

Kyrgyz Republic



**Country Development
Strategy
(2009-2011)**

Bishkek – 2009

Dear compatriots!



In Kyrgyzstan today a new economic model has been taking shape based in the first instance on the maximal and effective utilization of available resources and opportunities provided by globalization.

For implementation of the strategic goals facing the country, the former sociopolitical relations, previously used methods of economic management are not adequate any more, and now new approaches are needed most. We should think of quality of economic growth, quality of life of the Kyrgyz people, and quality of public administration.

That issues the challenge of modernization of economy, capitalization of human assets, regions and the country in overall. We should strengthen and expand our future opportunities.

First of all, concerted efforts should be directed on further enhancement of opportunities and continuation of the developed economic growth trends, herewith, it is necessary to achieve greater independence from external shocks. At the same time, the task was set to provide adequate and prompt response mechanisms to medium- and long-term challenges and risks.

For many countries in the world, particularly, for transition economies, the world liquidity depression, growth of energy cost, global food price adjustment became a real challenge to their sustainable development and national agreement.

I would like to emphasize that now we are found under the circumstances when it is necessary to work efficiently and in concert. All outlined plans should be translated into the sphere of practical activities and be carried through to a logical end.

All of us think of the common good for people, how to make their life better, at making the country richer and stronger. In this context we act as one party, one force.

Let us make common cause and work better in the name of prosperity of our country, and for our people's welfare.

**From Statements of the
President of the Kyrgyz Republic
Kurmanbek Bakiev**

DECREE
OF THE PRESIDENT OF THE KYRGYZ REPUBLIC
On Country Development Strategy for 2009 - 2011

With the purpose of comprehensive solution of social and economic tasks, and with regard to vital importance of the Country Development Strategy (2009–2011), approved by the National Council for Strategic development of the Kyrgyz Republic, I resolve:

1. To approve the attached Country Development Strategy for 2009-2011.
2. Government of the Kyrgyz Republic, administrative agencies, local state administrations, local self-government, central authorities of the Kyrgyz Republic with involvement of representatives of the private sector, non-governmental organizations and civil society shall undertake comprehensive measures aimed at implementation of the Country Development Strategy for 2009-2011.
3. The Government of the Kyrgyz Republic shall submit to the Administrative Office of the President of the Kyrgyz Republic the consolidated progress report on implementation of the Country Development Strategy for 2009-2011 on a quarterly basis, not later than the 30th day of the month following the reporting period.
4. To declare invalid:
 - Decree of the President of the Kyrgyz Republic “On the Country Development Strategy for 2007-2010” as of May 16, 2007 UP№249;
 - Clause 3 of the Decree of the President of the Kyrgyz Republic “On Amending and Supplementing Some Decisions of the President of the Kyrgyz Republic as of May 7, 20078 №158;
 - Decree of the President of the Kyrgyz Republic “On Amending the Decree of the President of the Kyrgyz Republic “On the Country Development Strategy for 2007-2010” dated May 16, 2007” as of October 8, 2008 №359.
5. Control over implementation of this Decree shall lie with the Prime Minister of the Kyrgyz Republic.
6. This Decree shall enter into force after its publication.

President of the Kyrgyz Republic
Kurmanbek Bakiev

Bishkek, Government House

March 31, 2009
UP #183

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I. INTRODUCTION

1.1. On the Country Development Strategy for 2009-2011.

1. This document contains a strategic vision of the Kyrgyz Republic development for 2009-2011 and comes out as the 2007-2010 Country Development Strategy Update (CDS-1).

2. Basic principles of the present Country Development Strategy for 2009-2011 (CDS-2) are as follows:

- (i) *consolidation of the society;*
- (ii) *maintenance of the tendency towards positive changes in the country;*
- (iii) *mobilization of own resources;*
- (iv) *unity of all intellectual, power-holding and moral resources; and*
- (v) *result-oriented advancement by achieving qualitative changes in the country development strategic priorities.*

3. As major prerequisites for amending and supplementing the CDS-1 which was approved by the Decree of the President of the Kyrgyz Republic № 249 as of May 16, 2007 served the following:

- (i) *Address of the President of the Kyrgyz Republic K. S. Bakiev as of January 10, 2008;*
- (ii) *the New Economic Policy Development Initiatives;*
- (iii) *deterioration of the world development tendencies;*
- (iv) *impact of world-wide crisis occurrence on economy of our country; and*
- (v) *certain macroeconomic downturn according to 2007 performance data.*

4. The overall course heading for large-scale reforms will remain unvarying which will be focused on four strategic priority pillars:

- (i) *strengthening of economic potential;*
- (ii) *governance efficiency;*
- (iii) *socially oriented development; and*
- (iv) *environmental safety.*

5. With the purpose of these objectives' achievement the CDS-2 stipulates for specific actions and measures aimed at:

- (i) *effective combination of use of domestic resources and attraction of foreign investments;*
- (ii) *intensification of production through increase of labor productivity and power efficiency improvement;*
- (iii) *training of qualified workforce;*
- (iv) *fiscal policy simplification and de-bureaucratization;*
- (v) *reforming of public services in the social sphere through introduction and use of quality standards;*
- (vi) *governance quality improvement; and*
- (vii) *regional diversification of the country development process.*

6. Successful implementation of the approved regional development strategies and programs for 2009-2011 will promote significantly strengthening of the role of regions in the CDS-2 implementation through a holistic approach to promotion of investment projects and clusters.

7. The macroeconomic scenario of the country development for 2009-2011 has been developed with due regard for the world development downward tendencies including price increase for fuel and

utilities and provisions along with upturn of shared contributions of domestic sources in economic growth of the country.

8. As a new element of the Strategy became an attempt to assess challenges and risks which indisputably will affect to some extent the development safety of Kyrgyzstan in the nearest three years.

9. Strategic targets of the new economic and social policy for 2009-2011 will be:

- (i) *growth of GDP;*
- (ii) *inflation rate;*
- (iii) *energy costs of economy;*
- (iv) *labor productivity;*
- (v) *real cash income levels; and*
- (vi) *life expectancy.*

10. As reliable sources of financial resources for the CDS implementation (2009-2011) will be: (i) medium-term budget framework (MTBF), including the development budget (2009-2011) and external aid resources (2009-2011), including the public investment portfolio (PIP). The Strategy financing gap will be made up by attraction of direct investments into the country development priority areas.

1.2. The urgency of the Country Development Strategy for 2009-2011.

11. The urgency and need for the unified strategic document of Kyrgyzstan's development in the nearest future under conditions of emerging challenges and risks will increase manifold.

12. Today the well-defined strategy is necessary to overcome all these obstacles constraining further revival of Kyrgyzstan and formation of a truly democratic state.

13. Competition in the world economy gains strength increasingly. We are surrounded by industrialized countries with developed economies. Their obvious economic advantages give rise to growth of geopolitical ambitions. Such lie of the land necessitates identifying of the strategic vision of a role and a place of Kyrgyzstan within global and regional systems.

14. Crisis developments in the world economic progress, on the one hand, and scarcity of domestic resources, on the other hand, exclude elements of uncertainty and unpredictability in policymaking. The Government has to find adequate instruments to maintain macroeconomic stability in the situation of turmoil spread to the world markets.

15. A major problem of the current state of economy in overall is its extreme inefficiency. Unacceptably low labor productivity still persists. Return of same labor inputs as in developed countries are several times less in Kyrgyzstan. And it is particularly precarious in the environment of growing global competition and growing skilled labor and energy costs.

16. The Government should become the center for ideology formulation and strategic plans development. Today a preventive approach is brought into the foreground in the development process instead of taking operative measures and inconsistent actions aimed at solving of emerging problems. All branches of the state power should concert actions and subject them completely to the long-range strategic development goals specified in the present Strategy.

17. The implication is that each action and each decision of the Government should strictly comply with the strategic targets. The Government should fulfill rigorously the defined plans and achieve the set goals through implementation of strategic programs of ministries, agencies and oblasts. Performance evaluation of the Government and certain ministries and agencies will be made based on these programs.

18. In the budget planning sphere it is necessary to start from 2009 a legislative process of introducing elements of the medium-term financial planning of the country. It will enable the rational spending of budgetary resources on the development priorities identified in the present Strategy.

19. Previous market reforms management methods used in the country have become inadequate by now. It is necessary to apply new approaches focused on clear-cut principles of decision

formulation, making and implementation. Tomorrow's public administration system will feature independence and accountability, compliance with the overall country development principles, efficient use of resources, bold and extraordinary decisions, support to initiatives and innovations, development of the personnel capacity, competencies and outlooks.

20. The Government should manage for results at striving for:

- (i) *quality of economic growth;*
- (ii) *quality of life of the Kyrgyz citizens;*
- (iii) *quality of governing the country; and*
- (iv) *environmental quality.*

Hence, the CDS-2 provides for a broad range of reforms directed on the significant governance improvement. Transition to flexible principles of the state regulation at avoiding direct interventions in activity of economic entities will facilitate re-establishment of citizens' faith in administrative bodies of executive, legislative and judicial branches of the state power. The work is to be continued on formation of the independent and high-efficient judiciary as the unconditional guarantor of protection of entrepreneurship rights including protection from arbitrary behavior of officials.

21. Implementation of the Strategy actions will serve as an effective message for the society, business and foreign investors aimed at:

- (i) *protection of human rights;*
- (ii) *protection of property rights; and*
- (iii) *maintenance of rule of law in Kyrgyzstan.*

1.3. The CDS-2 formation procedures and formats

22. The Country Development Strategy (2009-2011) has been prepared in pursuance of the Order of the National Council on Strategic Development of the Kyrgyz Republic, headed by the President of the country – Bakiev K. S.

23. The Ministry of Economic Development and Trade of the Kyrgyz Republic was designated as a coordinating agency for this document formation.

24. On the initiative of the Government of the Kyrgyz Republic the Working Commission was set up on the interdepartmental basis from among Secretaries of State and Deputy Ministers of ministries, departments, and agencies.

25. With the World Bank support independent national experts have been involved in the work on formation of the present Strategy.

26. The same methodological approaches were used largely in the course of the given document preparation similar to the CDS-1 development process. However, as an essential novelty of the document preparation methodology became the 2009-2011 country development model formulation by means of the challenge and risk assessment and response actions.

27. The document structure has undergone significant changes. Herewith, the narrative part of the document has been updated totally due to the detailed analysis of goals and objectives of the New Economic Policy outlined by the President of the country K. S. Bakiev in his Address as of January 10, 2008.

28. The Government of the Kyrgyz Republic has prepared and delivered a basic package of documents with standard work specifications as an aid to participants of the document preparation process.

29. The work procedures were built on the basis of operational interaction of the Ministry of Economic Development and Trade of the Kyrgyz Republic with the ministries, departments, agencies, regions and independent experts both at stages of the data collection and the document formation.

30. As a base format for the prepared materials consideration and examination served working discussions held according to schedule with corresponding ministries, departments and agencies at the management level with involvement of independent experts.

31. Fundamental distinctions of the given Strategy from the CDS-1 are as follows:

- (i) *establishment of more prominent ("end-to-end") linkages between the Strategy tasks, measures (actions), resources and performance monitoring indicators;*
- (ii) *the comprehensive analysis and assessment of challenges and risks; and*
- (iii) *expansion of measures of policy of the governance efficiency improvement including the judicial system and law enforcement bodies reform.*

32. The CDS-2, in the same way as the previous document, is closely linked to international agreements and initiatives, including the Millennium Development Goals (MDG), Country Assistance Strategy (CAS), etc.

33. The CDS-2 formation process was given full coverage in mass media. The information was also distributed via Internet.

II. THE ANALYSIS OF THE CURRENT DEVELOPMENT TENDENCIES AND THE CDS IMPLEMENTATION SUMMARY

2.1 The 2005-2007 progress trends analysis. Preliminary results in 2008.

34. The adopted rigid economic policy has allowed to maintain macroeconomic stability in the country. In 2005-2007 the economy grew annually on the average by 3,8%, per capita GDP has grown from 478 up to 731 US dollars. Low inflation rate contained till August, 2007, and by the end of 2007 it reached upon 20%. The 2007 goods and services price increase was caused by diminution in the demand under pressure of such factors, as: (i) growth of world prices for grain, oil and foodstuffs; (ii) shrinkage in production of certain agricultural products (grain, sugar beet) against the background of growing export demand for agricultural produce. Herewith, actual increase in cash incomes in 2007 made only 5,3%.

