,00	–	–	144 702 180,00	3 445 290,00
2	5.1.2. Mining						
	Total for sector 2007-2010	22 680 000,00	540 000,00	583 800,00	13 900,00	22 096 200,00	526 100,00
	Including due to MTBF	583 800,00	13 900,00	583 800,00	13 900,00	–	–
	Including due to private investments, donors' funds and additional budget funding	22 096 200,00	526 100,00	–	–	22 096 200,00	526 100,00
3	5.1.3. Development of the agriculture and processing						
	Total for sector 2007-2010	12 600 000,00	300 000,00	4 051 320,00	96 460,00	8 548 680,00	203 540,00
	Including due to MTBF	4 051 320,00	96 460,00	4 051 320,00	96 460,00	–	–
	Including due to private investments, donors' funds and additional budget funding	8 548 680,00	203 540,00	–	–	8 548 680,00	203 540,00
4	5.1.4. Development of small and medium business						
	Total for sector 2007-2010	12 600 000,00	300 000,00	4 051 320,00	96 460,00	8 548 680,00	203 540,00
	Including due to MTBF	4 051 320,00	96 460,00	4 051 320,00	96 460,00	–	–
	Including due to private investments, donors' funds and additional budget funding	8 548 680,00	203 540,00	–	–	8 548 680,00	203 540,00

5	**5.1.5. Construction**						
	Total for sector 2007-2010	8 400 000,00	200 000,00	5 104 680,00	121 540,00	3 295 320,00	78 460,00
	Including due to MTBF	5 104 680,00	121 540,00	5 104 680,00	121 540,00	–	–
	Including due to private investments, donors' funds and additional budget funding	3 295 320,00	78 460,00	–	–	3 295 320,00	78 460,00
6	**5.1.6. Tourism development**						
	Total for sector 2007-2010	7 140 000,00	170 000,00	19 320,00	460	7 120 680,00	169 540,00
	Including due to MTBF	19 320,00	460	19 320,00	460	–	–
	Including due to private investments, donors' funds and additional budget funding	7 120 680,00	169 540,00	–	–	7 120 680,00	169 540,00
7	**5.1.7. Transport infrastructure**						
	Total for sector 2007-2010	25 620 000,00	610 000,00	2 350 320,00	55 960,00	23 269 680,00	554 040,00
	Including due to MTBF	2 350 320,00	55 960,00	2 350 320,00	55 960,00	–	–
	Including due to private investments, donors' funds and additional budget funding	23 269 680,00	554 040,00	–	–	23 269 680,00	554 040,00
8	**5.1.8. Communication and information**						
	Total for sector 2007-2010	5 040 000,00	120 000,00	1 007 160,00	23 980,00	4 032 840,00	96 020,00
	Including due to MTBF	1 007 160,00	23 980,00	1 007 160,00	23 980,00	–	–
	Including due to private investments, donors' funds and additional budget funding	4 032 840,00	96 020,00	–	–	4 032 840,00	96 020,00
9	**5.1.9. Development of the innovative technologies**						
	Total for sector 2007-2010	4 200 000,00	100 000,00	414 960,00	9 880,00	3 785 040,00	90 120,00
	Including due to MTBF	414 960,00	9 880,00	414 960,00	9 880,00	–	–
	Including due to private investments, donors' funds and additional budget funding	3 785 040,00	90 120,00	–	–	3 785 040,00	90 120,00

10	**5.2. Combating corruption**						
	Total for sector 2007-2010	3 570 000,00	85 000,00	2 028 180,00	48 290,00	1 541 820,00	36 710,00
	Including due to MTBF	2 028 180,00	48 290,00	2 028 180,00	48 290,00	–	–
	Including due to private investments, donors' funds and additional budget funding	1 541 820,00	36 710,00	–	–	1 541 820,00	36 710,00
11	**5.3.1. Education essential to the society**						
	Total for sector 2007-2010	33 600 000,00	800 000,00	28 282 800,00	673 400,00	5 317 200,00	126 600,00
	Including due to MTBF	28 282 800,00	673 400,00	28 282 800,00	673 400,00	–	–
	Including due to private investments, donors' funds and additional budget funding	5 317 200,00	126 600,00	–	–	5 317 200,00	126 600,00
12	**5.3.3. Accessible and quality health care**						
	Total for sector 2007-2010	18 900 000,00	450 000,00	13 956 600,00	332 300,00	4 943 400,00	117 700,00
	Including due to MTBF	13 956 600,00	332 300,00	13 956 600,00	332 300,00	–	–
	Including due to private investments, donors' funds and additional budget funding	4 943 400,00	117 700,00	–	–	4 943 400,00	117 700,00
13	**5.3.3. Effective system of social protection and social insurance**						
	Total for sector 2007-2010	46 200 000,00	1 100 000,00	43 178 520,00	1 028 060,00	3 021 480,00	71 940,00
	Including due to MTBF	43 178 520,00	1 028 060,00	43 178 520,00	1 028 060,00	–	–
	Including due to private investments, donors' funds and additional budget funding	3 021 480,00	71 940,00	–	–	3 021 480,00	71 940,00
14	**5.3.5. Labor market and migration processes optimization**						
	Total for sector 2007-2010	8 400 000,00	200 000,00	636 720,00	15 160,00	7 763 280,00	184 840,00
	Including due to MTBF	636 720,00	15 160,00	636 720,00	15 160,00	–	–
	Including due to private investments, donors' funds and additional budget funding	7 763 280,00	184 840,00	–	–	7 763 280,00	184 840,00

15	**5.3.6. Broadening of population participation in cultural life**						
	Total for sector 2007-2010	840 000,00	20 000,00	641 340,00	15 270,00	198 660,00	4 730,00
	Including due to MTBF	641 340,00	15 270,00	641 340,00	15 270,00	–	–
	Including due to private investments, donors' funds and additional budget funding	198 660,00	4 730,00	–	–	198 660,00	4 730,00
16	**5.4.1. Provision of environmental safety**						
	Total for sector 2007-2010	2 520 000,00	60 000,00	444 551,52	10 584,56	2 075 448,48	49 415,44
	Including due to MTBF	444 551,52	10 584,56	444 551,52	10 584,56	–	–
	Including due to private investments, donors' funds and additional budget funding	2 075 448,48	49 415,44	–	–	2 075 448,48	49 415,44
17	**5.4.2. Provision of population and territory complex safety in the case of natural disasters and catastrophes**						
	Total for sector 2007-2010	16 800 000,00	400 000,00	2 950 071,60	70 239,80	13 849 928,40	329 760,20
	Including due to MTBF	2 950 071,60	70 239,80	2 950 071,60	70 239,80	–	–
	Including due to private investments, donors' funds and additional budget funding	13 849 928,40	329 760,20	–	–	13 849 928,40	329 760,20
	TOTAL ON CDS PRIORITIES						
	Total for 2007-2010	367 290 000,00	8 745 000,00	106 120 323,12	2 526 674,36	261 169 676,88	6 218 325,64
	Including due to MTBF	106 120 323,12	2 526 674,36	106 120 323,12	2 526 674,36	0,00	–
	Including due to private investments, donors' funds and additional budget funding	261 169 676,88	6 218 325,64	0,00	–	261 169 676,88	6 218 325,64
	Including due to donor's assistance	17 337 600,00	412 800,00	17 337 600,00	412 800,00	0,00	–
	Including due to private investments, donors' funds and additional budget funding	243 832 076,88	5 805 525,64	0,00	–	243 832 076,88	5 805 525,64
	TOTAL ON OTHR DIRECTIONS (not included into CDS)						
	Total for 2007-2010	33 871 976,88	806 475,64	33 871 976,88	806 475,64	-	-
	Including due to MTBF	33 871 976,88	806 475,64	33 871 976,88	806 475,64	-	-
	Including due to private investments, donors' funds and additional budget funding	-	-	-	-	-	-
	Including due to donor's assistance	-	-	-	-	-	-
	Including due to private investments, donors' funds and additional budget funding	-	-	-	-	-	-

Country Development Strategy Action Plan for 2006-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Increasing of economic capacity			
	5.1.1. Energy			
	Institutional and structural reforms of the sector			
1	To develop and introduce rules of access to the network and sale of power from alternative energy sources and mechanisms of their financing.	Ministry of industry, energy and fuel resources, State agency on antimonopoly policy and competition development, Government of the Kyrgyz Republic.	2007	Reforming of the existing power wholesale market into full retail market. Establishment of non-discriminatory conditions for access to network and sale of power to the new market subjects.
2	Completion of JSC «Kyrgyzgas» privatization.	State committee on state property management, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2008	Provision of reliable gas supply of the country.
3	Transfer to concession or privatization of distribution companies.	State committee on state property management, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007-2008	Funds from concession or privatization go to budget. Improvement of corporative or financial management of companies and power supply reliability.
4	Capacity building of State committee on state property management.	State committee on state property management, Government of the Kyrgyz Republic.	2007-2010	Increased capacity and competence of organ.
5	To develop and introduce incentive mechanism for energy company leadership based on merits and in connection to financial indicators of company activity.	State committee on state property management, Government of the Kyrgyz Republic.	2007	Improvement of interested motives of leadership to increase assets and profit of the company.

№	1	2	3	4
6	Improvement of legislative and normative and legal acts regulating policy and sector performance, as well as stimulating of power saving.	State agency on antimonopoly policy and competition development, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007-2010	Improvement of legal environment of the sector performance.
	Tariff policy			
7	Completion of social protection reform on monetization of benefits for energy carriers.	Ministry of labor and social development, Ministry of finance.	2007	Address and fair social protection.
8	To develop and implement mid-term tariff policy for heat and electrical energy and natural gas for the period till 2010.	State agency on antimonopoly policy and competition development, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007	Stage by stage increase of tariffs to cover all costs for production, transmitting and distribution. Predictability and openness of policy.
9	To introduce mechanism of transparent rate of export tariff.	State agency on antimonopoly policy and competition development, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic.	2007	Increased company income and budget from power export.
10	To fix power export functions to generating companies.	State agency on antimonopoly policy and competition development, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007	Increased company income and budget from power export.

№	1	2	3	4
11	To develop and start implementation of energy saving energy effectiveness programs, including and first of all for state institutions.	State agency on antimonopoly policy and competition development, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007	Reduction of energy consumption of productions. Enabling of more effective power consumption.
12	To enhance financial discipline and control in energy sector.	Ministry of industry, energy and fuel resources, State committee on state property management, Ministry of finance.	2007-2010	Financial improvement of subjects and a sector as a whole.
	Investment policy			
13	Putting into operation of additional generation capacities to increase export potential.	JSC «Power stations» (as agreed), State committee on state property management, Ministry of industry, energy and fuel resources, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2006-2010	Increased export capacity and enhanced export position on regional market of power.
	Kambarata HES-1 (construction period 8 years).			
	Kambarata HES-2 (construction period 4 years).			
	Heating and power plant-2 (construction period 3 years).			
14	Construction and putting into operation of new high voltage lines and substations to generate more power and improve the infrastructure for providing export of energy.	JSC «National power lines» (as agreed), Ministry of industry, energy and fuel resources.	2007-2010	Increased transmitting capacity and strengthening of energy and economical security.
	High voltage line 500 «Kambarata-Kemin».			
	High voltage line 220 and substation «Datka» 220 kV			
	High voltage line 500 «Kambarata-Kemin».			
15	Reconstruction of existing generating capacities (Uchkurgan and At-Bashi HES, Heating and power plant-1).	JSC «Power stations» (as agreed), Ministry of industry, energy and fuel resources.	2007-2010	Obtaining of additional power generation without considerable investments.