35. The 2005-2007 inflation average annual increase made 10%. Herewith, the rise in prices for goods made 21% and advance in services prices made almost 11%. Average annual increase of real incomes of the population made 13,3% over last three years. The given indicators are caused by a rather low inflation rate in overall over this period. Against the background of economic growth the total unemployment rate was reduced which is expected to reach 7,7% in 2008 against 8,2% in 2005-2007. According to provisional data, the economic growth in 2008 made 7,6%, herewith, per capita GDP made 959 US dollars.

Table 2.1.

Key economic indicators of the Kyrgyz Republic (2002-2008)

	2002	2003	2004	2005	2006	2007	2008
GDP, real growth (%)	0,0	7,0	7,0	-0,2	3,1	8,5	7,6
Inflation, (%)	2,3	5,6	2,8	4,9	5,1	20,1	20,0
Unemployment, (%)	12,5	9,9	8,5	8,1	8,3	8,2	8,0*
Current accounts, (%to GDP)	-3,1	-4,2	-3,4	-1,6	-10,1	-6,0	-11,9
Growth of broad money,(%)	34,0	33,5	32,0	9,9	51,6	33,3	12,6
Primary budgeted deficit, (% to GDP)	-5,1	-4,3	-3,4	-4,2	-3,0	-1,6	-2,0
Foreign debt, (% to GDP)	108,5	93,8	86,6	77,6	66,3	52,0	45,9

* – expected indicators

Data source: NSC, NBKR, Ministry of Finance, IMF.

36. Major factors which have influenced the economic growth over last years were as follows:
- (i) *sustainable economic growth in the countries – leading trade partners – at 7%-10,7% (China- 10,7%; Kazakhstan – 9,6%, and Russia – 7,1%);*
 - (ii) *annual average growth of private consumption by 14,7%, thus, its specific weight has increased from 84,5% in 2005 up to 101,1% in 2007;*
 - (iii) *the ROI ratio stability which made annually on average about 22%;*
 - (iv) *overall improvement of the public regulatory policy in economy including entrepreneurship; and*
 - (v) *considerable improvement of public finance management by way of expansion of transparency and reduction in corruption.*

37. The GDP production structure has undergone significant changes. The industrial production share reduced from 17,3% in 2005 to 13,9% in 2008, and the share of agriculture has grown – from 28.5% in 2005 to 25,8% in 2008. The share of the services sector has exceeded the agricultural

sector share since 2002 thus reaching 43,9% in 2008. In 2008 the GDP production structure was not essentially changed.

38. Index of industrial output actual volume in 2008 made 114,9%¹, mainly due to impact of operations of base enterprises of gold mining and energy industries at their specific weight making 33% in the industrial output volume. Decline in the industrial output exceeded 2%; the “Kumtor” excluded. The growth trend in the industrial sector has been observable over last two years while the index of industrial output actual volume in 2005-2006 was negative (decline in the output exceeded 10%). Particular emphasis should be placed on year 2007, when considerable growth in the industry (by 7,3%) was achieved at the the “Kumtor” mining enterprises’ negative performance indicators (-1 %).

39. Adverse natural and climatic conditions in 2005, oil products price increases, and inflationary processes in 2007 have caused a real reduction of the farming industry output volumes by 0,3%. By estimate, the real growth rate made 0,7% in 2008.

40. Average annual growth in construction gross output amounted to 19,0% in 2005-2007, mainly due to outstripping growth of domestic private investments. External investments tended to decrease, in particular, the PIP portfolio reduced from 3,8% in 2005 to 2,7% to GDP in 2007. In overall, use of capital investments has increased from 11,6 billion Som in 2005 up to 24,1 billion Som in 2007. In 2008, as a result of the world financial crisis, the fall in construction was observed as reaching nearly 11%.

41. The balance of payments has been positive lately (in 2005-2007 this indicator increased from 29,1 million US dollars up to 296,8 million US dollars) which allowed to improve significantly the state of international reserves at their having reached 612,4 million US dollars at the end of 2005 and 1176,6 million US dollars – at the end of 2007². The NBKR reserves in 2007 were equivalent to 3,3 months of import versus 3,2 months of import in 2006. In 2008 this indicator is expected to make 3,0 months of import.³

42. The undertaken structural adjustments in the monetary accommodation area enabled the overall strengthening of the national financial and banking sectors. The discount rate stability at 4,6% along with 10% decrease in the obligatory reserves requirements serves as evidence of the monetary policy liberalization as compared to the situation in the late nineties. The total capital of commercial banks increased by 3,3 times in 2005-2007 and equaled to 8,9 billion Som. The commercial banks’ assets have increased by 2.4 times over three years, and liabilities – by 2,2 times⁴. The banking sector development was impacted positively by entry of a number of foreign commercial banks the share of which exceeds 2/3 of the banking system assets. All these facts point at growing confidence in the banking system and the increasing role of banks in the business entities’ economical activities financing.

43. The Kyrgyz Republic managed to provide increase in the state budget revenues. In 2005-2008 the state budget revenues equaled to 24,5% of GDP, thus exceeding significantly their level in 2003-2005 by 3,8 percentage points. The state budget expenditures in 2005-2008 grew annually on average by 36%, and made 31,7% of GDP in 2008⁵. The total external funding of the Public Investment Program decreased to the level of 1,6% to GDP in 2007 due to the rigorous management practices necessitated by the external debt situation. The budget deficit with account of the Public Investment Program remained below threshold levels and made on the average 2,7% of GDP in 2005-2008. Thus, the Government could provide achievement of one of the key macroeconomic goals – reduction and control over the state budget deficit.

44. In general, the Kyrgyz Republic managed to achieve positive shifts in external debt management which was reduced from 77,6% of GDP in 2005 to 45,9% of GDP in 2008. The public debt size is one of the important factors affecting the national economy development and the social and economic policy. Despite the debt re-structuring within the Parisian Club framework in 2002 and

¹ Preliminary estimates.

² Data obtained from the 2007 NBKR Annual Report.

³ The NBKR data submitted for the CDS.

⁴ Data obtained from the 2007 NBKR Annual Report.

⁵ Data of the Ministry of Finance of the Kyrgyz Republic.

2005, the Republic still needs and seeks ways of further debt burden relief in order to use the released resources for development and improvement of the welfare of its citizens.

45. Amount of financing of the development key social areas tended to sustainable growth. The education sector had the highest share of the allocated funding. In comparison with 2003-2005 the public spending on the named sector increased from 4,6% of GDP up to 5,7% of GDP in 2005-2007. The spending amount on public health care has increased from 2,2 % in 2005 up to 2,6% in 2007 while the specific weight of expenditures on the social assistance and insurance averaged annually 2,7% of GDP. In 2008 the spending amount for the education sector is expected to make 5,6%, and expenditures on public health care will reach 2,6%, and the social assistance sector will make 2,5%, respectively⁶.

46. Major reforms in the social sphere were directed on search of adequate funding sources, improvement of the targeted assistance delivery, and increase of social security benefit levels. In spite of measures undertaken by the Government of the Kyrgyz Republic in 2005-2007 regarding the wage raise of employees of the government-financed organizations along with increase of benefits, allowances and other assistance, financing and income levels of this category of the population still remains low. The average annual level of social benefits made 504,4 Som in 2007, or 18% of minimal consumer budget (MCB). The monthly average salaries of workers of education and health sectors made in 2007 – 86,8% and 82,4% from MCB⁷, and by estimates, in 2008 they will make 91,5% и 86,1%, respectively.⁸

47. A significant poverty reduction took place in 2000-2004 irrespective of the poverty line evaluation and its recalculation method which took place in 2003. Thus, the per capita consumption-based poverty level has decreased from 43,1% in 2005 to 35% in 2007⁹.

48. Notwithstanding the fact that in 2003-2004 the poverty reduction rate in the urban areas outrun the poverty reduction pace in the rural areas a considerable poverty reduction was observed among the rural population in 2005-2006. Subject to application of a new poverty line (a new calculation methodology) its level in the urban areas made 29,8%, and in 2007 – 23,2%. Due to the use of a higher poverty line the poverty indicator in the rural areas has changed and made 50,8% in 2005, and 41,7% – in 2007.

49. Despite the overall significant poverty reduction in the country, considerable regional differences in poverty levels still persist. Three oblasts have been identified where the poverty level according to 2007 performance exceeded 45%. These are Djalal-Abad oblast – 53%, Batken oblast – 45%, and Osh oblast – 46,6%. In all regions the indicator remained below 45%. Practically, in all regions the poverty level in the rural areas is higher versus the urban areas.

50. The infant mortality rates differed from those recommended by the World Health Organization (WHO) thus leading to the country indicator understatement. In 2004 Kyrgyzstan adopted international live birth criteria followed by corresponding application of a new infant mortality rate when registry offices started registration of newborn infant deaths with low birth weight (from 500 up to 1000 grams). The infant mortality rate¹⁰ has increased from 20,9 ppm (0/1000) in 2003 up to 25,7 ppm – in 2004, and 30,6 ppm – in 2007.

51. In general the infant mortality rate in many respects is caused by the unsatisfactory maternal health status. Maternal mortality rate has increased from 50,9 deaths per 100,000 live-born infants in 2004 up to 51,9 cases – in 2007. Almost 80 percent of maternal mortality cases are registered in rural areas.

52. During 2005-2007 the maternal mortality rate has increased from 51,2/100,000 over 2002-2004 up to 55,8/100,000 on the average annually. Herewith, in 2005 maternal mortality rate made 60,1/100,000 cases, in 2006 – 55,5/100,000 cases, and in 2007 this indicator decreased to 51,9/100,000 cases¹¹.

⁶ Statistical digest “Kyrgyzstan in numbers”, 2005-2007

⁷ Statistical digest “Kyrgyzstan in numbers”, 2008

⁸ Data of the Ministry of Social Development and Labor of the Kyrgyz Republic

⁹ The NSC data

¹⁰ Number of cases per 1000 live births

¹¹ The CDS website resources <http://89.237.243.46/>

53. With support of the international community the Kyrgyz Republic could ensure a high level of the population immunization – 93,1% in 2005-2007 which helped to decrease measles and rubella incidence. Over last three years stabilization of the number of tuberculosis cases has been achieved. Incidence of malaria and echinococcus has been reduced. At the same time, emphasis should be placed on drastic spread of brucellosis incidence which has increased in 2005-2006 by 22%. Lately outbreaks of typhoid fever and acute intestinal infections have been registered. Annually, outbreaks of typhoid fever were reported caused by poor quality or lack of pure drinking water. However, decrease in virus hepatitis cases by 25% in 2006 versus 2005 should be noted.

54. Proportion of the population lacking access to health care services reduced in 2004-2006 from 7,8% to 5,6%. Despite the fact that health care services are currently accessible for the population at large, however, their cost and remoteness of health care facilities from certain settlements coe out as a serious constraint to the medical aid access, particularly in the rural areas.

55. Support provided by the World Bank and ADB made it possible to maintain the access of 89,8% of the population to qualitative water in 2006. A negative tendency is observed in relation to access of the population to sanitation facilities, and the respective indicator decreased from 32,8% in 2000 to 23,9% in 2006. The situation requires undertaking of additional efforts and this is confirmed by outbreaks of infectious diseases, particularly in the southern regions of the Republic.

56. One of major challenges faced by the Government lately was to provide financial sustainability the pension system. Revenues of the Social Fund budget during last five years were characterized by the sustainable growth trend of budget receipts. Revenues to the Social Fund budget over the reported period have increased by 1,2% to GDP or grew from 6,4% to GDP in 2005 up to 7,2% in 2007. As one of key sources providing for increase in budget revenues became receipts from collection of insurance contributions. Volume of insurance contributions grew over the reporting period by 0,2 percent from 4,9% to GDP up to 5,1% notwithstanding the reduction of the insurance contributions tariff rates from 33% in 2003 to 27% in 2007. Average annual growth rate of insurance contributions collection over this period made 15,4% at average annual nominal growth of GDP by 13,2%. This allowed to improve the state of the Social Fund and to provide for execution of all obligations under the pension benefits payment on timely basis. The improved insurance contributions administration and their increased collection made possible to implement the annual rise of the base part of pensions and the differentiated increase in the pension insurance parts. Nevertheless, low pension levels still persist to be a serious pending problem which should be addressed within this Strategy framework.

57. Support to children is one of the most crucial problems faced by the country. By various estimates, at present there are over 10 thousand neglected children along with over 23 thousand working children and 20 thousand children not attending the school. The problem of children's support needs to be addressed more closely as disregarding the issue on hand may lead to the national human capacity "de-capitalization".

2.2. The CDS implementation results in 2007.

58. **Major implementation arrangements** are as follows:

- (i) fulfillment of the CDS elucidation action plan, including the regional outreach;*
- (ii) fulfillment of the CDS action plan within 73%;*
- (iii) development and launch of the CDS monitoring state information system; and*
- (iv) elaboration of regional development programs till 2011 to support promotion of the CDS priorities*

59. In fact, **the development environment improvement** have led to the following results:

- (i) social and political stability has been improved;*
- (ii) the new Constitution was adopted;*
- (iii) the new Jogorku Kenesh has been formed and took up its duties successfully;*
- (iv) macroeconomic stability control was maintained despite the «inflationary surge» in September, 2007;*

- (v) *the effective external debt management strategy has yielded notable results. The debt amount to GDP has decreased from critical (exceeding 80% to GDP) to a safe level (52%);*
- (vi) *inflow of direct investments in 2007 made almost 400 million US dollars thus showing increase by 87% versus 2005 or by 184 million US dollars, mainly due to the regulatory burden relief imposed on economic entities;*
- (vii) *despite the emerging macroeconomic risks in August – October, 2007, sustainability of the financial system and operations of the banking sector was not just maintained but has improved considerably:*
 - (a) *the volume of deposits has increased by 85%;*
 - (b) *credits in economy have increased almost threefold;*
 - (c) *at following the liberal foreign economic policy the export has increased by 69%;*
- (viii) *much prominence was paid to gender equality principles introduction (increase in number of women in the Jogorku Kenesh, and those holding executive positions in ministries and agencies).*

60. The **macroeconomic** indicators summary:

Table 2.2.1.

Macroeconomic indicators of the Kyrgyz Republic (2006-2007).

	2006 for reference (fact)	2007		
		CDS target	Fact	Deviations
Nominal GDP, billion Som	113,8	128,3	141,9	+13,6
Nominal GDP, million US dollars	2850	3249	3828	+579
Real GDP growth rate (%)	3,1	8,0	8,5	+0,5
Per capita GDP, US dollars	549	620	731	+111
External debt, % to GDP	66,3	65,06	52,0	+13,06
Nominal average wages, US dollars	81,4	91,7	115,7	+24,0

61. Summary of the **budget** execution indicators:

Table 2.2.2.

The budget execution indicators of the Kyrgyz Republic (2006-2007).

	2006 for reference (fact)	2007		
		CDS target	Fact	Deviations
Total budget revenues, billion Som	25,1	25,3	36,0	+10,7
Total budget revenues, % to GDP	22,0	19,7	25,8	+6,7
Total budget expenditures, billion Som	25,3	32,8	35,9	+3,1
Total budget revenues, % to GDP	22,2	25,6	25,7	+0,1
Budgeted deficit (with account of the PIP), % to GDP	3,0%	3,0	1,6%	-1,4

III DEVELOPMENT VISION AND GOALS FOR 2009-2011.

The strategic development goal for 2009-2011 will be improvement of quality of life by improving of quality of economic growth, management and environment.

62. The Kyrgyz Republic views thoroughly the development process through a prism of sustainable human development, i.e. such development with the human-centered focus and ultimate aim. Human development is a strategic goal and a prerequisite for development progress achievement. Such development is focused on poverty alleviation, improvement of level and quality of life of citizens by creating the environment favorable for decent labor¹², living and health, integration of the society, preservation and augmentation of cultural and moral values of people, civil rights protection and achievement of gender equality, and efficient democratic governance. Thus, the democratic governance is meant as participation of each active citizen in the decision-making process and stipulation of such formats and procedures which would provide an opportunity for participation in public administration making it realistic and effective.

63. We have to strive for providing access to all citizens of our country at using their knowledge and skills, and if necessary, support of the state to receive qualitative education, housing, and to earn adequate incomes. That is to provide such living standards which will determine belonging to the so-called middle class. The minimal threshold of the middle class proportion in the total structure of the population by 2011 should not be below a 50 percent level.

64. The set objectives will be achievable only by ensuring high and sustainable economic growth rates. In 2009-2011 it is necessary to maintain the GDP annual growth rates at 7,5%-8,0%. By completion of the Strategy implementation period in 2011 the Kyrgyz Republic plans to achieve the per capita GDP production up to 1600 US dollars thus exceeding the 2008 level by 64%.

65. The economic policy will be directed, first of all, on providing of sustainable economic growth achieved by means of the country's competitiveness improvement based on the development intensification and surpassing growth of labor productivity, and strengthening of the Kyrgyz economy integration to the world economic system by means of the accelerated growth and export diversification along with the liberal foreign trade policy promotion and development

66. Growth of labor productivity, export diversification and acceleration will be provided through creation of favorable environment for development of small and medium-sized business, and industries where the Kyrgyz Republic has potential comparative advantages, namely, in energy and mining sectors, processing industries of the agro-industrial sector and a number of services

67. In order to achieve the identified tasks a key focus will be placed on further creation of favorable business environment and support to the private sector development, and radical improvement of the investment climate quality necessary for foreign investments inflows required to promote economic growth. Deepening of the reforms directed on the financial sector development will also strive for promoting inflow of savings for growth of the economy financing share and volumes due to domestic resources.

68. Reforming of the tax system will be directed on the tax burden relief imposed on economic entities and the shadow activity reduction in the economy to the effect of essentially increasing the share of public revenues in GDP. Reform of the customs service will be directed on its efficiency improvement and considerable reduction of time and resources spent by business on export-import transactions.

69. The public expenditure policy will place its focus on linking the public spending to development programs which will be identified in the present Strategy along with translation of the budget social format into the investment one. The Public Investment Program will be focused on support to the major elements of the industrial, agricultural and social infrastructures in line with the objectives and priorities of this Strategy.

¹² The «decent labor» concept has been defined by the ILO and is used in preparing country strategies for their member-states, including the Kyrgyz Republic.

70. The Kyrgyz Republic will continue rigorous public debt management although this factor does not endanger the country development nowadays. Nevertheless, attraction of foreign financial borrowings will be strictly regulated with regard to their practicability, preferential terms and maximization of potential impact on the country economic development.

71. Public administration reform will be aimed at formation of the compacted system of executive power which will deliver services to the population in a qualitative and efficient manner thus replacing the existing cumbersome state machinery. Ultimate departure is planned to be introduced from use of authoritarian management in public administration and transition to a new, genuinely democratic governance model, at achieving gender parity in the state power in partnership with civil society.

72. Corruption will be eradicated by applying comprehensive measures, in particular, through reduction and strict regulation of the state bodies' interventions in market mechanisms, strengthening of accountability of state bodies to the civil society and by enhancing transparency of their activity and improvement of legal environment. Solution of all these problems along with development of the impartial, fair and effective judicial system will create conditions necessary for increase of private investments into the national economy.

73. The governance optimization process will further empower local communities and strengthen local budgets.

74. Experience of the Kyrgyz development over last years has shown a critical role of the economic development in growth of earned incomes of the population and poverty reduction. Social policy alongside with economic growth promotion will focus on more effective and targeted support to vulnerable groups of the population, continuation and extension of the pension reform to provide for the outstripping growth of pensions, improvement of access and quality of services in education and health sectors.

75. It is necessary to achieve reduction in the mortality rate to the level of Kyrgyzstan's commitments within the Millennium Development Goals framework along with the average life expectancy growing from 67 till 70 years. For this purpose there is the need to carry out the most serious and systemic adjustments in the health care system, and re-equipment of health care organizations, and qualitative changes of the health care manpower capacity. It is needed to create such conditions so that people would be able and strive for their health improvement by referring to preventive health care, and going in for physical training and sports.

IV. CHALLENGES AND THREATS

4.1 Challenges and threats to the economic security

4.1.1 Macroeconomic challenges and threats

76. *Geographical location and a small territory of Kyrgyzstan are constant factors which constrain all economic decisions of the state and private sector.* Kyrgyzstan is a landlocked country lacking any exit to sea routes, and the railway communications exist only with neighboring countries – Kazakhstan and Uzbekistan. Inland transportation is carried out by motor vehicles; the North and the South of the Republic are connected by railway communications only through the Uzbek territory. Kyrgyzstan is the country with the population numbering 5 million 224 thousand persons, of them by various estimates, 200-800 thousand of the economically active population are in labor migration. Lack of wide exit to powerful international transport communications, high inland transportation costs, and a small-capacity domestic market are constant determinants constraining development of multivector and diversified world economic relations, implementation of large-scale, domestic market-focused investment projects within the country.

77. *Decline in the global economy growth rates along with problems in the largest world economies endanger growth of the Kyrgyz economy.* Our country gets integrated into the world economy to a considerable extent. At present the global economic crisis affects not only the financial markets, but the banking system, housing construction, status of national budgets, social expenditures, and living standards of the population as well. Negative trends of these processes are able to worsen significantly prerequisites for sustainable external investments in the Kyrgyz economy and economies of a number of leading trade partner-countries (Kazakhstan, Russia).

78. The world financial crisis, if deepened, may complicate essentially a situation in the Kyrgyz financial markets. The highest risks for the Kyrgyz economy are associated with the potential outflow of financial resources from the national banking system abroad, increase in cost of borrowing for business, national currency fluctuation, and growth of inflationary expectations. A cutback in remittances of labor migrants employed in the CIS countries can become a factor aggravating the situation.

79. *The Kyrgyz economy lacks sufficient capacity to smooth over implications of negative processes taking place in the world financial and commodity markets.* Kyrgyzstan has a small, open and insufficiently diversified economy. The fact makes it sensitive to adverse processes in foreign financial and commodity markets. Kyrgyzstan's ability to respond adequately to the external economic shocks comes out as a critical factor. For the present the economic system is unable to withstand effectively external inflationary shocks by pointed and mutually complementary monetary and credit and fiscal policies. A fundamental problem is underdeveloped competition in certain sectors of economy, including those connected with private consumption. The country lacks any stabilization fund which could be used for localization of negative aftereffects of the external economic shocks.

80. *Notwithstanding the fact that acuteness of the problem relating to the external debt servicing has decreased over last years, its amount and risk of the negative aggregate exposure of a number of factors can create difficulties for its servicing.* The foreign debt of the Kyrgyz Republic which made 2,076 billion US dollars as at the beginning of 2008 (its share in GDP equaled 52,8%). Substantial improvement as against the previous period was achievable due to determined public policy and favorable ambient conditions. However, risks of macroeconomic destabilization relating to a large size of the foreign debt still continue to exist. Its critical stress-free servicing facility will depend in many respects on strength of the world financial market and stability of the national currency exchange rate against leading currencies, and tough policy of attraction of new credits and loans, and tightening control and analysis of the public borrowed funds spending effectiveness.

81. *Current economic circumstances and obligations taken by the state with respect to social programs are not balanced properly.* Efforts attempting to support the social sector, have led to establishment of a relatively high threshold of the state social obligations. The state budget spending on social programs over last years exceeds 50% of all expenditures. Herewith, the state gives insufficient consideration to the policy effectiveness analysis in the education, health and social security sectors. Further growth of social obligations at disregarding optimization of the bases

regulating inclusion of citizens in certain social programs, can lead to unacceptable growth of on-budget.

82. *The Kyrgyz economy has been losing an industrial component; it has significant disproportions both in industrial and territorial structures.* The existing structure of economy is focused basically on agricultural production, mineral extraction and services delivery. It lacks innovations, and does not intend to create know-how- and technology-oriented industries. In Kyrgyzstan despite certain changes in the sectoral structure (the share of services grows while the proportion of industrial sectors reduces), the undertaken structural adjustments have slackened their pace. The economy of Kyrgyzstan has disproportions in the territorial placement of productive forces. The industrial potential of the country is concentrated basically in the Chui valley and Bishkek. The Kyrgyz economy is characterized by low rates of savings for the fixed capital improvement, and for the structural adjustment capacity development to support innovative, technologically intensive sectors of economy.