№	1	2	3	4
16	To implement technical re-equipment and restoration of small HES.	Ministry of industry, energy and fuel resources.	2007-2010	Additional power generation of local importance.
17	To implement complex of measures to cut down losses in energy system, first of all, in distribution network.	Energy companies (as agreed), Ministry of industry, energy and fuel resources.	2007-2010	Financial improvement of subjects and sector as a whole. Improved reliability of power supply of end customers.
18	To create conditions for the development and use of non-traditional renewable energy sources (NRES).	Ministry of industry, energy and fuel resources.	2007-2010	Diversification of energy sources.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Enhancing of economic capacity			
	5.1.2. Mining			
	Institutional and structural reforms of the sector			
1	To develop draft of the new Mining Code, having united all legislative acts regulating earth's interior use, remove numerous contradictions with other laws.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	Regulating of the legislation and adjustment to market conditions.
2	To formulate government policy in the field of earth's interior use oriented at: expansion of services provided to investors, stimulation of small and medium deposits development, improvement of geological infrastructure, cutting down of commanding and control functions.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	Transfer to market regulating principles in mining sector.
3	To reduce administrative pressure on mining companies, having canceled non-market requirements of state approbation of deposits, geologic and economic expert examination of feasibility study and designs.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	Deregulating in mining industry, reduction of legal risks Cut down time and expenses for administrative interaction with state organs.
5	To review statements in other laws, including Criminal Code, Administrative Code, Law on precious metals, Law on licensing of individual types of business activity, as well as secondary legislation in order to remove norms that allow for unjustified investor's risks.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	Reduction of administrative risks. To cut down the period for registration of access to rights for earth's interiors.

№	1	2	3	4
	Simplification of licensing procedure			
6	To improve licensing procedure for earth's interiors use, having divided objects that are subject to competitive distribution and that are distributed according to first application right.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	Reduction of legal risks and time spent.
7	To bring procedures of earth's interiors use licensing into line with the best world practice, having adjusted it to market conditions, including denial of licensing agreements, geological and economic expert examination of the feasibility study and designs.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	To cut down the period of rights registration.
8	To introduce register for applications on licensing according to principle «the first to come – the first to register». To separate functions of license issuing and monitoring of the licensee activity.	Grant IDF, State agency on geology and mineral resources, Non-governmental organizations (as agreed), Mining companies (as agreed).	2007	Considerable reduction of risks for mining and exploring companies. Reduction of corruption in the licensing procedure.
10	To develop and introduce amendments to current legislation (Law of KR «On earth's interiors», Land Code of KR) to simplify procedures of land allocation for earth's interiors use based on license.	State agency on geology and mineral resources, State agency on real estate rights registration.	2007	Speeding up and simplification of land rights registration procedure.
	Improvement of fiscal regime			
11	To set up royalty rates competitive with other countries (to envisage in the new version of Tax Code KR).	State agency on geology and mineral resources, State committee on taxes and fees, Ministry of finance, Grant IDF.	2007	Improvement of sector investment attractiveness. Increase of investments into the sector.
12	To introduce amortization mechanism for main assets taking into account limited time period of mining (to envisage in the new version of Tax Code KR).	State agency on geology and mineral resources, State committee on taxes and fees, Ministry of finance, Grant IDF.	2007	Improvement of sector investment attractiveness. Increase of investments into the sector.

№	1	2	3	4
	Privatization of mining enterprises			
14	To privatize all functioning mining enterprises that belong to the state fully or partially.	State agency on geology and mineral resources, State committee on state property management.	2007	Deregulating of economy. Attracting of privatization funds to budget.
15	To develop privatization program for JSC «Kyrgyzaltyn» through IPO (IPO: Initial Public Offering) at AIM (AIM: Alternative Investment Market).	State agency on geology and mineral resources, State committee on state property management, OJSC «Kyrgyzaltyn» (as agreed).	2007-2008	Cancel of state subsidies.
17	To privatize state shares in functioning joint ventures. To offer for sale unoccupied objects of earth's interiors use that are of interest for exploration.	State committee on state property management.	2007	Deregulating of economy. Cancel of preferences to joint ventures. Reduction of risks for licensees.
18	To develop and implement gradual privatization program for coal industry enterprises and gradual cancellation of state subsidies.	State committee on state property management.	2007-2008	Deregulating of economy. Cancel of preferences and subsidies.
	Improvement of sector management structure			
19	To enhance the role of the State agency on geology and mineral resources as an organ regulating mining sector.	Government of the Kyrgyz Republic.	2007	Single agency on management and coordination of mining sector.
	Enhancing of mining enterprises' obligations			
20	To enable regular reporting and publication of data on incomes and other takings within the frame of the Initiative of enhanced mining sectors activity transparency.	Ministry of finance, National statistics committee.	2007-2010	Increased transparency of mining companies.
21	To enhance companies' guarantees on restoration of the environment. To introduce effective protective measures preventing company leave without land recultivation.	State agency on geology and mineral resources.	2007-2010	Establishment of recultivation reserve fund and support measures of environmental protection after closure of mines.

№	1	2	3	4
	Improvement of geological infrastructure			
23	Transfer of archive documentation (fund materials) on electronic carriers.	State agency on geology and mineral resources.	2007-2010	Widening of services to mining companies.
24	To develop prototype GIS and create vectorized database of geological information on electronic carriers.	State agency on geology and mineral resources.	2007-2010	Increased effectiveness of deposits exploration. Attracting of investments.
25	To develop and approve system of payments for using of archive information and GIS.	State agency on geology and mineral resources.	2007	Improved information provision.
26	To declassify all cartography materials.	Ministry of defense, State agency on geology and mineral resources, National security service.	2006	Improve information provision to the companies.
27	To set up reporting standards for earth's interiors users and formulate mandatory requirement for regular presenting of geological reports, including mandatory presenting of electronic database of testing.	State agency on geology and mineral resources.	2006	Introduction and updating of geological information computerized system.
29	To oblige state institutions possessing electronic infrastructure maps to transfer its copies to the State agency on geology and mineral resources.	State agency on real estate rights registration, Institute of water problems and hydro-electric engineering under the National Academy of science of the Kyrgyz Republic, JSC «Power lines» (as agreed).	2006	Improve information provision to the companies.
30	To assign part of royalty and licensing payment directly to local administrations.	Ministry of finance.	2007-2010	Increased interest of local communities in presence of mining companies. Reduction of social force majeure risk for the companies.
31	To enable regular information of the local communities about the results of ecological monitoring.	State agency on geology and mineral resources, Ministry of emergency situations.	2007-2010	Strengthening of environmental monitoring system, ecological awareness of the population.

№	1	2	3	4
	Other			
33	To create training centers for capacity building of managing staff and specialists of higher and medium level of mining enterprises.	State agency on geology and mineral resources.	2007	Replacement of expatriates for local staff complying market economy requirements and modern management technologies.
34	To organize training for workers of mining professions, deficit of which is felt currently.	Ministry of education and science, State agency on geology and mineral resources.	2007	To reduce deficit of mining workers. Organized training of personnel, which is up to the requirements of mining companies and market economy.
35	With the purpose of replacing import, develop mechanism of encouraging usage of products made from mineral raw material of the deposits on the territory of the Kyrgyz Republic.	State agency on geology and mineral resources, Ministry of industry, energy and fuel resources.	2007	Increased number of developed deposits, development of auxiliary production.
36	To stimulate supply of marketable gold and silver produced in the country to domestic market to develop jeweler sector of the republic.	OJSC «Kyrgyzaltyn» (as agreed), Ministry of finance.	2007-2010	Increased production of jewelry and, therefore, tax takings. Increasing of left cost.
	Investment policy			
37	To increase scales and volumes of exploration works.	State agency on geology and mineral resources.	2007-2010	Growth of minerals reserves. Additional possibilities for investments.
№	**Gold mining industry**			
	Maximum extraction of open-cast mine reserves, additional exploration of reserves of Kumtor deposit flanks.	State agency on geology and mineral resources, Kumtor Gold Company (as agreed).	2007-2010	Enabling of stable work of the enterprise.
39	To enable stable work of OJSC «Kyrgyzaltyn» enterprises. In order to keep volumes of production to address issues with strategic investors for the organization of industrial production of gold on the deposits of Tereksaray group and Soltonsary, as well as for exploration works on Makmal deposit flanks.	State agency on geology and mineral resources, OJSC «Kyrgyzaltyn» (as agreed).	2007-2010	Enabling of stable work of the enterprise.

№	1	2	3	4
40	Construction and launching of the enterprises that obtained licenses for the exploration of small deposits and prospector's extraction (Kurutegerek, Djamgyr, Kuran-Djailoo, Andash and etc.).	State agency on geology and mineral resources, Government of the Kyrgyz Republic.	2007-2010	Enabling of stable work of the enterprise.
	Non-ferrous metallurgy			
41	Launch of OJSC «Karabalta mining industrial complex»: Addressing the issues of raw material supply in order to provide the main production with uranium raw material.	State agency on geology and mineral resources, State committee on state property management.	2007-2010	Launch of the main uranium production. Enabling of stable work of the enterprise.
42	JSC «Khaidarkan mercury industrial complex»: Stabilization of mercury and fluor-spar production	State agency on geology and mineral resources, State committee on state property management.	2007-2010	Recovery of the necessary deposit reserve. Future stable work of the enterprise.
43	JSC «Kadamjai antimony industrial complex»: Uninterrupted supply of the enterprise with concentrated raw material for production of no less than 4000 tons annually with future increasing.	State agency on geology and mineral resources, State committee on state property management.	2007-2010	Launch of the enterprise. Provision with raw materials and finance. Future stable work of the enterprise.
44	Starting of work on exploration of tin-tungsten deposits (Trudovoye, Uchkoshon, Kensu). Construction and putting into operation of the enterprises obtained licenses for the above deposits.	State agency on geology and mineral resources, Earth's interiors users (as agreed).	2007-2010	Stable work of the enterprise. Growth of production.
	Coal-mining industry			
45	Stabilization of work and growth of coal production.	State agency on geology and mineral resources, State committee on state property management.	2007-2010	Growth of coal production.
46	Starting of small enterprises' work. Putting into operation of additional capacities, such as coal mine «Besh-Burkhan», coal mine «Jyrgalan».	State agency on geology and mineral resources, State committee on state property management.	2007-2010	Growth of coal production.

№	1	2	3	4
	Oil and gas sector			
47	Starting of JSC «Kyrgyzneftegaz» work: Implementation of planned measures on working with investors; Introduction of new advanced technologies on oil and natural gas extraction on existing deposits; Increasing of exploration works on perspective sections.	State agency on geology and mineral resources, State committee on state property management, Leadership of the enterprise.	2007-2010	Growth of oil production.
	Building material enterprises			
48	Increasing of building material production (sand, clay for breaks production, sand and gravel mix, broken stone, haydite, and etc.). Increasing of building material production for cement production. Starting of OJSC «Kant cement slate industrial complex» work. Recovery of production OJSC «Kant MBM plant». Speeding up of the construction of plants in Nookat and Kyzyl-Kiya. Development of design documentation.	State agency on geology and mineral resources, Ministry of industry, energy and fuel resources, State committee on state property management, Leadership of the enterprise (as agreed).	2007-2010	Increase of production is planned due to the growth of various building materials deposits exploration.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Enhancing of economic capacity			
	5.1.3. Development of the agriculture and processing industry			
	Institutional and structural changes in agriculture and processing			
1	To form legislative and normative and legal base on land market.	State agency on real estate rights registration, Ministry of agriculture, water resources and processing industry, Local state administrations.	2007	Forming of sustainable land market.
2	Establishment of single information system on real estate by means of further introduction of automated system of registration, creating of cadastre database, cadastre cartography, development of evaluation methods for taxation of the real estate.	State agency on real estate rights registration.	2008-2010	Establishment of single information system on real estate and further introduction of geo information system on real estate, improvement of the introduction of land cadastre.
3	Improvement of the rural financial and credit system.	National bank of the Kyrgyz Republic (as agreed).	2007	Enhancing of rural producers' crediting.
4	Development and adoption of KR Laws: «On agricultural development»; «On agricultural bank»; «On public procurement and supply of the agricultural products, raw materials and food»; «On insurance in the agriculture»; «On tariff establishment on irrigation water supply services»; «On pastures»; «On pedigree business in stockbreeding»; «On wholesale market»; «On the order and conditions of setting payment for water objects and water resources usage»; «On alteration of the Law «On	Ministry of agriculture, water resources and processing industry, Local state administrations, Agrarian SRI, State agency on real estate rights registration.	2007-2010	Forming of the integral agricultural legislation.