83. *The state-owned enterprises management is extremely inefficient.* At present there exists a situation when the Government lacks sufficient information on financial and economic activity of these companies, and it does not approve financial plans and reports of the major enterprises. Governmental agencies lack managerial practice and capabilities, and they lack sufficient incentives. Herewith, management companies consisting of professionals responsible for their activity are not involved to provide effective operations of the state-owned enterprises.

84. *Created jobs in Kyrgyzstan fail to meet real needs of the able-bodied population.* The unemployment rate in Kyrgyzstan makes 8,2% to economically active population, 2007). Urgency of the job creation problem in Kyrgyzstan has been smoothed over to a certain extent by "job offers" coming from the informal sector of economy along with labor out-migration. The latter factor will weaken to the extent of the world economic crisis deepening.

85. *Significant size of the informal sector of economy weakens trust of the population to authorities, fosters false signals and incentives for the economic development.* The size of the informal sector of economy in Kyrgyzstan has reached 50% of GDP (the UNDP surveys). The shadow economy has adverse impacts on tax and social bases, creates false market signals, promotes unfair competition for registered enterprises, distorts the official statistics, and results in inefficient economic policymaking. Special risks arise from use by shadow business representatives of huge financial opportunities for penetration into power-holding structures and expansion of the informal sector of economy.

86. *The economic policy declared in the system of policy statements and special-purpose programs, and normative regulatory documents, is very often isolated from real practices of economic development administration.* Total number of concepts, strategies, programs, etc. in the country pertaining both to economy in overall, and its separate components, has exceeded 260 titles. Herewith, there exists a gap between the stated economic policy and real actions on economic management. It occurs due to imperfection of the management system, insufficiently strict regulation of linkages between practical actions with the economic policy stated in strategic documents and policy statements as well as due to fallaciousness of these documents.

87. *A number of rates given to Kyrgyzstan by international agencies and research institutions fails to meet the existing opportunities of the country and necessitates stirring up of their improvement-directed policy.* Inclusion of Kyrgyzstan in the world classifications based on application of various criteria proves a positive phenomenon which allows for comparing to a certain degree the country development results with other countries. However, currently Kyrgyzstan low ranked according to a number of the key rating systems. In particular, as provided by the 2007-2008 Global Index of Competitiveness Kyrgyzstan took 119 place. Herewith, the country's position in the world rating has worsened since the past year. Kyrgyzstan has to strive for improvement of its indicators of the world community accepted rating systems. Kyrgyzstan's rating has improved significantly according to the Ease of Doing Business Index (*Doing Business: 2007* – 99 place, *Doing Business: 2008* – 68 place) that indicates availability of powerful capacity for the country's position improvement in the world classifications at implementing of the targeted public policy.

4.1.2. Food security challenges and threats

88. *The Kyrgyz Republic lacks an adequate self-sufficiency level of basic foodstuffs. This poses a threat of high reliance of the country on the situation in the world food markets, and on export policy of countries – foodstuffs exporters.* At present provision level of Kyrgyzstan with domestically produced basic foodstuffs makes: bakeries – 57%, vegetable oil – 56,3%, and sugar – 43,9%. As is known from experience, at swift and sizeable increase of the world food prices a number of the countries – foodstuffs exporters to Kyrgyzstan undertook measures on export restrictions and establishment of exclusively high prices. In case of the food resources problem aggravation worldwide the inadequate food self-sufficiency, on the one hand, and possible barriers to their import (administrative, economic), on the other hand, may put in danger the Kyrgyz food market situation due to transient negative changes.

89. *Agriculture of Kyrgyzstan is a low-efficiency specific sector which is subsidized persistently.* Today agriculture of the country has low industrial potential, low efficiency and low adaptability of entities in the industry to the market situation changes. Necessity to maintain the existing level of production demands constant and scale financial state support. Total subsidies to the agricultural sector impose a big burden on total expenditures of the state and restrict opportunities for solution of other social and economic tasks. However, even in such situation, one may observe a partial replacement of own agricultural produce by imported products. Reforms in the agricultural sector at having addressed issues pertaining to private property failed to provide for development in rural areas of other major market institutions and infrastructure which would create preconditions for the capital concentration and increase of productive efficiency, and emergence of the efficient owner in the industry. Discrepancies between a real-life situation in agriculture and its management methods became a hindrance to development

90. *Specific territorial and food markets are not protected sufficiently from monopolization, price collusion (cartel agreements) which leads inevitably to establishment of unreasonably high food prices.* Markets related to the foodstuffs import, processing and delivery to the population are not competitive enough. State bodies lack capacity to obtain full information on competition level and to prevent monopolization and cartel agreements. The state withstands ineffectually the reasons of high intermediary costs of the foodstuffs delivery to consumers, and high transaction costs¹³. As a result, very often there occurs the unreasonable overpricing of food items, and the population of the country has to bear increased food costs.

91. *The state lacks sufficient normative, organizational and material leverage to ensure the market stabilization and sustainable food supply of the population, if necessary.* At present the country lacks the adverse trends monitoring and early warning system in the world and domestic food markets. The material resources management system in its present state fails to satisfy demand of the country for foodstuffs not only in quantity, but also in the foodstuffs mix and quality of the stored products. Existing stocks of bread-grain as the state material reserves can provide consumption of the population only for 30 days in a crisis situation that is not enough at adverse forecasts of the world food markets development. Economic entities operating in the food market are practically 100% privately-owned thus dispossessing the state of exerting direct influence on them. Thus, the state lacks developed market instruments as levers to control prices.

92. *Loosening control over food security and their conformity with technical specifications poses threat to health and life of the population of the country.* Expansion of the world economic relations of the state has caused increase in import of various agricultural products and goods of their processing. Thus, the share of genetically modified and counterfeit goods has been growing, some part of which presents a direct health hazard or lacks qualities specified in labeling of goods. In addition, a significant number of the harmful insects are brought in with agricultural produce subsequently inflicting losses to agriculture. Increase in number of foodstuffs producers which is a positive tendency in general, is accompanied by growth of neglect to the sanitary control requirements. The population cannot obtain all necessary information on quality of products due to lack of necessary labeling

¹³ Transaction costs are the costs connected not with production as such, but with incidental expenses (protection against administrative barriers, fraud, bad faith, establishment and protection of the property rights, information retrieval and so forth).

(composition of food, volume, weight, possible restrictions at consumption and so on). Herewith, capacity of the state on protection of the population against hazardous and sub-quality food articles has not been strengthened. As a result, a situation is emerging for unfair behavior of foodstuffs producers and sellers, and the market mechanism on setting requirements to their products has not been developed.

4.1.3. Energy safety challenges and threats

93. *At present no coordinated long-range policy of water-power resources use among Central Asian countries is in place. The fact creates competitive interrelations and prevents from receiving gains from optimization of use of vital resources based on regional cooperation.* Due to geographical conditions water resources in all Central Asian states present and will present in the certain historical prospect a natural basis of development of economy, life of people and the society. Kyrgyzstan possesses significant water resources which make a basis of its energy, economies of neighboring countries – Uzbekistan and Kazakhstan – depend on water in our rivers. In turn, Kyrgyzstan has poor stocks of hydrocarbon raw materials with which nature has endowed generously its neighbors. However, the necessary balance protecting national interests of the country and ensuring the regional stability relating to the water use issue has not been achieved yet, and the mutually advantageous cooperation in this case with bordering states has not been reached. Kyrgyzstan due to pending payment issues for the water accumulation, storage and discharge from the storage reservoirs during the spring-and-summer period faces with lack of funds for maintenance of technical safety of hydraulic structures. In case of negative scenarios for the situation development it may pose a risk of flooding of approximately half of the flat part of the Fergana valley.

94. *Large international projects connected with the electric power transfer from Central Asia to Southern Asia create new conditions and incentives for development of the energy sector of the country.* There exist huge potential opportunities of development of export-oriented electric energy industry in Kyrgyzstan at energy markets development of South Asian countries (India, Pakistan, Afghanistan). Their developing economies face the growing electric energy shortage. Facilitation of the regional trade in electric power, search for interlinkages between strategy and action plans in the field of energy is supported by the ADB as one of the Central Asian Regional Economic Cooperation priorities. Kyrgyzstan as well as all other Central Asian countries will benefit from the energy market development in the region thus making possible the electric power interchange both between them and the South Asian countries for peak loads regulation. Despite a long-term nature of these plans Kyrgyzstan should lay the groundwork for active participation in the regional energy projects during the entire XXI century.

95. *Heavy reliance of Kyrgyzstan on water power and import of oil products creates incessant threats of deterioration of power supply of economy and the population during the low-water season and fluctuation of prices abroad.* 94% of the total electric output in the country is generated by hydroelectric power stations. In low-water years it creates threat of the electric power shortage that can incur losses to the overall economy and private consumption. The country imports over 90% of all consumed hydrocarbons. Its own proven oil and gas fields are insignificant; their mining makes up to 90%. Sky-rocketing world prices for oil, oil products and gas may also aggravate the economic circumstances. The challenge of the electric power generation diversification, first of all, through the small-scale energies development has been met not actively enough.

96. *The energy sector of the country loses increasingly its status as the economic development driving force.* The energy sector refers to industries which constantly reduce their specific weight in the national economy; it fails to make conformable inputs in development of economy and is not a source of growth. From year to year the energy sector persistently loses its positions in the national economy: if in 2002 increase in total electric power output and distribution by 1% led to increase in gross social product by 1,189%, in 2005 it already equaled 1,096%¹⁴.

97. *Over past 5 years there was observable depression in the electric energy industry of Kyrgyzstan. Measures on improvement of energy enterprises failed to produce expected results, and unsuccessful reforms increase the number of opponents.* The energy loss reduction problem in the power supply system has remained unsolved during many years. Poor management comes out as a

¹⁴ Based on the interindustry balance data of the Kyrgyz Republic for the period under review

key factor in this respect. Energy in the country is a monopolistic activity, thus, competition and a market incentive system promoting the enterprises' performance improvement in the energy industry are lacking. The task of the efficient owner arrival in the energy sector is pending. Current rather low tariff rates in Kyrgyzstan existed due to the strict rate regulation and the power generation potential accumulated in the last century. Construction costs of new electric power plants and modernization of the existing facilities will upvalue respectively the generated electric power.

98. *The financial and economic situation at the enterprises of energy industry is difficult and may cause shrinkage in the electric power production.* The energy sector faces a serious problem in the forms of a non-payment spiral: consumers do not pay for the consumed electric power to the energy companies; the latter cannot pay their obligations for delivered products and services. Amounts of bills payable and receivable of the energy companies grow; and bills payable exceeded bills receivable in 2003, and such negative balance increases from year to year. Presently, the fixed capital wear factor makes 39%, thus growing by 5% since 2003. It endangers passing a critical point and subsequent fast destruction of capital assets of the enterprises and growth of breakdown rate, and shrinkage in the electric power production.

99. *No economic inducement exists in the country to reduce power intensity of production and to decrease electric power consumption by the population. It makes the overall electric power consumption system inefficient.* The Kyrgyz economy has very high power intensity indicators. Power consumption of GDP of the Kyrgyz Republic in 2002 made 1,1 tons of fuel equivalent per 1000 US dollars (the data of the CIS Electric-Power Council). It exceeds indicators in other CIS countries comparable in the size and structure of economy: power consumption of GDP of Georgia made 0,65 tons fuel equivalent per 1000 US dollars, Armenia – 0,83 tons fuel equivalent per 1000 US dollars). Best world power consumption indicators are in Switzerland (0,08 tons of fuel equivalent per 1000 US dollars) and Japan (0,09 tons of fuel equivalent per 1000 US dollars). Excess power consumption lowers competitiveness of Kyrgyz production, particularly, in power-consuming industries.

4.1.4. Production and technology challenges and threats

100. *There are significant gaps in Kyrgyzstan between economic development needs and own technological support potential. All key industries of the Kyrgyz economy are found in technological dependency on other countries.* In agriculture of the country they use an elite seed variety, pedigree cattle, agro technologies, equipment which are designed and made in other countries. The country has lost in part achievements of previous generations on cultivation of own highly productive pedigree cattle, regionalized elite seed variety of basic agricultural crops. The current condition of scientific and technical potential prevents from achieving key successes at their reproduction and improvement. In other critical industry for the country – energy sector – all manufacturing equipment is brought in from abroad. Lack of own innovations, sustained technological dependence of Kyrgyzstan leads not only to weakening of competitive ability of economy, but also puts an insuperable barrier to achievement of higher social and economic development indicators.