№	1	2	3	4
	incapacity (bankruptcy)».			
	Plant cultivation development			
5	Allocation of credits to rural producers for purchase of the agricultural machinery.	Ministry of finance, Ministry of agriculture, water resources and processing industry.	2007-2010	Cutting down of manual labor in the agricultural production.
6	State support to scientific agrarian institutions.	Ministry of finance, Ministry of agriculture, water resources and processing industry.	2007-2010	Increasing of agricultural production effectiveness.
7	Development of new methods on phytosanitary and plant quarantine measures.		2007-2010	State control and supervision over the quality of plant production and processed plant products will be improved; favorable phytosanitary situation will be enabled.
	Stockbreeding development			
8	Establishment of 150 additional artificial insemination points for animals.	Ministry of agriculture, water resources and processing industry, Local state administrations, Aiyl okmotu.	2007-2010	Improvement of breeds and productivity of animals.
9	Establishment of 220 additional zoo veterinary service points.	Ministry of agriculture, water resources and processing industry, Local state administrations, Aiyl okmotu.	2007-2010	Improvement of stockbreeding output quality.
10	Restoration of 8 laboratories on freezing of sheep semen in state pedigree plants.	Ministry of agriculture, water resources and processing industry, Ministry of finance.	2007-2010	Improvement of animals productivity.
11	Development of new methods of diagnostic, treatment and prevention of spreading of contagious diseases of agricultural animals, poultry, bees, fish.	Ministry of agriculture, water resources and processing industry, Ministry of finance.	2007-2010	State control and supervision system over the quality of stockbreeding output and processed products will be improved, favorable epizootic situation will be enabled.
	Development of processing enterprises			
12	Attracting of investments for the construction of 3 mini-plants on production of canned meat in Naryn oblast.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state	2006-2008	Output from local raw material will be increased.

№	1	2	3	4
		administrations.		
13	Attracting of investments for the construction of 8 mini-plants on production of canned meat in oblasts: Talas – 1, Osh – 2, Batken – 1, Jalal-Abad – 2, Chui – 2.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2006-2008	Output from local raw material will be increased.
14	Attracting of investments for the construction of 11 mini-plants on dairy processing in oblasts: Batken – 3, Naryn – 3, Talas – 1, Chui – 1, Jalal-Abad – 2, Osh – 1.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2007-2010	Output from local raw material will be increased.
15	Attracting of investments for the construction of mini cigarettes factories in Nookat and kara-Suu rayons of Osh oblast.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2008-2010	Output from local raw material will be increased.
16	Attracting of investments for the construction of 14 mini shops on confectionery production in oblasts: Naryn – 3, Issyk-Kul – 3, Chui – 2, Jalal-Abad – 2, Osh – 2, Batken – 2.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2007-2010	Output from local raw material will be increased.
17	Attracting of investments for the construction of sugar pants in Issyk-Kul oblast – 1, Osh oblast – 1.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2007-2010	Output from local raw material will be increased.
18	Allocation of credit to business entities for the construction of 16 mini shops on processing of potato and fruits and vegetables in oblasts: Jalal-Abad – 5, Osh – 3, Chui – 4, Issyk-Kul – 2, Talas – 2.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2007-2010	Output from local raw material will be increased.
19	Attracting of investments for the modernization of functioning plants on processing of agricultural raw materials with the application of deep processing technology in oblasts: Jalal-Abad – 2, Osh – 2, Chui – 3, Issyk-Kul – 2, Talas – 1, Naryn – 2, Batken – 1.	Ministry of finance, Ministry of agriculture, water resources and processing industry, Local state administrations.	2007-2010	Output from local raw material will be increased.
20	Elaboration of the alcohol industry development industry	Ministry of agriculture, water resources and	2007	Increase of production and taxes and non-tax receipt

№	1	2	3	4
	program up to 2010	processing industry.		in the budget.
	Development of procurement and export systems			
21	Establishment of wholesale and retail and IDF trade network for sale of the agricultural and processed product in oblast information and marketing centers.	Ministry of agriculture, water resources and processing industry, Local state administrations, Aiyl okmotu, Rural businessmen (as agreed).	2007-2010	Volume of sold agricultural and processed output will be increased.
22	Establishment of republican commodity exchange system on sale of the agricultural and processed product.	Ministry of agriculture, water resources and processing industry, Ministry of finance, Local state administrations, Aiyl okmotu, Rural businessmen (as agreed).	2007-2010	Wholesale and retail and IDF trade network for sale of the agricultural and processed product will be established, volume of export will be increased, geography of markets will be expanded.
23	Establishment of trade houses on self-financing basis in CIS countries and foreign countries with the participation of export-oriented enterprises.	Ministry of agriculture, water resources and processing industry, Ministry of foreign affairs, Local state administrations, Aiyl okmotu, Export oriented enterprises (as agreed).	2007-2010	Expansion of markets, increase of export volume.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Enhancing of economic capacity			
	5.1.6. Development of tourism			
	Tourism			
1	Conducting of training seminars for the regional structures of public administration organs on tourism matters: on introduction of behavior model for the population living in resort areas, for the introduction of behavior model of hospitality for the structures NSS, SAI, MIA and etc., trainings for the representatives of tourist sector.	State agency on tourism.	2007-2010	Introduction of behavior model of hospitality.
2	Establishment of tourist information centers of the Kyrgyz Republic in Moscow, Ekaterinburg, Novosibirsk, Almaty on the base of embassies and consulates.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
3	Participation in the International tourist fair «ITB-2007» in Berlin, Germany in February, 2007 with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
4	Participation in the International tourist fair «MITT-2007» in Moscow, in May 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
5	Participation in the International tourist fair «Tursib-2007» (Novosibirsk) with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
6	Participation in the International tourist fair «KITF-2007» in Almaty, in April, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
7	Participation in the International tourist fair «BITE-2007» in Beijing, China, in June, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.

№	1	2	3	4
8	Participation in the International tourist fair «WTM-2007» in London, in November, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Promotion of Kyrgyzstan as a tourism country.
9	Participation in the International tourist fair «Intourmarket-2007» in Moscow, in March, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
10	Participation in the International tourist fair «JATA-2007» in Tokyo, Japan, in September, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
11	Participation in the International tourist fair «Summer-2007» in Ekaterinburg, in April, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Promotion of Kyrgyzstan as a tourism country.
12	Participation in the International tourist fair «Uzbekistan Leisure-2007», in Tashkent, in April, 2007, with the organization of national stand.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
13	Conducting of presentations of tourist capacity of the Kyrgyz Republic at the main tourist markets abroad (Russia, Kazakhstan, PRC, European Union).	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
14	Organization of Second Kyrgyz International tourist fair «BITF-2007» in Bishkek, in May, 2007.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
15	Conducting of info-tours for foreign mass media, business circles and tour operators.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
16	Making of video materials to create advertisement video films in main languages (Russian, English, Chinese, Japanese).	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.
17	Making of printed advertisement about tourist capacity of the Kyrgyz Republic: Catalogs of tourist routes, guidebooks, booklets, calendars, posters.	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits.

№	1	2	3	4
18	Establishment of web portal with searching information system and a possibility of on-line order and booking of tourist services under brand «Kyrgyzstan is a country of tourism».	State agency on tourism.	2007-2010	Forming of Kyrgyzstan image as a country of tourism, increased number of tourist visits, development of private tourist services providers.
19	Organization of training and retraining of the medium and junior level personnel of resort and recreational institutions, hotel sector and public catering establishment on the base of created Training and methodological centers on training and retraining of tourist staff in Issyk-Kul, Osh and Jalal-Abad oblasts.	State agency on tourism.	2007-2010	Improved quality of services provided, in accordance with the international standards.
20	Development and adoption of the new classification system of hotels and health resort business institutions.	State agency on tourism.	2007-2010	Optimization of «Price-quality» ratio in the sector of hotel service and health resort business service in accordance with the international standards.
21	Development of national standards of tourist service quality.	State agency on tourism.	2007-2010	Introduction of standards on tourist service quality in accordance with the international standards.
22	Establishment of Tourist information centers (TIC) in the regions.	State agency on tourism.	2007-2010	Provision of tourist information support.
23	Scientific and research work on studying of the tourist capacity of the Kyrgyz Republic.	State agency on tourism.	2007-2010	Development of master plan till 2010 (general plan of tourism development).
24	Initiation of works on land allocation for the construction of hotels, camping and improvement of roadside infrastructure.	State agency on tourism.	2007-2010	Establishment of database for the development of General scheme of tourist infrastructure development and attracting of potential investors.
25	Creating of Tourist offices in Manas airport, railroad station, airport Tamchi, counting for 15 people.	State agency on tourism.	2007-2010	Efficient assistance to entered tourist in receiving of reliable and full information about the country.
26	Conducting of study in tourist sector on the base of training, scientific, and production sites.	State agency on tourism.	2007-2010	Development of tourist sector formation strategy as priority sector of economy and creating of sustainable tourism model.

№	1	2	3	4
27	Development and edition of training and methodological literature for tourist sector and educational institutions.	State agency on tourism.	2007-2010	Increasing of service quality and level of service provision, encouragement of new jobs creation in the regions.
28	Organization of round-the-clock dispatcher service to enable safety stay of coming tourists during summer period in the Kyrgyz Republic.	State agency on tourism.	2007-2010	Provision of information support and safety for tourists.
29	Conducting of the international festivals of applied arts and crafts.	State agency on tourism.	2007-2010	Development of adjacent with tourism sectors.
30	Conducting of presentations, PR-campaigns about tourist capacity of the Kyrgyz Republic.	State agency on tourism.	2007-2010	Increased number of tourist visits.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Enhancing of economic capacity			
	5.1.7. Transport infrastructure			
	Development of transport infrastructure to provide access of commodities, services, labor and social services to local markets			
1	To optimize structure and composition of administrative and managerial personnel of road operation enterprises.	Ministry of transport and communications.	2007-2010	Reduction of functions of the ministry, introduction of market mechanisms in the road operation and management.
2	To provide support to technical condition of motor roads by means of prioritizing (road maintenance +routine repair).	Ministry of transport and communications.	2007-2010	Achievement of the transport operational characteristics and safe traffic on the motor roads.
3	To develop feasibility study and detailed design for the rehabilitation of Issyk-Kul ring road.	Ministry of transport and communications.	2008-2010	Possibility to search financial resources for project implementation.
4	To provide supply of road-building machinery.	Ministry of transport and communications.	2007	Mechanization of operation and maintenance, repair works.
5	To develop design for the construction of by pass road along the boundaries of Tajik villages Chorku and Curkh.	Ministry of transport and communications.	2007-2010	The development of project will allow addressing problems connected to crossing of Tajik border, which, in turn, will facilitate access of the population to labor market and services of such major towns as Osh and Kyzyl-Kiya.
	Development of transport infrastructure to provide access to regional markets of goods and services			
6	Project «Rehabilitation of road Bishkek-Osh», Stage 3.	Ministry of transport and communications.	2007-2009	Enhancing of traffic safety, development of roadside service, and restoration of roadside industrial enterprises, tourism development, improvement of well being of poor population, living in zones covered by the project.

№	1	2	3	4
7	Project «Rehabilitation of road Bishkek-Osh (stage 2, package 2 equipment procurement)», Stage 2.	Ministry of transport and communications.	2007	Enhancing of traffic safety, development of roadside service, and restoration of roadside industrial enterprises, tourism development, improvement of well being of poor population, living in zones covered by the project.
8	Project «Rehabilitation of road Bishkek-Almaty (Georgievka)».	Ministry of transport and communications.	2007	Broadening of possibility for access to regional markets, development of commerce.
9	Project «Rehabilitation of road 'Southern transport corridor», ADB.	Ministry of transport and communications.	2007-2010	Provision of access to regional markets of goods, services and labor
10	Project «Rehabilitation of road 'Southern transport corridor», ADB.	Ministry of transport and communications.	2007-2010	Provision of access to regional markets of goods, services and labor.
11	To develop feasibility study and detailed design for the rehabilitation of Sarytash-Karamyk road.	Ministry of transport and communications.	2007	Obtaining of the possibility to search financial resources for project implementation.
12	To enable supply of road-building machinery (about 7-8 units) ТРАСЕКА.	Ministry of transport and communications.	2007	Mechanization of operation and maintenance, repair works.
13	Project «Rehabilitation of Talas-Taraz-Suusamyr road» (0-52km), 1 stage.	Ministry of transport and communications.	2007-2009	Enhancing of traffic safety, development of roadside service, and restoration of roadside industrial enterprises, tourism development, improvement of well being of poor population, living in zones covered by the project.
14	Project «Rehabilitation of Talas-Taraz-Suusamyr road» (0-52km), 2 stage.	Ministry of transport and communications.	2007-2010	Enhancing of traffic safety, development of roadside service, and restoration of roadside industrial enterprises, tourism development, improvement of well being of poor population, living in zones covered by the project.
15	To develop project «Rehabilitation of Bishkek-Torugart road» with the length 539 km.	Ministry of transport and communications.	2008-2010	Improvement of the infrastructure of both local and international freight and passengers

№	1	2	3	4
				transportation.
16	Project «Rehabilitation Osh-Batken-Isfana road».	Ministry of transport and communications.	2007-2010	Improved access to south-western part of the country and preservation of the key paved road network.
17	To develop feasibility study for the construction of railroad line «Uzbekistan-Kyrgyzstan-China».	Ministry of transport and communications.	2007	Development of the railroad sector. Increased freight volume transportation through the railroad.

Plan of activities within Country Development Strategy for 2007-2010				
	Activities/Sections	**Agency in charge**	**Terms of implementation**	**Expected result**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Enhancement of economic capacity			
	5.1.8. Communications and informatization			
1	Creation of the main fiber-optical communication line.	Ministry of transport and communication	2007-2010	Establishment of alternative operator of main communication
2	Installation of telephones in settlements without telephone network.	Ministry of transport and communication, Oblast state administrations	2007-2010	Establishment of telephone communication in all settlements of the republic, establishment of digital telephone communication and development of local communication infrastructure (all in all there are 526 settlements without telephone communication).
3	Maintenance of full coverage of settlements of the republic with programs of tele-radio broadcasting.	Ministry of transport and communication Oblast state administrations	2007-2010	Population should have full access to information
4	Rationalization of the National strategy «ICT for the development of the Kyrgyz Republic» and establishment of the dedicated communication administrative network	Ministry of transport and communication	2007-2010	Expanding of information and communication services provision to the population on the whole territory of the country.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.1. Enhancing of economic capacity			
	5.1.9. Development of innovative technologies			
1	Set up monitoring of domestic and world markets of innovation products, analysis of parameters and dynamics of their development, forecast innovation –technological development of the country.	Center of strategic reforms, National academy of science, State patent service.	2007-2010	Strengthen state regulation and support of scientific-research and experimental-design efforts in competitive areas: power, mining industry, communication and telecommunications, biotechnologies, software development.
2	Formation and development of control and accounting system for scientific-technical activities.	National academy of science, State patent service.	2007-2010	
3	Develop a system of statistical surveillance in innovation area to keep track of major development indicators of innovation system development.	National statistics committee, State patent service, National academy of science.	2007-2010	
4	Development of state support of local innovators, also by purchasing their innovations for government needs and placement of state orders for innovations on a competitive basis for the enterprises of all forms of ownership.	State patent service, Ministry of industry, energy and fuel resources, Ministry of finance, National academy of science.	2007-2010	Create conditions for capacity building in local science and ensuring succession in scientific and technology areas.
5	Develop a system of ongoing training for specialists to better organize and manage innovation activities.	State patent service, Ministry of education and science.	2007-2010	
6	Create conditions to attract and keep talented young people in innovation business.	Ministry of education and science, Agency on public service affairs.	2007-2010	
7	Facilitate development of trading securities of high-end technology industrial enterprises in order to enhance their liquidity including trading options for the right of purchasing rights for the product of scientific-technical activities.	State patent service, State service on financial supervision and reporting.	2007-2010	Encourage foreign investments in high-end technology industries of the country economy.

№	1	2	3	4
8	Improvement of financial leasing system for unique scientific, technology and production equipment.	State patent service, State service on financial supervision and reporting.	2007-2010	Ensure development of innovation technologies aimed to enhance efficiency of power and natural resources use. Accelerate consolidation of scientific, educational and production efforts to enhance competitiveness of the economy. Provide state support to formation of integrated scientific, educational and production centers oriented on production of commercial goods and sale of innovation products in cooperation with small high technology enterprises. Ensure efficiency of the State-private partnership when implementing innovation projects of highest importance for the state.
9	Creation of conditions for long-term crediting and encouragement of investment projects of innovation companies.	State patent service, National bank of the Kyrgyz Republic (as agreed), Commercial banks (as agreed).	2007-2010	
10	Coverage of success stories and experiences of innovation activities in mass media including support of innovation exhibitions and venture fairs.	State patent service, National academy of science, Mass media (as agreed).	2007-2010	
11	Develop conditions to encourage replacement of import goods by local competitive innovation products.	State patent service.	2007-2010	

Country Development Strategy Action Plan for 2006-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.2. Combating corruption			
1	To develop National system of monitoring and evaluation of corruption level in the country.	National agency on corruption prevention, National council on combating corruption, Government of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Creating conditions for corruption, its dynamics and trends control.
	5.2.1. Political reform			
2	To introduce elections to Jogorku Kenesh of the Kyrgyz Republic and local authority organs based on party lists, at the same time introducing privileged registration for female candidates.	Central commission on elections and referendums, Government of the Kyrgyz Republic, Political parties, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Possibility for broad representation of various strata of the population in Jogorku Kenesh of the Kyrgyz Republic.
3	To develop mechanisms providing transparency and openness of political parties' financial reporting.	Central commission on elections and referendums, Government of the Kyrgyz Republic.	2007	Transparency and openness of political parties' activity.

№	1	2	3	4
4	To develop mechanisms providing uncovering of the information about financial sources of electoral funds.	Central commission on referendums, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Transparency and openness of electoral funds.
6	To regulate process of transparent lobbying of bills.	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Transparency and openness of lobbying the bills.
8	To regulate in the normative act control functions of parliament, such as parliamentary investigation, parliamentary hearings, governmental hour.	Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic.	2007	Enhancing of parliamentary control over executive power.
	5.2.2. Deregulating of economy			
9	To set up clear and systematic hierarchy of normative and legal acts; introduction of mandatory legal, financial and economical and other specialized examination by experts of draft acts with forecasting of implications of their adoption; establish of reasonable periods for effectiveness of laws.	Government of the Kyrgyz Republic, Expert non-governmental organizations (as agreed), International organizations (as agreed).	2007	Crating of conditions to form clear, predictable and stable legislation of the Kyrgyz Republic regulating economic activity.
10	To enable awareness of the population and business community about new drafts of normative and legal acts through mass media and Internet; to continue and strengthen participatory policy in development of new legislation by mutual efforts of civil society, private sector and state apparatus.	Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic.	2007	Reduction of instability and uncertainty factors' impact on legal and regulatory regime in Kyrgyzstan.
12	Introduce principle of «one window», under which all required documents are submitted through one state institution, and establish strictly limited time frame for the registration.	Government of the Kyrgyz Republic.	2007	To create conditions for facilitating simplified order of registration, opening of new businesses and their legal leave from the market.

№	1	2	3	4
13	Solve problem of effective voluntary (legally made official) leave of business from the market.		2007	
14	Establish unified and comprehensive list of licensing requirements and conditions that are necessary to obtain license and permits in one legislative act.	Government of the Kyrgyz Republic.	2007	Improvement of licensing permissive system in the Kyrgyz Republic.
15	To continue, within the frame of inventory of normative and legal acts, revising of regulatory permissive system with the purpose to cancel normative acts and norms introducing illegal permits and norms regulating business activity.	Government of the Kyrgyz Republic.	2007-2010	To eliminate contradictions between normative and legal acts and relevant laws.
16	To establish mandatory state requirements to financial and economic activity of business entities and administrative procedures on assessment of observance of such requirements only within direct laws.	Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007-2010	Setting up of transparent and unified normative system of state regulating of business activity.
17	To develop and introduce clear legislation defining order and procedures of checks, to regulate scales, duration and periodicity for those checks.	Government of the Kyrgyz Republic.	2007	Reduction of the number and duration of checks conducted by regulatory and control state organs, as well as increasing of their effectiveness.
18	To introduce complete ban for receiving of financial means by the state organs for regulatory functions performed by them directly from business entities, as well as through special means and off-budget funds.	Government of the Kyrgyz Republic.	2007	Exclusion of conflict of interest, achieving of transparency in the state organs funding.
19	To cut down total taxation size, to create competitive tax rates on main taxes, to reduce the number of taxes.	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Simplification and increasing transparency of the taxation system, reduction of tax remissions and broadening of tax base.
20	To strengthen tax administration and minimize direct contacts of tax organs with tax payers.		2007	
21	To develop sphere of customs services (customs brokers, customs carriers, owners of duty-free shops, warehouses) and do not allow for its monopolization.	Government of the Kyrgyz Republic.	2007	Minimization of personal communication between participants of foreign-economic activity and tax organs.

№	1	2	3	4
22	Develop mechanism of preliminary decision-making, optimize procedure of customs processing and control of vehicles and imported freight by means of arrangement of joint control together with the agencies responsible for veterinary, transport and other control, in one location.	Government of the Kyrgyz Republic.	2007	Simplification and speeding up of customs procedures.
24	Transfer to full autoimmunization of tax and customs services to enable electronic submission and processing of tax, import and export declarations. To provide access of all interested persons to all necessary customs information, as well as develop partnership of customs and business community.	Government of the Kyrgyz Republic.	2007-2010	Simplification and speeding up of customs and tax procedures . Enabling transparency in the activity of customs in the Kyrgyz Republic.
	5.2.3. Reform of public administration			
25	To conduct anti-corruption analysis of normative and legal acts regulating economic activity.	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Revealing of provisions in the legislation allowing for corruption in regulatory organs.
26	To introduce mechanism when ministries and agencies protect all their normative and legal acts with the purpose of inventory and cutting off the excessive regulation.	Government of the Kyrgyz Republic.	2007	Eliminating of excessive rule- making.
27	To create a subdivision within the Ministry of finance, responsible for coordination of public administration reform.	Government of the Kyrgyz Republic.	2007	Availability of center to coordinate measures on reforming of public administration system.
28	To regulate functions of state organs based on horizontal functional analysis.	Government of the Kyrgyz Republic.	2007	Clear defining and regulating of the implementation of state functions by executive power organs.
29	To regulate procedures of decision-making by executive power organs: to develop and approve formats for decisions of public administration organs and governmental decisions.	Government of the Kyrgyz Republic, Independent experts (as agreed).	2007	Enhancing quality of decisions of executive power organs, reduction of possibilities to make narrow departmental or corrupted decisions.
30	Development of the procedure of	Public administration	2007	Minimization of direct

№	1	2	3	4
	electronic public service provision and compulsory list of those services.	organs.		contact between official and citizen, reduction of demand for corrupted services.
31	To perform analysis of local self-governance bodies expenses needed to perform their functions, including delegated ones, and determine funding mechanism.	Government of the Kyrgyz Republic, Local self-governance bodies.	2007	Determination of real expenses to perform functions of local self-governance bodies and compiling of realistic budgets for them.
32	To set up official website on public procurement and publish all announcements on public procurement along with the tender documents, and all necessary information about public procurement in the Kyrgyz Republic.	Government of the Kyrgyz Republic.	2007	Enhancing transparency and openness of public procurement.
33	To make amendments to the Law of the Kyrgyz Republic «On Chamber of accounts» on mechanism of decision-making on reports of Chamber of accounts by legislative and executive organs of the Kyrgyz Republic.	Chamber of accounts, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007	Enhancing effectiveness of Chamber of accounts recommendations.
34	To provide a function on decision-making regarding reports of Chamber of accounts in Jogorku Kenesh of the Kyrgyz Republic.	Chamber of accounts, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007	Establishment of monitoring mechanism for the implementation of recommendations of Chamber of accounts.
35	Development of criteria and methodology on audit of effectiveness on all directions of activity subject to public audit.	Chamber of accounts, Government of the Kyrgyz Republic, Jogorku Kenesh of the Kyrgyz Republic.	2007	Introduction of audit of effectiveness in public administration practice.
36	To introduce budget hearings at the central and local levels, as permanently acting mechanism of civil society involvement into decision-making.	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed).	2007	Openness and transparency of budget forming.
37	To regulate consultations with civil society under adoption of budget, introduction of public regulatory measures.	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed).	2007	Cutting down the possibilities to make corrupt decisions.