101. *The existing level of development of science and scientific achievements of Kyrgyzstan do not satisfy the social and economic development needs of Kyrgyzstan.* Over the years of independence the country lost in part the scientific potential accumulated in the past. Despite small quantitative growth of a number of the workers engaged in research-and-development activities, results of research activities are of modest scientific value, do not meet the best world achievements, and do not find due practical application in the national economy. The research staff is slowly replenished by young scientists that result in loss of continuity. Mean age of experts carrying out research-and-development activities in 2006 made 46,6 years, candidates of sciences – 50,5 years, and PhDs – 58,1 years. At present the society does not consider science as the major factor of economic development, and the research activity as prestigious which is worthy of high material support. Accordingly, the research activity incentive system is not developed.

4.1.5. Information safety challenges and threats

102. *Kyrgyzstan lags behind leading countries of the world in development of the information and communication technologies that poses a threat to information support of the national economy development.* Information technologies and infrastructure used in Kyrgyzstan due to technical

backwardness from best standards do not satisfy demands of the domestic market for national information products and the world market entry, and for accumulation, safety and effective use of domestic information resources. Industries and sectors of economy lag behind the developed countries on the information level: for example, according to «The Networked Readiness Index» Kyrgyzstan is ranked 115-th among 122 rated countries (2006-2007). Application of modern information technologies is not adequately encouraged by the state. Lingering in the information infrastructure latest development slackens the economic growth potential.

103. *State bodies and local authorities are not active enough in formation of open public information resources and development of the access system for citizens. Information gaps on public administration reduce awareness of the society about activity of the state.* 13 of 14 ministries of the Kyrgyz Republic have information web-sites; 2 out of 4 state committees, 7 out of 12 administrative agencies (State agencies), and 16 out of other 34 executive agencies and central bodies; herewith, not all of them provide the ongoing information update. The project implementation within the framework of development of the “Electronic government”, “Electronic education” and “Electronic economy” is not carried out actively enough.

104. *Development of information technologies in Kyrgyzstan actualizes a problem of ensuring security of information and telecommunication means and systems, both already rolled out and developed in the country.* As the world experience shows, extensive use of information technologies in governance and economy is attended by an adequate growth of cybercrime, increase in unauthorized access to confidential information stored on electronic carriers, etc. Also, in the period of aggravation of the international situation the information technologies are used for malfunctioning of the state information and telecommunication systems. In Kyrgyzstan the information security ensuring activities and training of qualified personnel in the field of data security maintenance are programmed inadequately.

105. *Broad presentation in the Kyrgyz TV and radio broadcasting network of foreign electronic mass media can provide the unbalanced access of the population to information.* Only 2 national television broadcasters provide coverage of the entire republic. At the same time practically all Kyrgyz citizens have access to three Russian TV channels, in the south of Kyrgyzstan 4 Uzbek television companies provide constant broadcasting, and their total broadcasting volume outgoes the national mass media coverage. Major part of broadcasting is carried out in other but the state language. Unrestricted access of Kyrgyz citizens to the information, its objectivity and balance is laid down in the information policy. However, gaps in capacity and financial opportunities of foreign and national mass media can exclude in part the national mass media from the information field. Also, the information contents, interpretation and presentation ways by foreign electronic mass media in certain cases can create risk of infringement of equity of access of the population to various type of information.

4.2. Challenges and threats of demographic safety and human development

106. *A number of illegal migrants grows in Kyrgyzstan promoted by the liberal immigration laws and visa systems along with labor migration from neighboring states.* There is no recorded official statistics of immigration processes in the country that complicates their control and risk assessment. Loss of control over illegal immigration processes may lead to a critical concentration of immigrants in certain regions and expansion of the relationship crisis and promote penetration into the country of individuals with deviant behavior¹⁵.

107. *High indicators of labor migration degenerate the human capital and undermine considerably the overall workforce potential.* Kyrgyzstan is a source of a cheap and unskilled manpower in demand in a number of the CIS countries. In 2005-2007 the out-migration of the population made 108,6 thousand people. Labor out-migration to these countries is promoted by higher manpower costs, similarity of the sociocultural environment, transparent borders and liberalization of movement rules. The most active part of the able-bodied population is involved in the migration outflow: a main proportion of emigrants make working-age persons (over 70%). Labor migration provides a considerable inflow of remittances to Kyrgyzstan, promotes growth of professional qualification of our citizens, and strengthening of good relations between nations. However, along with positive aspects

¹⁵ Deviant activities (interpreted as deviance from the norm – social, moral, legal).

these processes can create risk of degradation of quality of human resources available for the national economy.

108. Economic recession in a number of the CIS countries hosting the migration outflows of the population will lead, probably, to homecoming of a part of labor migrants to Kyrgyzstan. Apart from reduction of transfer amounts due to these developments, it will lead to increase in the unemployment rate and higher competition in the labor market. Moreover, an additional load will be burdened on the social safety net.

109. *Internal migration processes led to high concentration of the population in Bishkek and other big cities of the country.* Over 40% of in-migrants move and settle in Bishkek needing housing, jobs, and inclusion in social programs. By expert estimates, the actual population of the capital exceeds the official data by more than 500 thousand persons. To support them it is needed to allocate earmarked funds from the Bishkek local municipality budget. Such processes in the capital city of the country exacerbate tension in social and economic and political spheres; and they also have a conflict-provoking potential. The state and local self-government in the regions fail to create sufficient incentives to retain the population from out-migration.

110. *Places of a mass migration in periphery suffer adverse irreversible consequences.* Leaving permanent residence by labor migrants leads to imbalance and exhaustion of demographic and labor resources, degradation and desolation of these areas which are mainly a rural periphery in strategically important frontier mountainous territories. The washout of the mostly reproductive and economically active population results not only in devastation of these territories, but also to loss of continuity of generations, degradation of the rising generation, "laying-up" of the gene pool and level of its socialization. It creates opportunities for systematic and deliberate "creeping" migration in these places of the population from neighboring frontier territories. Abandonment of remote and frontier territories, change of social and demographic and national composition of the population due to "creeping" migration will create a new situation in relations with neighboring countries, and will demand development of programs for their inclusion in the Kyrgyz social and cultural environment, and may pose a threat to stability and security.

111. *Kyrgyzstan manages to maintain the earlier achieved educational level; however, there are visible signs of its impairment.* Quality of training of students, with the insignificant exception, tends to degradation. Contents of education (knowledge, skills) at schools and institutes of higher education today are afunctional. Results of the 2007 National Monitoring of learning achievements quality of students show as against 2006, reduction in percent of correct answers in base skills and knowledge: in literacy – up to 35%, mathematics – up to 38%, and life skills – 35,2%. Persistent learning incentives of the curriculum are weakened, and traditional for the country a prestige of solid scholarship is substituted for obtaining of the certificate of degree. It generates corruption and undermines trust of the population to education in general, and prevents from formation of the generation socially adapted to sustainable human development.

112. *The number, quality and structure of graduates of the Kyrgyz educational institutions not quite adequately satisfy demands of the existing and future labor market.* Many graduates of institutes of higher education and secondary vocational educational institutions lack the employment opportunity in their speciality, financial and time costs incurred by the trained youth became unproductive, and there are threats of manning requirements for the national social and economic development programs. In the country the required labor supply-and-demand balance is lacking in relation to specialists trained by the educational system, and such balance is upset in demand for educational services and actual quality of these services. It becomes particularly visible at seeing the inadequate training of technician-graduates and excessive graduation of specialists in the humanities (lawyers, economists). Such background prevents from their successful integration in economic activities.

113. *Quality of services of the public health care system meets inadequately needs of the population.* The statistics reports high sickness rate indicators or unfavorable trends in cardiovascular diseases, neoplasms, HIV/AIDS and other diseases. Life expectancy at birth (67,7 years in 2006) as an integrated life-quality indicator is under the threat. Development of health care institutions based on various organizational and legal forms had as one of its goals the improvement of the health care facilities physical availability and quality of medical services in Kyrgyzstan. However, growth of "demand" in the health services market is not accompanied by the quality improvement, but cost of the services tends to grow without limitation. In fact, only the applied medicine actually develops while

is not given attention to development of preventive medicine in the country. The low level of preventive maintenance, inopportuneness of revealing of diseases increases number of heavy and hard to cure patients which treatment demands essential financial expenses of the state.

114. *In Kyrgyzstan the mass physical culture development as a tool of physical and intellectual health of the individual does not expand properly.* In the country a number of physical training and sports facilities is reducing. Only about half of schools have gymnasiums, of them over 60% are the equipped gymnasiums. Limited scope of physical training is provided in children's establishments and schools due to lack of necessary sports kits and equipped gyms. As a result, the physical state of children and teenagers is at a low level. Development of outstanding achievement sports promotes access of children and youth to physical training. However, it lacks a large-scale involvement due to inadequate educational and elucidative work.

115. *The culture development level of the population does not comply with long-term interests of development of the society and economy.* Lately, certain work was performed in the area of renewal and preservation of cultural values, development of cultural material resources. At the same time falling attendance of cultural establishments due to low paying capacity of the population and poor quality of the cultural services delivery is observed. The problem of accustoming of the population through culture to humanitarian and universal values is not solved sufficiently. Also, the qualitative shift to creation of new cultural values at the level corresponding to the best domestic and world cultural patterns did not take place. The Kyrgyz culture is insufficiently propagandized in the country and abroad.

4.3. Environmental safety challenges and threats

116. *Global climatic changes is a new serious challenge faced by the mankind, including Kyrgyzstan, which necessitates undertaking of response actions to prevent negative effects.* In Kyrgyzstan such main retrogression driving factors associated with change of climate became apparent as: scarcity of water, a greater danger of the extreme meteorological phenomena, destruction of ecosystems and growing hazard to public health. Temperature extremes will endanger smooth functioning of industrial objects, water-, heating and power supply systems, and will have a negative impact on growth and development processes of agricultural crops and biodiversity. In case of aggravation of these negative processes this can pose systemic risks to the overall economy.

117. *In the country there exists a number of objects containing toxic and radioactive waste products, and their probable destruction presents the environmental hazard not only to the Kyrgyz Republic, but neighboring countries as well.* In Kyrgyzstan there exist 92 objects storing 250 million of cubic meters of toxic and radioactive waste products of mining industries. In 1999-2007 their storage area increased twice – from 189,3 ha up to 381,3 ha. The major part of tailing pits and mining dumps is located in the river basins (Naryn, Mailu-Suu, Chu, Sumsar) and puts at high risk occurrence of transboundary radiation-dangerous environmental disasters. Frontier territories of Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan with total population about 5 million people may be found in the possible impact zone. Transboundary disputed problems include uncontrolled cases of use of high-mountainous pastures of Kyrgyzstan by herds of grazing animals from the neighboring countries, leading to the accelerated pasture degradation.

118. *Environmental pollution (both net and diverse) caused by man's impact reached the levels beyond which the biomass production capacity will decline.* Peculiarities of the territory of the Kyrgyz Republic predetermine their special natural instability and increased vulnerability to anthropogenic impact. As a result of economic activities and impact of some natural factors a significant part of the soil cover was degraded. Over 88% of the existing 10,6 million ha of farmland are recognized as degraded and subject to desert invasion. Lands of secondary salinity increased and make 75% of all arable land reserves of the republic; more than half of arable lands in the country are subject to water and wind erodibility. About half of pasture lands refers to a category of degraded soils with respect to vegetation and soil quality.

119. *Worsening quality of the human habitat constitutes threats to health and safe human development.* Dustiness and concentration of pollution components in atmosphere in big cities of the republic – Bishkek, Osh, Kara-Balta, Djalal-Abad, Cholpon-Aty, etc., particularly, in the summer period, exceeds the maximum permissible concentration. The widespread compression practice of built-up houses leads to deterioration of ventilation of urban areas. There is a risk of pollution of

underground waters underfeeding Bishkek. Solid domestic waste management in big cities does not meet sanitary and ecological requirements, there is lack of industrial waste utilization technology as it is focused only on area expansion tasks. The Bishkek refuse dump with the landfill volume of 3,3 million cubic meters of solid wastes with the planned operation life was designed till 1988, and is being used up to present time. 24 million cubic meters of waste products are stored in this landfill. Around Bishkek and cities of Chui oblast there emerged rings of new-built quarters lacking the water supply and drainage systems.