№	1	2	3	4
38	To introduce public service quality evaluation system («Yellow card system»).	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed).	2007	Availability of feedback from customers of public services.
	5.2.4. Capacity building of public servants			
39	To develop proposals on reforming salary system for public servants, as well as develop measures on additional incentive (stimulating), including:	Government of the Kyrgyz Republic, Agency on public service affairs.	2007	To provide state guarantees in the field of salary payment. Enhancing of incentive capacity of salary.
40	- Reimbursement of tuition fee for one of the children studying in higher education institution of public servant			
42	To improve the system of public opening and checking of income and property statements of public servants.	Agency on public service affairs, Government of the Kyrgyz Republic.	2007	Enhancing of public servants responsibility.
43	To study possibilities of broadening circle of relatives of public servants, who are required to declare incomes and property.		2007	
44	To provide mechanisms of regulatory control over implementation of the following laws «On public service», «On declaration and publication of income statement, liabilities and property of persons occupying political and other special state positions, as well as their close relatives» and «On fundamentals of state guarantees of gender equality provision».	Agency on public service affairs, Government of the Kyrgyz Republic.	On an ongoing basis.	Complete and rigorous observance of the legislation on public service.
45	To strengthen human resource divisions of executive organs, allotting special structural subdivision in each of them (or specialist) on human recourse management and having conducted special training, including gender.	Government of the Kyrgyz Republic, Agency on public service affairs.	2007	Availability of special subdivision (or specialist) on human recourse management, number of trained human recourse staff.
46	To develop memo for citizens on ways to counteract administrative corruption in typical cases and disseminate them among the	National agency on corruption prevention.	2007	Forming of active position on counteracting corruption with citizens.

№	1	2	3	4
	population.			
47	To perform analysis of procedures and working processes of state organs to reveal corruption risks.	National agency on corruption prevention.	2007	Recommendations on removing procedures and processes creating corruption risks.
48	To periodically organize training courses for public organizations, public servants and civil society about their rights upon interaction with state organs on corruption prevention and combating, as well as on sources and consequences of corruption.	Government of the Kyrgyz Republic, Agency on public service affairs, Academy of management under the President of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed), National agency on corruption prevention.	On an ongoing basis.	Organization of trainings and compulsory courses on sources and consequences of corruption.
	5.2.5. Reform in legal sphere			
49	To continue work on inventory of the legislation of the Kyrgyz Republic in order to eliminate contradictions between normative and legal acts of different levels and harmonizing them with the legislation of the Kyrgyz Republic.	Government of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed).	2007-2010	Exclusion of ambiguous interpretation and contradictions, which allows using them by regulatory organs in their favor, in current legislation.
50	To harmonize provisions of Criminal and Criminal Procedural Codes with UN Convention against corruption in terms of definition of revenue and funds of criminal activity, and provide for criminal liability for «subreption», «abuse of powers», «misappropriation» in compliance with their definitions given in UN Convention against corruption.	Office of Public Prosecutor of the Kyrgyz Republic, National agency on corruption prevention.	2007	Strengthening of measures aimed at corruption prevention and combating, as well a increasing effectiveness of investigations in the field of administrative corruption.
51	To achieve inclusion of the Kyrgyz Republic into Millennium Challenge Corporation threshold program.	Government of the Kyrgyz Republic.	2007	Cutting down of corruption level in the country through enhancing professionalism and

№	1	2	3	4
				effectiveness of judicial and law enforcement bodies.
52	To reform judicial system with the purpose of achieving its financial independence through raise of salary for the employees of judicial organs, independent and full funding of courts.	Government of the Kyrgyz Republic, Supreme Court of the Kyrgyz Republic.	2007	Establishment of effective and independent judicial system.
53	To conduct functional analysis of the whole judicial system and all law enforcement bodies, involved in combating corruption.	Government of the Kyrgyz Republic, Supreme Court of the Kyrgyz Republic, Non-governmental organizations (as agreed), International organizations (as agreed).	2007	Recommendations on liquidating duplication and overlapping in fighting corruption, determination of optimal structure.
54	To determine the authorities of the National council on justice, Congress of judges and Council of judges and endow them with independent bodies authorities, providing public and professional control over judges, procedure of selection and assignment of only qualified staff with the mandate to carry out internal investigations.	Supreme Court of the Kyrgyz Republic.	2007	Development of the legal policy and strategy of courts activity and their protection from political harassments.
55	To remove Judicial department from the Ministry of justice in terms of financial and economic provision of courts and transfer it under control of judicial power.	Government of the Kyrgyz Republic, Supreme Court of the Kyrgyz Republic.	2007	Enabling of real separation of judicial and executive power.
56	To introduce amendments into procedural legislation aimed at simplification of proceedings and shortening of time period for proceedings on commercial cases, as well as at changing the order and size of the state due charged upon court decision.	Supreme Court of the Kyrgyz Republic Government of the Kyrgyz Republic.	2007	Releasing of the administrative barriers for business activity and increasing of access to legal defense for citizens and businessmen.
57	To introduce automated distribution of cases in judicial organs and enable open access of citizens to court decisions through Internet.	Supreme Court of the Kyrgyz Republic.	2007	Introduction of the single judicial information and management system.
58	To confirm in the laws (codes) the functions, delegated to judicial bodies from prosecutor's office in giving sanctions to	Supreme Court of the Kyrgyz Republic, Office of Public Prosecutor of the	2007	To provide effective methods of protection of constitutional rights and freedoms for citizens.

№	1	2	3	4
	arrest, detention, seizure, search, limitation of secrecy of correspondence.	Kyrgyz Republic.		
59	To develop normative legal acts on establishment of the institute of panel in the Kyrgyz Republic	Supreme Court of the Kyrgyz Republic, Government of the Kyrgyz Republic.	2007	Achievement of open and effective justice system and involvement of the population into legal procedure.
60	To establish a subdivision, within the limit of staff quantity, in the law enforcement bodies to prevent corruption and conduct investigations with regard to corrupted employees.	Government of the Kyrgyz Republic.	2007	Creating of effective system on combating corruption in law enforcement bodies.
61	Background check of the law enforcement bodies' employees, including polygraph detector check.		2007	
62	Raising salary for law enforcement bodies' employees.		2007	
63	Training of law enforcement bodies' employees on skills and methods of combating corruption.		2007	
64	To establish participatory surveillance organs, including these organs' representatives/civil society/mass media to consider complaints received from public regarding abuse of power by law enforcement bodies' employees.	Government of the Kyrgyz Republic.	2007	Enhancing of the civil society role in controlling law enforcement bodies.
65	To liquidate duplicating subdivisions in the sphere of narcotic fighting, economic and organized crime in the Agency of the Kyrgyz Republic on drug control, Ministry of internal affairs, State committee on national security, Financial police based on functional analysis conducted within those agencies.	Government of the Kyrgyz Republic, Presidential Administration of the Kyrgyz Republic.	2007	Restructuring of Agency of the Kyrgyz Republic on drug control, Ministry of internal Affairs, National security service, and Financial police service.
66	To develop and introduce methodological base in the work of Revenue inspection service of the Kyrgyz Republic.	Revenue inspection service Government of the Kyrgyz Republic, International organizations	2007	To enhance capacity of the Revenue inspection service of the Kyrgyz Republic and enable independence of its activity.
67	To hire professional staff for the Revenue inspection service.		2007	

№	1	2	3	4
68	To address institutional, organizational and technical issues for the Revenue inspection service activity	(as agreed).	2007	

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.3. Human and social development			
	5.3.1. Education essential to the society			
	Secondary education			
1	Development of state standards of school education.	Ministry of education and science, Professional community, Mass media (as agreed).	2007	Bringing of knowledge, skills of graduates of base and complete secondary schools into line with modern society requirements.
2	Improvement of basis curriculum in secondary school.	Ministry of education and science, Professional community (as agreed).	2007	
3	Development of textbooks and teaching and methodological complexes based on the new state standards, curriculum and plans taking into account age features of children, improvement of expert examination and approbation of educational publications.	Ministry of education and science, Professional community (as agreed).	2007-2010	Modernization of school education content.
4	Improvement of expert examination (including gender) and approbation of educational publications based on the work of expert panels.	Ministry of education and science, Professional community (as agreed).	2007	Improvement of quality of educational publications.
5	Improvement of methodology, human recourse and material supply of Kyrgyz, Russian and English languages teaching and languages of ethnic minorities (in those schools where instruction language is theirs).	Ministry of education and science, Professional community (as agreed), Mass media (as agreed).	2007-2010	Ability of school graduates to know languages.
6	Improvement of in-service training for teachers.	Ministry of education and science.	2007-2010	Increasing of education quality.

№	1	2	3	4
7	Conducting of a campaign on enhancing prestige of teacher's work.	Ministry of education and science, Professional community (as agreed), Mass media (as agreed).	2007-2010	Enhancing of attractiveness of teacher's profession, including among guys.
8	Raise of teacher's salary	Ministry of finance, Ministry of education and science.	2007-2010	Enhancing of attractiveness of teacher's profession, including among young men.
9	Improvement of quality control system for teacher's work.	Ministry of education and science, Professional community (as agreed).	2007-2010	Increasing of education quality.
10	Implementation of a program for fixing young teachers «Deposit of a young teacher».	Ministry of finance, Ministry of education and science, commercial banks (as agreed).	2007-2010	Fixing of young teachers, including men, in the rural area.
11	Improvement of system intended to reveal and suppress cases of illegal requisitions from school students at schools.	Ministry of education and science, Research organizations (as agreed), Mass media (as agreed).	2007-2010	Reduction on financial burden on parents, facilitation of access to education for children from poor families.
12	Systematic conducting of independent sample studies of knowledge level for students.	Ministry of education and science, Research organizations (as agreed), Mass media (as agreed).	2007-2010	Obtaining of objective picture of school education quality.
13	Broadening of inclusive education.	Ministry of finance, Ministry of education and science.	2007-2010	Improvement of disabled children access to education.
14	Provision of junior school children with afternoon snacks in mountainous and remote areas of the country.	Ministry of finance, Ministry of education and science.	2007-2010	Strengthening of children's health, improvement of school attendance.
15	Publication of updated textbooks and educational methodological guides.	Ministry of finance, Ministry of education and science.	2007-2010	Improvement of textbooks supply, increasing education quality.