120. *National economy is not oriented to reduction of nature intensity of all kinds of human activity, first of all, of production processes. It poses risks of strengthening factors impacting adversely on the nature and undermines a basis of social and economic development.* The existing normative legal framework does not encourage reduction of industrial waste products and improvement of their treatment and processing, reduction in depletion rates of renewable natural resources, creation of conditions for their replacement with other unlimited kinds of resources, reduction of the areas in economic circulation and volumes of nonrenewable resources, etc. For example, lately the sustainable growth tendency to unproductive water losses is observed, and 90% of them make losses in the irrigation network. Expenses for the environmental protection decreased to a critically low level lately and make 0,026% of GDP. The tendency to decrease in capital investments is observed by a number of positions aimed at environmental protection and rational use of natural resources.

121. *Nature and climatic conditions of the Kyrgyz Republic pose a constant threat of hazardous natural processes and phenomena.* The greatest threat to human lives, life-supporting objects, settlements present earthquakes, landslides, floods, snowslides, high-mountainous lakes causing danger due to impending water breakthrough, and subsoil waters underflooding. Annually in the country there occurs about 200 emergency situations caused by natural disasters; and more than 1000 families were resettled from danger areas. 75% of the population of the country live in 74 settlements which are located in possible seismic focus the intensity of which can exceed 9 points according to Richter scale, in addition there exist not less than 5000 land slide hazard sites.

V. STRENGTHENING OF THE DEVELOPMENT ENVIRONMENT APPEAL

122. As major prerequisites to successful implementation of the Strategy will be improvement of the development environment through maintenance of political stability in the country, institutional strengthening framework of certain state bodies, creation of conditions for free competition, implementation of the consistent monetary and credit, tax and budgetary policy, strengthening of the banking system and deepening of financial markets, further promotion of structural adjustments and the external debt burden relief.

5.1. Social and political stability

123. As a necessary precondition of sustainable economic and social development of any society is ensuring its social and political stability. Kyrgyzstan encountered the issue of stability which acquired special acuteness after events of March 24, 2005 when the former regime collapsed and the new power headed for strengthening of the government institutions.

124. This process was progressing with significant difficulties, being accompanied by pressure on the part of certain social groups which used unsanctioned meetings and rallies as the main and very often a unique tool of the discontent expression. The most negative effect of such rallies and pickets is that it strengthens permissiveness in consciousness of people thus exposing to danger stability of the social and political situation. Very often such actions violated existing laws as well as the rights of certain groups, thus adversely affecting the country's overall economic development. Stagnation of economy in 2005 and its insignificant growth rate in 2006 are direct implications of political destabilization of the society.

125. Certainly, such meetings are a democratic tool and expression of the will of the people, allowing the civil society to influence the government decision-making when all other methods fail. However, the Kyrgyz society realized ill effects of excessive use of this tool and now it is in the process of search for more balanced toolkits which will enable to inform public authorities of needs and requirements of various socio-political groups.

126. In this respect the undertaken steps proved their efficiency aimed at improvement of the sociopolitical structure of the society and strengthening of a role of political parties in the government. At the same time the society faces critical challenges of further development of this process, in particular:

- (i) *creation of the sustainable "checks-and-balances" system in the political sphere with account of new constitutional provisions;*
- (ii) *development of the government decentralization process along with institutional strengthening of the central authorities, based on clear division of powers and responsibilities between the center and territories;*
- (iii) *adjustment of decision-making procedures at all levels of the state power based on the decision-making openness and transparency in the format of public policy; and*
- (iv) *practical introduction of rule of law to close gaps between adopted laws and their enforcement.*

127. Stable development of the society may be affected by ethnic factors. Certain political forces attempted to use this issue to serve their own private purposes, or sometimes to destabilize the situation in the country in general. Harmony between different ethnic groups and nationalities is the main precondition for stability in multinational states. Unequal access to financial and economic resources, distortions in human resources policy, shortages of irrigated agricultural lands, in particular, in the Fergana valley, social imbalances, unsettled national, cultural and educational problems – all these aspects may serve as risk factors for the ethnic conflict outbreaks. Therefore, the Government has to state clearly the ethnic policy reflecting all pending problems and suggested solutions

128. It is necessary to punish harshly irresponsible politicians and citizens provoking inter-ethnic and inter-regional conflicts. Government institutions must work on concrete action plans aimed at reaching inter-ethnic harmony. Civil servants abusing official duties to harm ethnic and inter-regional relations must be subject to criminal responsibility.

129. Development of tribalism and regionalism cannot but keep our society concerned. Irreversible damage will be worsened when tribalism and regionalism will affect the social life. In the long run, such tendency can result in splitting of the Kyrgyz society. Ignoring or underestimating of the given problem is inadmissible. Traditional approaches in addressing these issues not only fail to produce any results, but lead to spread of double standards. Finally, tribalism and regionalism lead to lowered professionalism in public administration and deterioration of the national competitiveness, and may endanger the stability within the society. The Government intends to develop a specific action program within the scope of the Strategy framework to prevent tribalism and regionalism.

5.2. Macroeconomic policy

5.2.1. External and internal preconditions of development

External preconditions (world economy in 2009-2011)

130. It is expected that relatively low rates of growth of world economy in the medium-term perspective will persist as there is a risk of further crisis adverse impact on the real estate and financial markets. Based on forecasts, the world development average annual rates in 2009-2011 will not exceed 4-4,5%, herewith, it is assumed that growth rates in developed economies will reach 2%, and a considerable input in growth of the world economy will be made by China, India and other developing countries.

131. Ongoing crisis in the USA will have its impact on keeping up high prices for gold (at 860-880 US dollars per Tr. oz¹⁶) due to further US dollar devaluation.

132. The forecast of international agencies and organizations specialized in the world oil prices monitoring and forecasting (US Energy Department, OPEC, International Monetary Fund, and the World Bank and others) indicates the dominant tendency to recession in demand for crude oil in developed countries – members of the Organization of Economic Cooperation and Development (OECD)¹⁷ at simultaneous growth of demand in developing economies¹⁸. In overall, it is expected that the world crude oil demand will be slowed down by 0,4 percentage points versus average growth rates in 2005-2007 and will make about 101% within the nearest years.

133. Considering that the expected oil demand trend in the medium-term an assumption is made that the world oil prices will stabilize at 110-120 dollars per barrel or will decline insignificantly to 100-110 dollars. Stabilization of oil prices will promote such factors, as: (i) expansion of heavy oil extraction; (ii) change of the situation in financial markets; (iii) growth of investments into research activities and new technologies; (iv) and weakening of the market condition speculative component. Notwithstanding the expected stabilization of hydrocarbon prices the world economy will move in towards reduction in power consumption that will lead to growth impairment of energy resources consumption.

134. At the same time forecasting of the price dynamics for energy inputs is complicated due to the impact of the political situation unpredictability in some oil producing countries (Venezuela, Iraq, Iran, Nigeria).

135. However, even at expected stabilization of the oil prices in the medium-term the prices for foodstuffs will grow. The food price inflation will be supported by growth of demand in developing countries against the background of the population development. As projected, first of all, the demand will grow for basic foodstuffs. At the same time the grain price increase will be less significant due to the expected stabilization of the oil prices in the medium-term.

136. Structural changes in the world trade are expected to take place in the medium-term towards increase in proportion of developing countries¹⁹. Thus, the greatest revival of trade is expected to be between Europe and Asia.

¹⁶ An annual average price

¹⁷ Organization for Economic Cooperation and Development; an association of 30 nations including countries of North America and Europe, Japan, Australia and so on.

¹⁸ About 57% of the world crude oil demand make the OECD member-countries

¹⁹ At present a major share in the world trade accounts for developed countries (about 65%).

Internal preconditions

137. Challenges and risks of development of the world economy expected in forthcoming three years, position Kyrgyzstan in a situation when it is necessary to **use effectively and adequately potential of internal resources**.

138. A complicated situation with water-power resources and the world economy development tendencies **set high requirements to reduction in power consumption** in production area, not only due to reduction of losses of energy, fuel and heat, but also, to a greater degree, due to introduction of highly effective power-saving technologies, provision of retirement of power-intensive fixed assets and growth of labor productivity.

139. Expected stabilization of the crude oil prices provided on the assumption of sustained high prices for gold should have a positive impact on **the international balance of payments**.

140. In conditions of growing foods shortage world-wide which is predicted to take place not only in the medium-term, but also for the long-term period, it is necessary to involve **resources of the agricultural sector** of Kyrgyzstan to a full extent. Therefore, a favorable environment will be created within the nearest three years which will allow to increase essentially production in this sector by 2011 at the level adequate to satisfy the domestic food demand.

141. Progressing tendencies to growth of trade flows between Europe and Asia will be used for **expansion of transit capacity** of Kyrgyzstan.

5.2.2. Development trends of economy of the Kyrgyz Republic in 2009-2011.

142. With account of external and internal preconditions and development trends of the world economy in the medium-term **the real growth of GDP by 5,6%** is projected annually on the average. In addition to external impacts as the major preconditions of the sustainable economic development will be the sociopolitical stability, favorable investment climate, relieved debt burden, flexible regulatory policy in business sphere, and the fiscal reform, strengthening of personnel capacity through training of skilled specialists in institutes of higher education and vocational institutions of the Kyrgyz Republic.

143. As a result of the economic growth will be the annual increase in monthly average wages (by 4,6%) that will lead to growth of cash incomes of the population (by 4,5%), and extension of life expectancy till 70 years in 2011.

144. The economic policy will be focused on the real sector development, attraction of domestic and foreign investments to the national economy; support to effective operations of markets of labor, capital, land and natural resources.

Table 5.2.1.

*Growth rates of key macroeconomic indicators in 2008-2011
(% to the previous year)*

	2005-2008 Total (2004=100%)	2009 Expected	2010 Forecast	2011 Forecast	2009-2011 Total (2008=100%)
Real GDP growth rates	120,1	104,7	105,8	106,5	118,0
Inflation rate	112,5*	112-115	110	Less than 110	110,3-111,3*
Growth rates of the employed	102,6**	100,6	101,1	101,0	100,9*
Labor productivity growth rates	101,6**	104,1	104,7	105,5	104,8*
Average monthly wages real growth rates	146,0	106,1	106,4	106,5	120,2
Growth rates of cash incomes of the population	109,8*	102,9	105,1	105,5	104,5*
Life expectancy, years	67,8**	68,7	69,1	70,0	69,3*

* average annual indicator, for 2011 the inflation growth rate at 9% was for the calculated indicator.

** average indicator for 2005-2007.

145. The Government and National Bank of the Kyrgyz Republic will continue pursuing of the balanced monetary and credit policies in order to achieve and maintain the overall price level stability.

146. Inflation dynamics will be determined by persisting risks of impacts of external shocks on the macroeconomic situation in the republic and will predetermine such factors, as domestic and external aggregate demand, changes in foreign market conditions, and the budget, tax and tariff policy. It is assumed that implementation of coordinated monetary and credit, budget, tax, investment, antimonopoly and social policy will allow to slow down the inflation growth rates from 20% expected in 2008, up to a single digit indicator level by 2011.

147. The peak of consumer prices growth is expected in 2008 due to considerable price increase of basic foodstuffs in the world market. In the domestic market the consumer prices formation will be carried out against the background of continuous sizeable increase of the customer demand resulting from growth of incomes of the population, and growth of tariffs on electric, thermal energy and transport services.

148. During this period high prices for energy resources and foodstuffs will be maintained. Impacts of nonmonetary factors will prevail and correspond to the level observed since 2006 – over 70% on the average. At the same time the share of monetary factors will make less than 15%, and inflationary expectations of the population – about 15%.