№	1	2	3	4
16	Provision of schools with furniture, computers and necessary school equipment.	Ministry of finance, Ministry of education and science, Local state administrations, Local self-governance bodies.	2007-2010	Improvement of material and technical supply of teaching process, increasing education quality.
17	Routine and capital repair of school buildings, construction of new schools.	Ministry of finance, Ministry of education and science, Local state administrations, Local self-governance bodies.	2007-2010	Improvement of educational conditions, strengthening children's health.
18	Transfer from school education funding based on class to per capita principle of funds allocation.	Ministry of finance, Ministry of education and science.	2007	Enhancing of effectiveness of expenses for education.
19	Introduction of incentive system for the educational institutions showing better results in education.	Ministry of finance, Ministry of education and science, Local state administrations, Local self-governance bodies.	2007-2010	Creating incentives to raise educational quality.
20	Introduction of special compensating mechanism of funding for schools with worse required resources supply.	Ministry of finance, Ministry of education and science, Local self-governance bodies.	2007-2010	Alignment of funding for low complete schools in isolated areas of the country.
21	Regulating cash collection system from parents for provision of educational process and establishment of transparent system of accountability on use of those funds with the participation of parents and civil society; non-admission of any limitation of educational possibilities for children from families with low income.	Ministry of finance, Ministry of education and science, Local self-governance bodies, Mass media (as agreed), Parents committees (as agreed).	2007-2010	Increasing of school resources, reducing corruption.
	Primary and secondary professional education			
22	Creating of analysis, monitoring and forecasting system for the labor market of Kyrgyzstan and abroad.	State Agency on Vocational Education, Professional community (as agreed), Mass media	2007	Improvement of planning in the system of vocational education, increasing awareness of employers and citizens.

№	1	2	3	4
		(as agreed).		
23	Review of existing nomenclature, specialties, on which vocational schools provide training, cancel of unclaimed specialties and introduction of new ones.	State Agency on Vocational Education, Vocational education institutions.	2007	Increasing relevance of vocational education graduates.
24	Improvement of in-service training system for engineering and pedagogical staff.	State Agency on Vocational Education, Vocational education institutions.	2007	Increasing education quality.
25	Development of curriculum and programs in accordance with modern requirements to vocational education.	State Agency on Vocational Education, Vocational education institutions.	2007	Increasing education quality.
26	Publishing of the textbooks for vocational education system.	Ministry of finance, State Agency on Vocational Education.	2007-2010	Improvement of textbooks supply, increasing of education quality.
27	Strengthening of material and technical base of primary and secondary vocational education institutions.	Ministry of finance, State Agency on Vocational Education.	2007-2010	Improvement of material and technical supply of teaching process, increasing education quality.
28	Strengthening of support system for youth from families with low income and vulnerable strata of the population enabling them to obtain vocational education; introduction of clear criteria for provision such a support, review of existing nomenclature of specialties.	Ministry of finance, State Agency on Vocational Education.	2007-2010	Improvement of the possibilities to get education for youth from vulnerable strata of the population.
29	Development of transparent funding system for vocational education, based on combination of budget resources and income from service provision.	Ministry of finance, State Agency on Vocational Education, Vocational education institutions, Associations of employers (as agreed).	2007	Increasing of vocational education resources, increasing of budget funds use effectiveness.
	Higher education			
30	Forming of state order system for the specialists with higher education based on analysis and forecasting of labor market situation, establishment of the job placement state system for higher education graduates who received higher education at the expense of the state, study of labor market demand for	Ministry of finance, Ministry of education and science, Professional community (as agreed).	2007	Increasing of budget funds use effectiveness, Increasing of higher education graduates' relevance.

№	1	2	3	4
	qualified staff.			
31	Optimization of higher education system by reforming some higher education institutions into non-governmental with canceling their budget funding.	Ministry of finance, Ministry of education and science, Higher education institutions.	2007	
32	Establishment of job placement state system for higher education graduates who received higher education at the expense of the state.	Ministry of education and science.	2007	
33	Introduction of independent accreditation mechanism for higher education institutions and curriculum for higher education.	Ministry of education and science, Higher education institutions, Professional community (as agreed).	2007	Increasing of education quality.
34	Support to the system of all-republican testing and introduction of single state exam.	Ministry of education and science, Higher education institutions, Professional community.	2007-2010	Encouragement of receiving higher quality secondary education, reduction of corruption when entering higher education institutions.
35	Gradual introduction of Bologna process principles into higher education institutions of the country.	Ministry of education and science, Higher education institutions.	2007-2010	Improvement of teaching process arrangement.
36	Restoration of in-service training and retraining for teaching staff, development of single policy on reforming of in-service training and retraining for teaching staff of higher education institutions and secondary professional educational institutions.	Ministry of education and science, Higher education institutions.	2007-2010	Increasing of education quality.
	Pre-school education			
37	Strengthening of human resources, methodological and material and technical supply of pre-school institutions, support to existing network of pre-school educational institutions.	Ministry of finance, Ministry of education and science, Local state administrations, Local self-governance bodies.	2007-2010	Increasing of education quality, Strengthening of children's health.

№	1	2	3	4
38	Legislative and methodological support to home centers, community kindergartens.	Ministry of education and science.	2007-2010	
39	Updating of pre-school education content and development of relevant state standard.	Ministry of education and science, Professional community (as agreed), Mass media (as agreed).	2007-2010	Increasing of education quality.
40	Methodological, financial and human resource support to the system of short-tem training of children before school, development of pre-school education state standard.	Ministry of finance, Ministry of education and science, Local state administrations, Local self-governance bodies.	2007-2010	Increasing of education quality.
41	Broadening children development programs for early age and junior children, inclusion of disabled children into these programs.	Ministry of finance, Ministry of education and science, Local self-governance bodies, Children's pre-school institutions.	2007-2008	Increasing of education quality, improving access of disabled children to education.

Country Development Strategy Action Plan for 2006-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.3. Human and social development			
	5.3.2. Accessible and quality health care			
1	Increasing of state health care expenditures share up to 13% in the structure of the state expenses by 2010.	Ministry of finance, Ministry of health.	2010	Compliance of financial obligations with actual financial provision of the health care sector. Improvement of health care service quality based on further capacity building of health care sector, effective human resource management, improvement of material and technical base of health care sector, further improvement of information and communication technologies, increase effectiveness of resources use and optimization of the health care organizations activity. Transparency in the process of decision-making, publicity and open participation of all citizens, society, public administration organs, local administration in the matters of health protection and strengthening. To increase effectiveness and able to respond health care system by means of forming of complex, integrated system of health care service provision, which is up to the requirements of the population and society.
2	Introduction of payment methods to health care service providers that stimulate better quality and increasing of resources use effectiveness.	Ministry of health.	2007-2010	
3	Support to health care organizations from the part of local authorities providing additional funding to the health care.	Ministry of health, Oblast state administrations, City administrations Local self-governance bodies.	2007-2010	
4	Introduction of effective inter-institutional management mechanism, promotion of diagnostic and treatment principles based on world scientific evidence, rational pharmaceutical management, optimization of lab service, managing of inter-hospital infections and medical wastes, rational renewal of material and technical base of health care organizations.	Ministry of health.	2007-2010	
5	Introduction of sustainable human resource management mechanisms, promoting fixing of personnel in remote rural areas and small towns and raising prestige of medical worker.	Ministry of health.	2007-2010	
6	Improvement of medical education quality and continuous training by means of raisin accreditation requirements to educational institutions and curriculum.	Ministry of health	2007-2010	

№	1	2	3	4
7	Introduction of complex of measures, effectiveness of which proven by world practice to achieve MDG-4, MDG- 5, MDG- 6.	Ministry of health.	2007-2010	Improvement of the health condition of the population and achievement of Millennium development goals based on solving of priority issues of health protection and strengthening, enhancing of inter departmental cooperation under active participation of the population, NGOs and community based organizations, local communities, mass media, public administration bodies and local self-governance. Reducing of financial burden for the population based on sustainable funding of the health care sector, fair distribution of resources aimed at improving of accessibility for the population, especially poor and vulnerable groups, to quality health care service, balanced state obligations within the frame of State guarantees program and other priority programs.
8	Increasing awareness of the population and active involvement of all population through establishment of rural health committees, forming of partnership relations with civil society, public administration bodies and LSG, private medical facilities in the field of protection and strengthening of the population health.	Ministry of health, Civil society (as agreed), Public administration organs, Local self-governance bodies, Private medical organizations (as agreed).	2007-2010	
9	Attracting and coordination of donor's assistance.	Ministry of health.	2007-2010	
10	Improvement of information collection processes mechanisms and monitoring enabling quick and adequate decision-making.	Ministry of health.	2007-2010	

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.3. Human and social development			
	5.3.3. Effective social protection and social insurance system			
	Social payments and benefits			
1	Gradual increasing of guaranteed minimum consumption rate and enhancing of addressness of welfare payments.	Ministry of finance, Ministry of labor and social development.	2007-2010	Increasing of addressness of Single Monthly payments and increasing of provided allowances size.
2	Transfer of benefits to cash payments.	Ministry of labor and social development, Ministry of finance.	2007-2010	Enhancing of social aid effectiveness, cutting down corruption.
	Social services			
3	«New generation» program implementation.	Ministry of labor and social development, Ministry of education and science, Ministry of internal affairs, Local self-governance bodies.	2007-2010	Enhancing of social protection level for children from vulnerable layers of the population.
4	Establishment of sustainable network of new type Social services centers.	Ministry of labor and social development, Local self-governance bodies.	2007-2010	Enhancing of social protection level for vulnerable layers of the population.
5	Improvement of the legislation regulating provision of social services.	Ministry of labor and social development.	2007-2008	Provision of necessary legislative environment for more effective provision of social services.
6	Improvement of material and every-day supply and increasing of nutrition norms in hostels.	Ministry of labor and social development, Ministry of finance.	2007-2010	Increasing of well-being of those who live in hostels.
7	Implementation of State base program of rehabilitation and integration of disabled into the society.	Ministry of labor and social development.	2007-2010	Integration of disabled into the society.
9	Undertaking of measures on humanization of punishment for under age ones.	Ministry of internal affairs, Ministry of justice, Ministry of education and science.	2007-2010	Returning of under age offenders to normal life.

№	1	2	3	4
	Social insurance			
10	Systematic increase of basic pension size and indexation of insurance part of pension.	Social Fund, Ministry of labor and social development, Ministry of finance.	2007-2010	Social protection of pensioners.
11	Increasing of social payments to pregnant women and for delivery, as well as for burial.	Social Fund, Ministry of labor and social development, Ministry of finance.	2007-2010	Enhancing effectiveness of social protection and social insurance system.
12	Study of the possibilities and defining of necessary conditions for introduction of accumulating component into pension system, long-term financial consequences assessment, connected to its introduction.	Social Fund, Ministry of labor and social development, Professional community (as agreed), Mass media (as agreed), Ministry of finance.	2007-2010	Preparation to the introduction of accumulating pension system.
13	Improvement of the registration of insured citizens, broadening practice of annual submission references from personal accounts to citizens.	Social Fund.	2007-2010	Enhancing effectiveness of social insurance system.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
	V. Directions and priorities			
	5.3. Human and social development			
	5.3.4. Labor market and optimization of migration processes			
	Labor market			
1	Implementation of intensive measures promoting employment in accordance with the Program «National population employment policy of the Kyrgyz Republic till 2010» approved by the Government Regulation № 591 as of 17.08.2006.	State committee on migration and employment, Interested ministries and agencies.	2007-2010	Creating of social and economic pre-conditions and conditions of speeded up development of real sector of economy.
2	Optimization of immigration labor migration.	State committee on migration and employment, Interested ministries and agencies.	2007-2010	Deprive positive and considerable social and economic benefits from its development and reduce possible risks, threats and negative consequences from excessive number of foreign citizens stay.
3	Forming of effective and complex system regulating migration processes.	State committee on migration and employment, Interested ministries and agencies, Local self-governance bodies.	2007-2010	Improvement of legislative, legal, and international agreement base.
4	Provision of comprehensive support to labor migrants, engaged in «shuttling» and commerce outside the republic at all stages of migration process.	State committee on migration and employment, Interested ministries and agencies, Local self-governance bodies.	2007-2010	Provision of support to migrants, cooperation with relevant structures on labor and migration.
5	Ordering of domestic migration processes in terms of balanced territorial distribution and eliminating tension in Bishkek agglomeration.	State committee on migration and employment, Interested ministries and agencies.	2007-2010	To overcome of population migration spontaneous character as well as strengthening of regulatory mechanisms and instruments. Effective regulation of domestic migration.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.3. Human and social development			
	5.3.5. Broadening of population participation in cultural life			
	Strengthening of material and technical base of culture and art institutions			
1	Capital repair and reconstruction of existing institutions.	Ministry of culture and information, Local self-governance bodies, Local state administrations.	2007-2010	Preservation of institutions and creating of conditions for sector functioning.
2	Equipping sector institutions with necessary inventory and equipment.	Ministry of culture and information, Local self-governance bodies, Local state administrations.	2007-2010	Creating conditions for sector functioning.
	Preservation and effective use of historical and cultural legacy			
3	Restoration of historical and cultural memorials.	Ministry of culture and information.	2007-2010	Preservation of historical and cultural legacy.
	Revival of traditions, development of people's art and improvement of cultural and leisure activity			
4	Purchasing of musical instruments for culture houses and leisure centers.	Ministry of culture and information, Local self-governance bodies, Local state administrations.	2007-2010	Creating of conditions for personal development, organization of leisure for the population.
	Development of professional art			
5	Equipping of the sector with facilities for the development of professional activity (stage equipment, lightening, sound equipment).	Ministry of culture and information.	2007-2010	Creating of conditions for the development of professional art.

№	1	2	3	4
	Provision of the sector with highly qualified staff and support to professional and supplementary education			
6	Strengthening of material and technical base of culture and art institutions.	Ministry of culture and information, Local self-governance bodies, Local state administrations, Educational institutions.	2007-2010	Creating conditions for training.
7	Equipping of sector educational institutions with necessary inventory and musical instruments.	Ministry of culture and information, Educational institutions.	2007-2010	Creating condition for professional training.
8	Organization of professional supplementary education and training of personnel.	Ministry of culture and information.	2007-2010	Increasing professional level of cultural workers.
	Improvement of information library service system			
9	Updating of informational resources.	Ministry of culture and information, Local self-governance bodies, Local state administrations.	2007-2010	Enabling of citizens' right for access to information and knowledge.
10	Computerization of library network.	Ministry of culture and information.	2007-2010	Entering into united information space, creating electronic catalogs.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
	1	**2**	**3**	**4**
	V. Directions and priorities			
	5.4. Providing of environmental sustainability			
	5.4.1. Providing of environmental safety			
1	Improvement of environmental policy and normative and legal base, including economic norms of nature management.	State agency on environmental protection and forestry.	2007-2010	Harmonization of the legislation with the international obligations.
2	Enabling of monitoring for the environmental condition and rational nature management.	State agency on environmental protection and forestry.	2007-2010	Single monitoring system.
3	Simplification of nature management permissive system.	State agency on environmental protection and forestry.	2007-2010	Principle of «single window».
4	Enhancement of control over the observance of environmental regulations.	State agency on environmental protection and forestry.	2007-2010	Observance of environmental regulations.
5	Establishment of Specially Protected Natural Territories network.	State agency on environmental protection and forestry.	2007-2010	Nature management regime.
6	Preservation of biodiversity and restoration of forests.	State agency on environmental protection and forestry.	2007-2010	Restoration of natural ecosystems.
7	Restoration and prevention of degradation of ecosystems.	State agency on environmental protection and forestry.	2007-2010	Improvement of the environmental condition.
8	Development and introducing of the new concept of ecological security as the national political platform of environment management.	State agency on environmental protection and forestry.	2007-2008	Plan of action on natural resources and environment management is under development.
9	To develop the concept of trans-border ecological problems solution in cooperation with neighboring states	State agency on environmental protection and forestry. Ministry of agriculture, water resources and processing industry.	2007-2010	Improvement of condition of water protection objects and uranium wastes.

	1	2	3	4
10	Integration of the National Program on combating degradation of earth into correspondent national and sector development programs, as well as into the process of public expenditure planning.	Ministry of finance, State agency on environmental protection and forestry. Ministry of agriculture, water resources and processing industry.	2007-2010	Resettlement of inhabitants
11	Involvement of private sector in natural resources sustainable management, protection and enlargement of forest fund.	Aiyl okmotu, Local State Administrations, State agency on environmental protection and forestry. Ministry of agriculture, water resources and processing industry.	2007-2010	Улучшение экологического образования населения, привлечение населения к посадке и охране зеленых насаждений.

Country Development Strategy Action Plan for 2007-2010				
	Measures / Sections	**Responsible agencies**	**Period of implementation**	**Expected outcome**
№	**1**	**2**	**3**	**4**
	V. Directions and priorities			
	5.4. Providing of environmental sustainability			
	5.4.2. Providing of complex population and territory safety in the case of natural disasters and catastrophes			
1	Protection of the population from ES of natural and man-caused character.	Ministry of emergency situations.	2007-2010	
2	Direct participation of regions in the activity on prevention and liquidation of ES consequences.	Ministry of emergency situations.	2007-2010	Reduction in the number of ES and number of victims.
3	Special team-staff exercises.	Ministry of emergency situations.	2007-2010	Lowering of water table, performing of bank protection measures and other protection measures, or measures preventing ES.
4	Establishment of emergency rescue party of particular risk, establishment of single dispatcher service.	Ministry of emergency situations.	2007-2010	Single dispatcher service ready to respond on ES.
5	Training of leadership, superior staff of ministries, agencies, heads of the enterprises and organizations.	Ministry of emergency situations.	2007-2010	Training on ES respond measures.
6	Implementation of program of preventive, emergency, restoration, design and survey works.	Ministry of emergency situations.	2007-2010	Putting into operation objects protecting territory and population from floods, mud flows, subterranean waters.
7	Increasing of environmental condition monitoring, creation of system of efficient detection and prediction of dangerous ecological situations, effectiveness of processing, issuing of hydro meteorological forecasts and early notification about dangerous hydro meteorological events, putting into operation of bigger number of meteo-stations.	Ministry of emergency situations.	2007-2010	Accuracy of hydro meteorological forecasts will be increased, which will allow preventing possible ES of natural character.
8	Increased quality of inspection on supervision over industrial safety	Ministry of emergency situations.	2007-2010	Enhanced safety in dangerous industrial

№	1	2	3	4
	and mining supervision.			enterprises.
9	Conducting of measures on ES prevention and monitoring.	Ministry of emergency situations.	2007-2010	Forecasting, prevention of ES.
10	Constant readiness for the localization and liquidation of ES, conducting of humanitarian operations by means of purchasing of uniform, communication means, machinery, means of mechanization, mine-rescue equipment and gear and etc.	Ministry of emergency situations.	2007-2010	Readiness and effectiveness of MES KR troops under conducting of rescue, humanitarian and etc. operations will be increased.

Investment projects, aimed on the development of priorities in the regions					
№	**Project contents**	**Initiators**	**Amount needed to achieve the goal (000 som)**	**Period of implementation**	**Expected results**
	1	**2**	**3**	**4**	**5**
Chuy oblast					
1	Cultivation of forest protection zones. Improvement of biosphere and prevention of wind erosion.	Chuy oblast administration, rayon administrations, local self-governance bodies.	126 000,0	2007-2010	Increase of soil productivity.
2	Development of agricultural cooperation.	Chuy oblast administration, Yssyk Ata rayon state administration, Farms (as agreed): «Kirovetz», «Pakhar», «Birikken», «Alga», «Jeek», «Emgek», «Rot-Front».	44 100,0	2007-2010	Increase of agricultural products production.
3	Development of seed-growing, creation of highly productive and qualitative local grades and hybrids in view of local natural and climatic conditions, elevators modernization.	Chuy oblast administration, Yssyk Ata rayon state administration, farms (as agreed).	87 780,0	2007-2010	Increase of crop.
4	Diversification, improvement of the quality of meatpacking food.	OJSC «Kayindy meat enterprise» (as agreed).	757 831,2	2007-2010	Increase of production.
5	Establishment of the «Meat» Concern	Association of farms (as agreed), Ministry of agriculture, water management and processing industry.	1 008 000,0	2007-2010	Increase of production volumes.

	1	2	3	4	5
6	Reconstruction of the JSC «Koshoy» for beet processing.	Chuy oblast administration, JSC «Koshoy.» (as agreed).	260 400,0	2007-2010	Increase of product supply to external and internal markets.
7	Expansion of production of solid renneting cheese.	LLC «Shirin-sut» (as agreed).	4 100,0	2007-2010	Increase of production volumes.
8	Increase of chicken-broilers meat production on account of technological equipment modernization.	OJSC «Chuy poultry factory» (as agreed).	84 000,0	2007-2010	Increase of production volumes.
9	Modernization of LLC «Kant-sut» production	LLC «Kant-sut» (as agreed).	6 300,0	2007-2010	Increase of production volumes and exports.
	Total, Chuy oblast:		**2 378 511,2**		
			Bishkek		
1	Production of meat and meatpacking product in assortments: stewed beef and pork, cereal with meat, pea with meat, kidney with meat.	LLC «Bishkek meatpacking enterprise» (as agreed).	42 000,0	2007-2010	Increase of production volumes, production of 6615000 canned goods per year
2	Establishment of mobile abattoir for deep-frozen meat production: ham, fillet, slat, aitchbone, force-meat, azu, etc.	Ministry of agriculture, water management and processing industry	126 000,0	2007-2010	Establishment of mobile abattoir with 1000-2000 kg/day productivity. Creation of new jobs.
3	Beans, soya processing	LLC «WINTEL» (as agreed), Ministry of agriculture, water management and processing industry	47 040,0	2007-2010	Market provision with qualitative, cheap product.
4	WET BLUE Development of joint in the field of production and realization of leather goods, organization of supply of WET BLUE semimanufactured product made of cattle and sheep leather on external markets.	LLC «Bulgaary» (as agreed).	8 400,0	2007-2010	Increase of production volumes for export.
	Bishkek, Total:		**22 3440,0**		

	1	2	3	4	5
Issyk-Kul oblast					
1	Construction of cultural and recreation complex on thermal source in Chon-Kyzyl-Suu pass.	Oblast administration and rayon administration.	6 000,0	2007-2010	Improvement of economic situation in oblast and provision of local population employment.
2	Construction of hotel, opening of rayon center on services provision in information and communications technologies field.	Oblast administration and rayon administration.	1 400,0	2007-2010	Increase of hotel and communication services volumes, creation of new jobs.
3	Construction of oriental style 3-star hotel in Karakol.	Oblast administration, LLC «Turkestan» (as agreed)	38 000,0	2007-2010	Increase of hotel services volumes, creation of new jobs.
4	Establishment of specialized service to sell «putevki» in cities of Kazakhstan, Uzbekistan and Russia. Active participation in fairs, publication of tourist papers, booklets, advertising. Development of banking system for serving credit cards and travelers' cheque. Installation of bankers in oblast's resort zone.	Oblast administration	30 000,0	2007-2010	Increase of pay services volumes, creation of new jobs.
5	Rehabilitation of 76 km Tup-Kegen international road.	Oblast administration.	76 928,0	2007-2010	Increase of traffic security, development of trade and tourism.
6	Renewal of Karakol-Enilchek international road.	Oblast administration.	19 468,0	2007-2010	Increase of traffic security, development of trade and tourism.
7	Development of freight and passengers traffic between Kant and Tamga airports	Ministry of transport and communications, oblast administration	20 000,0	2007-2010	Increase of transport services volumes. new jobs creation.
8	Reconstruction of «Issyk-Kul» international airport.	LLC «International Airport Manas» (as agreed).	2 062 200,0	2007-2010	Increase of transport services volumes. New jobs creation.