149. In the medium-term perspective with the purpose of the inflation containment the following will be undertaken:

- (i) *measures on stimulation of the goods supply and competition development (particularly, in the food and agricultural markets), development of the trade infrastructure;*
- (ii) *measures on maintenance of efficiency, safety and reliability of the bank system to ensure stimulation of savings growth of the population; and*
- (iii) *measures on maintenance of economy with liquidity in the volume corresponding to demand for money.*

150. In the medium-term the policy of fluctuations in exchange rates will be continued. Currency interventions will be carried out only in the amounts required to smooth over the drastic fluctuations in exchange rates. Herewith, the international reserves are planned to be maintained at a level equivalent to not less than 3 months of import of goods and services.

151. In the real sector of economy the annual average growth of real GDP at 7,9% will be provided by the sustainable growth in all sectors.

Table 5.2.2.
Production pattern and growth rates of real GDP, 2009-2011.

	2009 Expected.	2010 Forecast	2011 Forecast	2009-2011. Annual average
GDP in current prices (billion Som)	217,4	254,1	296,9	256,1
GDP by sectors (%)	100,0	100,0	100,0	100
Agriculture	25,6	25,5	25,3	25,5
Industry	13,5	12,9	12,2	12,9
Construction	3,1	3,2	3,3	3,2
Services	44,6	45,3	46,0	45,3
Indirect taxes	13,2	13,2	13,2	13,2
Real GDP growth rates (%)	4,7	5,8	6,5	5,6
<i>GDP w/o «Kumtor»</i>	4,6	5,9	6,6	5,7
Agriculture	1,6	2,0	2,5	2,0
Industry	2,4	4,6	4,6	3,9
Industry w/o «Kumtor»	1,0	5,6	5,4	4,0
Construction	3,0	5,0	7,0	5,0
Services	7,3	8,3	9,2	8,3

152. In the GDP use structure the share of total investments will increase from 29,7% in 2008 up to 36,2% to GDP in 2011 due to stimulation of inflow of private domestic and foreign investments.

153. The medium-term investment policy stipulates for the annual growth of total investments at 14,1% on the average. Growth of investments will be provided through increase in private investments as a result of: (i) elimination of all administrative barriers; (ii) development of favorable customs and tax treatment; (iii) real strengthening of confidence and increase of sustainability of the financial system, including the banking sector and the insurance market that will improve efficiency of the protection arrangements of investors against possible risks, and will become a source of long-term investments. The proportion of public investments in 2009-2011 is projected at 4,1% on the average annually.

154. The important factor influencing the investment appeal of the country will be stability of the external debt. Within the context of the budgetary policy the debt stability assumes such amounts of the accumulated foreign debt and regular costs of its servicing which will be made without detriment to other budget items and the overall development of economy. With the purpose of relieving of the foreign debt burden which potentially threatens the sustainable growth of economy the Government will consider all opportunities of its further re-structuring.

155. In the medium-term the policy of strict public debt management will be continued although currently this factor represents already less danger to the macroeconomic stability. In 2009-2011 attraction of foreign financial credit resources will be rigidly regulated by expediency, concessionary terms and maximization of their potential influence on development of the national economy.

156. Decline in consumption weight in GDP from 114% in 2008 up to 103,0% in 2011 is forecasted due to the transition tendency of economy from consumer-based to the investment-based format. Growth of private consumption in 2009-2011 annually by 3,7% on the average will be provided by growth of cash incomes of the population which is associated with predicted growth of real wages and incomes from business activity. Taking into account the reforms focused on optimization of public administration, the government take will decrease from 16% in 2008 to 13,9% in 2011, and its growth rate will be restrained annually at 1,4% on the average.

157. In the medium-term period the ambiguous growth trend of export and import of goods and services will be maintained. Thus, the net export indicator in 2011 will improve by 0,4 percentage points in comparison with 2008 and will make 35,7% of GDP. The annual average growth of export will make 4,3% and it will be achieved by increase in gold delivery due to the production scaling-up at the "Kumtor" mine, and putting into operation of new capacities («Left-bank Taldy-Bulak» and "Djerui"). Increase of volumes of import (annually by 5,5% on the average) will rely not only on growth of imports of energy products but also increase in share of investment goods deliveries in the total volume of import from 13% in 2008 up to 20% in 2011, within the framework of the specified scenario on transition of the economy to the investment-based format.

158. Growth of capital investment volumes in the national economy serves as a substantiated factor of the national economy transition from the consumer-based to the investment-based format. It is planned that the capital investment volumes from all sources of finance will increase annually in 2009-2011 up to 14 billion Som on the average thus exceeding by 2,5 times the 2005-2007 indicator (5,5 billion Som). Herewith, the amount of capital investments from the budget (with account of co-funding) in 2009-2011 will make over 6 billion Som (43%) on the average annually or by 3,8 times more than the same indicator in 2005-2007²⁰.

159. The medium-term budgetary policy will be directed on outrunning growth of the consolidated budget revenues versus its expenditures that will lead to the essential budget deficit reduction (with account for the Social Fund) from 2,0% to GDP in 2008 to 0,6% to GDP in 2011.

160. Maintaining of the stable macroeconomic situation, improvement of tax and customs administration, increase in taxable base will promote sustainable and constant revenues to the budget. Further reforming of the system of inter-budgetary relations will also have a positive impact on revenues of local budgets.

²⁰ Data for 2009-2011 are taken from the 2009-2011 budget

Table 5.2.3.*Use of GDP, 2009-2011 (as share in GDP,%)*

	2009 Expected	2010 Forecast	2011 Forecast	2009-2011. Annual average
Consumption	105,1	102,7	99,5	102,5
Government	15,4	14,7	13,9	14,7
<i>Real growth rates, %</i>	1,5	1,4	1,3	1,4
Private	89,7	88,0	85,6	87,8
<i>Real growth rates, %</i>	3,9	3,5	3,6	3,7
Total investments	30,8	33,3	36,2	33,4
<i>Real growth rates, %</i>	9,1	15,8	17,5	14,1
Public investments	4,1	4,3	4,1	4,1
Private investments	26,7	29,0	32,1	29,3
Export (goods and services)	52,4	52,1	51,5	52,0
<i>Real growth rates, %</i>	-3,8	9,1	7,7	4,3
Import (goods and services)	88,3	88,1	87,3	87,9
<i>Real growth rates, %</i>	-1,2	9,6	8,2	5,5
Net export	-36,0	-36,0	-35,7	-35,9

161. Specific weight of the budget revenues will decrease from 25,8% to GDP in 2009 to 24,1% to GDP in 2011 at their nominal increase. Average annual nominal revenue growth rate will make 8,2%. Increase in the budget revenues in the medium-term will take place mainly due to growth of tax revenues. The volume of tax revenues will increase from 19,8% to GDP in 2009 up to 20,1% in 2011.

162. The public spending policy will be focused on development programs and projects specified in the present Strategy. According to priorities of this Strategy the Public Investment Program (PIP) will be aimed at support of the major elements of industrial, including agricultural and social infrastructures.

163. Despite reduction of a share of the state budget expenditures from 27,7% of GDP in 2009 up to 24,8% in 2011, the nominal growth of the budget expenditures will make annually 6,8% on the average. Thus, the current expenditures on the social sector will increase annually at a nominal rate not less than 12% on the average. Expenditures of the development budget (including PIP) will grow from about 11,3 billion Som in 2009 up to 14,7 billion Som in 2011 or by 30,8%.

5.3. Foreign debt management strategy

164. Disintegration of the USSR and the country's independence at the beginning of the 1990s made the young sovereign state confront with a number of issues which it had to solve independently. Insufficient domestic resources and the loss of subsidies from the Soviet Union necessitated significant external borrowing. These external loans were allocated to support reforms in such sectors as agriculture, transport and communications, industry, energy, education and health, public administration, governance and private sector. About one third of these loans were allocated for support of the budget and the national currency. In the circumstances, lack of a coordinated borrowing policy and weak external debt management due to insufficient experience in these areas at the outset led to the country's external debt increasing from zero in 1992 to about 1,9 billion US dollars in 2005.

165. At facing external debt servicing difficulties at the end of the last century, the Government of the Kyrgyz Republic took a number of measures aimed at reduction of the external debt, including the Medium-Term Strategy of Foreign Debt Reduction for 2002-2005. As a result of this Strategy implementation the country's foreign debt indicators were improved, and the problems related to liquidity and creditworthiness of the Government of the Kyrgyz Republic.

166. As a result of the debt restructuring provided by creditors of the Paris Club, actual budget expenditures on foreign debt service to bilateral creditors were reduced from 109 mln USD to 7.5 mln USD during the last three years. In 2005 the Government appealed to the Paris Club's creditors again with the aim of a more deep debt restructuring, namely, to obtain a reduction in accumulated debt. The 2005 restructuring allowed to solve the problem of debt service to bilateral creditors and to get significant budget savings in the long term (up to 2020), as well to obtain softer terms. Thus, the external debt to GDP ratio was reduced from 112% in 2001 to 53% in 2007, and the share of the external debt service to the republican budget revenues decreased from 31% up to 7%, respectively.

167. However, today the public debt situation still persists unstable. As of 01.01.2008 the public debt of the Kyrgyz Republic makes 2278,0 mln US dollars including: internal – 201,2 mln US dollars, external – 2076,8 mln US dollars. The problem of the debt instability impedes the economic reforms carried out by the Government of the Kyrgyz Republic. It will be necessary to develop the Medium-Term Public Debt Management Strategy of the Kyrgyz Republic (2009-2011) for further improvement of the public debt management system and ensuring of debt stability.

168. The Strategy should be based on maintaining positive results in foreign debt management and implementation of new directions of the country's public borrowing, corresponding to the Public Investments Policy (PIP) the financing volume of which will make up to 1% of GDP and be closely linked to the country's economic development. The objective of the Strategy is to achieve a stable level of public debt, optimization of its structure and laying the basis for the efficient public debt management through realization of the following tasks:

- (i) *reduction of the foreign debt burden;*
- (ii) *increased internal borrowing; and*
- (iii) *introduction of risk management practices.*

169. In order to achieve these objectives, the Government of the Kyrgyz Republic will be guided the following principles:

- (i) *timely foreign debt service;*
- (ii) *attraction of soft external credits and grants;*
- (iii) *attraction of foreign credits within PIP in accordance with the state priorities and annual economic growth;*
- (iv) *diversification of portfolio of public securities;*
- (v) *development of the public securities market; and*
- (vi) *transparency and availability of issue and allocation of public securities.*

170. 170. In line with these principles, the Government will aim at implementing the following activities:

- (i) *to participate in appropriate programs of external debt reduction;*
- (ii) *to make efforts to complete negotiations on restructuring bilateral debt of the Kyrgyz Republic;*
- (iii) *to conduct negotiations with the creditors involved in debt-swap activities (debt in exchange for assets, ecology, development);*
- (iv) *to maintain a minimum 35% grant element in all new external borrowings; (v) to expand the policy of attracting direct foreign investment and external aid in the form of grants;*
- (vi) *to develop and adopt normative legal acts, providing mechanism of state guarantees provision;*
- (vii) *to develop and approve a policy of foreign borrowing based on the priority and economic efficiency of loans and grants;*
- (viii) *to make the state-owned enterprises with the state shareholding exceeding 50% and municipal bodies to agree preliminarily with the Government their plans for attracting of private or non-Government guaranteed debt;*
- (ix) *to broaden the instruments of internal borrowing;*
- (x) *to increase the number of securities' holders through the development of primary, as well as secondary securities market; and*
- (xi) *to improve the legal basis on public debt.*

171. The public investment policy for the medium-term will be carried out with account of necessity of efficiency improvement of use of official aid within the framework of external loans that means attraction of economically efficient financial assets in the top-priority sectors of economy. The Strategy on external aid attraction will be developed and approved aimed at prioritization and efficiency improvement of the external assistance. Within the framework of this Strategy the system of criteria for identification of priority investment programs for their funding will be improved to avoid unproductive spending of resources by the public sector and monitoring of investment and technical project will be strengthened.

172. Actions will be undertaken to create a uniform body, responsible for evaluation, planning and monitoring of external assistance (financial, technical and humanitarian) coming to Kyrgyzstan.