	1	2	3	4	5
9	Modernization and reconstruction of skiing lodge in Kashka-Suu.	JV «Komet» (as agreed)	40 000,0	2007-2010	Increase of tourism services.
10	Construction of hotel in Juuku pass.		24 000,0	2007-2010	Increase of tourism services.
11	Construction of recreation tourist center «Ak-Maral».		1 200 000,0	2007-2010	Increase of tourism services.
12	Construction of recreation tourist center «Karven».		1 600 000,0	2007-2010	Increase of tourism services.
13	Construction of recreation tourist center «Altyn Jeek».		1 400 000,0	2007-2010	Increase of tourism services.
14	Construction of «City» complex in accordance with international standards.		1 500 000,0	2007-2010	Increase of tourist image of the region. new jobs creation.
15	Construction of skiing lodge in Semenovskoye pass.		20 000,0	2007-2010	Increase of tourism services.
16	Reconstruction of museums and historical sights.		1 000,0	2007-2010	Increase of tourism services.
	Issyk-Kul oblast, Total:		**8 038 996,0**		
			Naryn oblast		
1	Increase of coal mining, development of Kara-Keche deposit.		250 000,0	2007-2010	Increase of coal mining.
2	Rehabilitation of irrigation systems.	Water management oblast department.	426 600,0	2007-2010	Improvement of water resources usage.
3	Establishment of agricultural cooperatives.	Oblast and rayon administrations.	135 500,0	2007-2008	Increase of agricultural goods production.
4	Establishment of enterprises on vegetable juices production and potato processing.	Oblast and rayon administrations.	13 800,0	2007-2010	Development of agricultural products processing.
5	Establishment yak breeding farms.	Oblast and rayon administrations.	3 000,0	2007-2010	Meat goods production.
	Naryn oblast, Total:		**828 900,0**		

	1	2	3	4	5
Osh oblast					
1	Expansion of plant facilities and extension of package types, in particular: aseptic bags (200 l of «bag in barrel» type), eurojars with twist-off cover, honey prepackaging and filtration, fruits and vegetables desiccation and prepackaging	LLC «Fruit and vegetable combinat» (as agreed), Ministry of agriculture, water management and processing industry.	126 000,0	2007-2010	Diversification and increase of production volumes.
2	Production volumes increase and realization of fruit juices and tomatoes.	LLC «Fruit and vegetable combine» (as agreed), Ministry of agriculture, water management and processing industry.	42 000,0	2007-2010	Increase of production volumes from 500 000 pots up to 1.0 mln per year.
3	Construction of cigarette factory in Osh oblast – 2, including 1 in Nookat rayon and 1 in Kara-Suu rayon	Oblast administration together with SJSC «Kyrgyztamekesi»	6 800,0	2007-2010	New jobs creation
4	Production of white salt out of fossil places of Altyndara.	LLC «Altyndara» (as agreed).	117 600,0	2007-2010	Annual mining of 3 000 tons of salt, 1000 for processing into white salt.
	Osh oblast, Total:		**292 400,0**		
Batken oblast					
1	Processing of fruit juices and tomatoes	LLC «Shire-Suu» (as agreed), Ministry of agriculture, water management and processing industry.	21 000,0	2007-2010	Increase of production volumes from 500 000 pots up to 1.0 mln per year.
2	Expansion of agricultural products processing, realization of canned goods, juices, tomatoes.	LLC «Agroplast» (as agreed), Ministry of agriculture, water management and processing industry.	12 000,0	2007-2010	Increase of products range.
3	Increase of fermented tobacco production	JSC TFZ (as agreed),	7 900,0	2007-2010	Increase of production up to 60 000 tons by 2010

	1	2	3	4	5
4	Processing of agricultural products by private manufactures.	Self-governance bodies, entrepreneurs (as agreed).	5 431 000,0	2007-2010	Increase of agricultural goods production in 2006 on 25%, 2007 – 30%, 2008-2010 – 34%.
5	Construction of «Sarkent-Too-Jayloo» channel	Batken oblast administration.	110 000,0	2007-2010	Expansion of irrigated land. Land conversion up to 9850 ha.
6			22 000,0	2007-2010	Expansion of irrigated land. Land conversion in Maydan and Uchkorgon
	Batken oblast, Total		**5 603 900,0**		
			Jalal-Abad oblast		
1	Construction of ropeway from tourist base Arstanbap to bid waterfalls	Tourist zone «Arstanbap» (as agreed).	218 568,0	2007-2010	Increase of tourist inflow on 2-3 thousands additionally.
2	Development of ecological tourism in buffer zone of Sarychelek and Padashata national parks of Aksy rayon.	Oblast and rayon administrations.	20 000,0	2007-2010	Pay services increase, new jobs creation.
3	Development of ecological tourism in buffer zone of Besharal national park of Chatkal rayon.	Oblast and rayon administrations.	3 800,0	2007-2010	Pay services increase, new jobs creation.
4	Construction of guest house in «Chychkan» pass.	Oblast and rayon administrations.	500,0	2007-2010	Pay services increase, new jobs creation.
5	Increase of efficiency of seed-growing farms, organization of agrohimcervice and zoovetservice.	Oblast administration.	10 511 400,0	2007-2010	Increase of agricultural goods production.
6	Left bank Naryn channel.	Nooken rayon administration.	7 051,8	2007-2010	Expansion of irrigated lands.
7	Renovation of irrigation systems.	Jalal-Abad oblast state administration.	9 110 600,0	2007-2010	Expansion of irrigated lands.
8	Organization of production of desert liqueur		441 000,0	2007-2010	New jobs creation/

	1	2	3	4	5
9	Processing and cultivation of herbs.	LLC «Arstanbap Farm» (as agreed).	10 243,8	2007-2010	Production increase.
10	Organization of production of organic and mineral fertilizers	LLC «Altyn-Bulak» (as agreed).	105 000,0	2007-2010	Mineral fertilizers production.
11	. Reclamation of local rock-salt raw material «Shamshykal», organization of manufacturing of white salt, caustic soda and chlorine.	Agricultural and construction company «Shamshykal» (as agreed).	865 200,0	2007-2010	Production of 45 000 tons of white salt, 16 500 tons of caustic soda and 13 000 tons of chlorine annually.
	Jalal-Abad oblast, Total:		**21 293 363,6**		
Talas oblast					
1	Project on organization of potato processing with 10 000 tons capacity.	SJSC «Azyk» (as agreed), Talas Oblast administration.	50 400,0	2007-2010	Increase of production volumes, new jobs creation.
3	Construction of manufactory to process vegetables and fruits.	JSC «Tunguch» (as agreed).	10 000,0	2007-2010	Increase of production volumes, new jobs creation.
4	Completion of sugar plant construction in Ak-Dube village of Bakay-Ata rayon.	Oblast administration.	11 000,0	2007-2010	Increase of sugar production, new jobs creation.
5	Construction of two mini enterprises on milk processing in Talas rayon.	Oblast administration.	6 000,0	2007-2010	Increase of milk goods production, new jobs creation.
6	Expansion of cultivated area of oil cultures	Oblast administration.	7 000,0	2007-2010	Expansion of cultivated area up to 1000 hectares
7	Construction of trade house in Taraz, Jambyl oblast and Talas, Talas oblast	Oblast administration in cooperation with Republic of Kazakhstan	200,0	2007-2010	Increase of produced goods sales
	Talas oblast, Total:		**84 600,0**		

	1	2	3	4	5
Osh city					
1	Establishment of mini farm for milk production	LLC «Osh milk Combinat» (as agreed).	400,0	2007-2010	Production of 100 kg of milk per 24 hours.
2	Expansion of sericulture and greenhouses	OJSC «Osh Jibek» (as agreed), Ministry of agriculture, water management and processing industry.	4 200 000,0	2007-2010	Increase of silk fabrics production.
3	Production of pastry.	LLC «Sulayman-Shirin» (as agreed), Ministry of agriculture, water management and processing industry	2 000,0	2007-2010	Increase of produced goods range.
4	Mill's construction.	LLC «Ak-Bura» (as agreed), Ministry of agriculture, water management and processing industry	10 000,0	2007-2010	Increase of production volumes and agricultural products processing.
	Osh city, Total		**4 212 400,0**		
	All regions, Total:		**43 982 710,8**		

Acronyms

ADB	–	Asian Development Bank
AIM	–	Alternative Investment Market
BEEPS	–	Business Environment and Enterprise Performance Survey
CAR	–	Central Asian Region
CAS	–	Country Assistance Strategy
CDF	–	Comprehensive Development Framework
CDS	–	Country Development Strategy
CIS	–	Commonwealth of Independent States
CLM	–	Combustive-lubricating materials
EBRD	–	European Bank for Reconstruction and Development
ECA	–	Europe and Central Asia
ECO	–	Economic Cooperation Organization
EEC	–	European and Asian Economic Cooperation
EITI	–	Extractive Industries Transparency Initiative
FEC	–	Fuel and Energy Complex
FEZ	–	Free Economic Zone
GDP	–	Gross Domestic Product
GIS	–	Geo Information System
HEI	–	Higher Education Institution
HES	–	Hydroelectric Station
HPP	–	Heat Power Plant
IB	–	Intersectoral Balance
IBC	–	International Business Council
IBD	–	Islamic Development Bank
ICT	–	Information and Communication Technologies
IDF	–	Institutional Development Fund
IMF	–	International Monetary Fund
IPO	–	Initial Public Offering
ISO	–	International Organization for Standardization
JK KR	–	Jogorku Kenesh of the Kyrgyz Republic
JSC «KCMP»	–	Joint Stock Company «Kyrgyz chemical metallurgical plant»
JSC «KMIC»	–	Joint Stock Company «Kyrgyz mining industrial complex»
JSC	–	Joint Stock Company
KAFC	–	Kyrgyz Agricultural Financial Corporation
KAMIS	–	Kyrgyz Agrarian Market Information System
KCSIC	–	Kant cement-slate industrial complex
KhMIC	–	Khaidarkan Mercury Industrial Complex
LLC	–	Limited Liability Company

LSG	–	Local Self-governance
MBF	–	Mid-term Budget Framework
MCB	–	Minimum Consumer Budget
MDG	–	Millennium Development Goals
MGCL	–	Minimum Guaranteed Consumption Level
MIA	–	Ministry of Internal Affairs
MoES	–	Ministry of Emergency Situations
NAP	–	National Action Plan
NBKR	–	National Bank of the Kyrgyz Republic
NGO	–	Non-governmental Organization
NIS	–	National Innovative Systems
NPRS	–	National Poverty Reduction Strategy
NSC	–	National Security Service
NSC	–	National Statistics Committee
OJSC	–	Open Joint Stock Company
OTJSC	–	Open type Joint Stock Company
PIP	–	Public Investment Program
PR	–	Public Relation
PRGF	–	Poverty Reduction and Growth Facility
QFD	–	Quasi-fiscal Deficit
RMS	–	Risk Management System
ROC RRTB	–	Republican Operating Complex of Radio-Relay Network for Television and Broadcasting
ROE	–	Road Operating Enterprise
SCO	–	Shanghai Cooperation Organization
SE	–	State Enterprise
SMB	–	Small and Medium Business
SPEI	–	Secondary Professional Educational Institution
SSEI	–	Secondary Specialized Educational Institution
SWAp	–	Sector Wide Approach
SWOT	–	Strengths, Weaknesses, Opportunities, Threats
TACIS	–	Technical Assistance to CIS countries
TIC	–	Tourist Information Center
UMA	–	Unified Monthly Aid
UN	–	United Nations
UNDP	–	United Nations Development Program
USA	–	United States of America
USAID	–	US Agency for International Development
VAT	–	Value-added Tax
VS	–	Vocational School

WB	–	World Bank
WHO	–	World Health Organization
WTO	–	World Trade Organization
WTTC	–	World Travel & Tourism Council
MCC	–	Millennium Challenge Corporation