5.4. Creation of favorable investment climate and environment for small and medium business development

173. The Kyrgyz Republic pursues consistently the policy aimed on macroeconomic and political stability and continuation of the taken course for liberal and democratic reforms. In the republic the most favored nation treatment for investment activity operates during a number of years in strict compliance with WTO rules, participation in the international investment agreements and adoption of nondiscrimination and liberal investment legislation. The President of the Kyrgyz Republic in the his statement addressed to the Jogorku Kenesh and the Government of the Kyrgyz Republic emphasized necessity of translation of the Kyrgyz economy from the consumer-based to the investment format. A key condition of sustainable development of the national economy in the medium-term should become improvement of the investment climate.

174. In 2005 the investment appeal of the country was at rather low level. According to the 2005 EBRD/WB BEEPS²¹, Kyrgyzstan's investment climate integral performance index was 25.2 and was estimated as one of the least favorable climate in the entire ECA region (Europe and Central Asia). Based in the results of the World Bank "Doing Business" project, the Kyrgyz Republic ranks 84th among 145 countries of the world. According to the annual report of the World Economic Forum «Global Competitiveness» the Kyrgyz Republic was ranked 119th out of 131 countries.

175. The Government of the Kyrgyz Republic made strenuous efforts to achieve a radical change of the investment appeal of the country. The new tax code was developed aimed at relieving of tax burden and to essentially improve quality of tax administration which is planned to carry into effect in the beginning of 2009. Import of the equipment intended for own industrial use is exempted from the VAT since 2006. The Government lowered the profit tax from 20% to 10% for a majority of enterprises. Free economic zones offer a broad range of privileges: exemption from all taxes, duties and payments for all period of the enterprise activity.

176. With the purpose of improvement of the investment climate and business environment in 2007 the Investment Council under the President of the Kyrgyz Republic was established with participation of representatives of state bodies, major donors (international financial institutions), private sector (foreign and domestic investors). Main purpose of the Investment Council is improvement of the investment climate and business environment based on the dialogue between business community and the state. The Investment Council serves as an effective platform for discussion of cooperation issues between the state and private sector. Within the Investment Council framework a number of governmental decisions were made aimed at radical improvement of public administration, including adoption of the following laws «On the order of conducting of checks of entities of entrepreneurship», «On optimization of the normative legal framework regulating entrepreneurial activity» h. A number of Decrees of the President of the Kyrgyz Republic were issued establishing further directions of the public policy improvement, in particular, improvement of conducting of checks, optimization of the licensing and regulatory systems, improvement of export-import procedures, in sphere of town-planning and improvement of licensing and permit procedures of investment construction process. In the near-term outlook it is planned to develop regular consideration mechanisms of investment obligations at the level of the Government of the Kyrgyz Republic

177. With the purpose of streamlining the checks conducted by the state supervising bodies, and creation of favorable conditions for business development in April, 2008 the President of the Kyrgyz

²¹ Investment Climate Surveys. Draft Country Profiles. Kyrgyz Republic. 2005 Survey. World Bank, 2005.

Republic signed the Decree «On moratorium on checks conducted by the Tax Service of the Kyrgyz Republic, and reduction of a number of checks of business entities which are conducted by other authorized supervising bodies of the Kyrgyz Republic». Introduction of the moratorium had a positive impact on business development: the number of checks reduced approximately by 70% after the moratorium was put into effect.

178. The Government implements radical reforms on improvement of the country international rating. One of vivid examples of successfully implemented programs is the "100 days of reforms" of the World Bank "Business Doing" project within the framework of which a package of draft laws and the normative and legal acts directed on reduction of bureaucratic and administrative barriers to business was developed and approved. During the work on the rating improvement 30 unnecessary procedures were excluded, and at least, 11 laws and regulations were reviewed. The country's 2009 rating went up from 99 to 68 position.

179. The investment dynamics into the fixed capital speaks about improvement of the situation. Specific weight of investments in the total domestic product which reached a minimum level in 2003-2004 (about 10,8%) began to increase since 2005 and in 2007 it made 17,4% that corresponds to a historical maximum over last 10 years. Thus, the type of investment growth has qualitatively changed, if earlier practically half of the investments made foreign loans (in 2000 – 47,7%), in 2007 this proportion fell up to 14,5%, that is, private sector of economy became sources of investments. Lately the overall dynamics of investment activity was characterized by sustainable growth of foreign investments. In 2007 the FDI volume made 436,8 million US dollars that practically exceeds twice the 2005 figures.

180. However, it should be noted that despite positive trends in the investment sector, the level of gross savings has not reached yet a level capable to provide the sustainable economic growth. The problems preventing growth of the investment activity exist in various spheres, and in particular, in the area of legislation and its execution, lack of the statutory and legal framework for development of infrastructural investment projects, inefficient institutional structure for investment attraction and promotion.

181. The existing system of legislation and its execution in the administrative sphere has a number of drawbacks among which one can mark significant duplicating, inconsistent statutory acts, existence of legal collisions, and inconsistency of adopted by-laws with the laws regulating relations in business area or distortion of their norms. The legislation is characterized by discretionary features meaning that the agencies enjoy broad powers resulting in ambiguity in functional duties and unreasonable demands and redundancy when doing any business is accompanied by necessity of obtaining of documents or approval without which the business activity is considered illegal. The adopted laws regulating the business activity are not analyzed for regulatory impact assessment purposes.

182. The institutional system does not provide for effective performance of functions of the investment policy. Apart from the Ministry of Economic Development and Trade of the Kyrgyz Republic which is the central body to implement the uniform public policy on investment attraction, at present there is a number of the state organizations is engaged in attraction and support of investments. Also, a number of the development institutions was set up to carry out activity on the investment policy implementation, and namely, the Development Fund of the Kyrgyz Republic. It should be noted that the investment policy is focused on improvement of the investment climate while the issue of investments promotion is given less attention. There is a problem of clear delineation of functions of the bodies involved in attraction, support and promotion of direct foreign investments.

183. The problem of the investment climate quality improvement has a comprehensive nature and affects practically all spheres of the governance and regulation of the Kyrgyz Republic. The given section presents major actions making a center of the investment policy implementing priorities of the public policy in the field of creation of favorable investment climate and business environment, in particular:

- (i) *creation of the national stable and predictable legislation;*
- (ii) *abandonment of excessive intervention practices in business affairs;*
- (iii) *creation of the effective institutional systems for investment promotion;*
- (iv) *strengthening of competitiveness of the country through improvement of the international investment rating.*

184. In the sphere of legislation it is necessary to remove inconsistencies in the statutory and legislative base regulating the investment activity based on the regulatory impact assessment analysis and implementation of the guillotine principle, to create institutional and the normative and legal framework necessary for the infrastructure development in the country based on the **public-private** partnership. Thus, it will be necessary to develop the Law of the Kyrgyz Republic «On the public-private partnership», amendments to the Law «On the state registration of legal entities, branches and representations» aimed at further simplification of registration procedures; also, laws on concessions, public procurement, toll highways, and energy will be reviewed with the object of introduction of new approaches of the public-private partnership and financing arrangements. After putting into effect of the Tax Code it is important to consider an opportunity of creation of the well-defined preference system for foreign investors making long-term investments into priority sectors of economy, and to review the Law of the Kyrgyz Republic «On licensing».

185. In administration it is necessary to reduce to the minimum checks of business entities with focus on unfair entrepreneurs through of introduction of the law non-compliance risk management mechanisms, to create simple and transparent tax treatment for small and medium-sized business, providing minimal requirements to the accounting and reporting, to introduce a “one window” principle in the business registration procedure and to conduct export-import transactions on the basis of modern information and management information technologies.

186. In the area of the institutional system improvement it is necessary to build up an institutional framework of effective investment project promotion based on the functional review of the state bodies in sphere of investments, establishment of the Investment Promotion Agency (hereinafter referred to as the IPA) under the Ministry of Economic Development and Trade of the Kyrgyz Republic. The IPA will provide a wide range of services starting from search of investors up to launch of projects. The IPA functions will include search of potential investors, identification of projects necessary for them, rendering assistance in registration of the enterprise, services delivery necessary for the project start-up, and also provision of support and consultations during the project implementation period. The Government should support nongovernmental structures the activity of which is directed on promotion of direct foreign investments within the public-private partnership framework. It is necessary to create legislative and practical mechanisms of the investors' interests and rights protection during implementation of investment projects.

187. With the purpose of further small and medium-sized business development it is important to remove administrative barriers, to reduce a shadow turnover in small and medium-sized business and to create the most transparent legislative basis for the small and medium-sized business development. It is necessary to strengthen financial support of the public policy promoting small and medium business, in particular, it is planned to brisk up the work of the OJSC “Business Development Fund” which will become one of the key funding sources of small and medium-sized business in perspective.

188. In order to improve competitiveness of the country it is necessary to achieve that the Kyrgyz Republic by 2011 was ranked among the top twenty within the World Bank "Doing Business" project framework and to improve Kyrgyzstan's indicator by 30 points according to the Annual Report of the World Economic Forum «Country Competitiveness Index» by developing of the action program aimed at strengthening of the country position in these ratings. It is necessary to develop the uniform rating system to assess the ease of doing business in regions of the republic which should represent an objective assessment of its development, and to provide linkage between activity of state bodies and progress in the international rating.

5.5. Financial sector development

189. The financial system in the Kyrgyz Republic is presented largely by the banking sector. 22 commercial banks operated in Kyrgyzstan at the end of 2007 (as of December 31, 2005 – 19 commercial banks). Over two years total assets of the banking system almost doubled making 42,1 billion Som at the end of 2007. Total balance under deposits of enterprises, the population and state bodies in commercial banks increased by 75,4% over two years and at the end of 2007 it made 22,8 billion Som. The volume of credits to clients (loan debt balance) as of the end of 2007 made 20,8 billion Som thus showing increase by 2,7 times within 2 years (as of the end of 2005 – 7,5 billion Som). Total capital of the banking system continued to grow, and by the end of 2007 it made 9,0 billion Som, thus showing increase by 2,5 times over last 2 years. Thus, annual return on assets of

the banking system as of the end of 2007 made 4,3%, and return on invested capital – 26,4% (versus 2005 performance – 2,3% and 17,6%, respectively).

190. As compared to other CIS countries the sector of nonbanking and microcrediting institutions, which for the most part provide finance to agriculture and small business is relatively well-developed; volume of credit resources made about 26% from bank loans in 2005. Securities markets and insurance sector are found at the early development stage.

191. Despite the significant growth rates of the banking sector over last 3 years a relatively low level of financial intermediary should be noted in the Kyrgyz Republic. The interest rate gaps between credits and deposits remain large. Among other drawbacks inherent in the banking system may be named lack of effective risk hedging arrangements, a low level of resources coming from the population.

192. From the economic development standpoint, more accurate identification of the primary goal plays an important role which will facilitate the Bank of Kyrgyzstan goal achievement (or subordinated to the main objective) which activity is focused on maintenance of the national currency purchasing power, provision of efficiency, safety and reliability of the banking and payment system of the republic to support the long-term economic growth of the country. Key priorities of the banking system development of the Kyrgyz Republic in 2009-2011 will be increase in lending scope and availability by creation of preconditions for outstripping growth of levels of financial intermediation, sustainability and reliability of banks and financial and credit institutions. Also, within the scope of the present Strategy having the priority status in relation to government programs, it is planned to set up the Specialized Bank Refinancing Fund under the National Bank of the Kyrgyz Republic. It is planned that based on increase of the capital base of banks, expansion of funds attraction as deposits and long-term bank financing the ratio of assets to GDP in 2011 will reach 32%. Obtaining of the credit rating by the country will increase opportunities of the Kyrgyz enterprises to borrow in the world markets.

193. With the purpose of strengthening confidence of the population in the banking system and achieving growth of the deposit base and credit resources commercial banks and the NBKR with the donor technical assistance will introduce modern risk management systems, observance of capital adequacy criteria and conformity with credit quality. As an important factor of strengthening credibility to the banking sector will be introduction the deposit protection system which will guarantee repayment to investors (natural persons) of the certain cash amount at the banking failure. After adoption of the Law of the Kyrgyz Republic «On bank deposits protection» as a priority direction of further development of legislation in the field of banking activity regulation will be realization of actions connected to introduction of the deposit protection system in the Kyrgyz Republic.

194. Introduction of Islamic banking and financing principles in the Kyrgyz Republic alongside with traditional banking activities is considered as a measure promoting improvement of economic legal relationship and development of competitive financing systems, and these activities are implemented as a pilot project. In light of the public policy implementation on competitive financing systems, and with a view of expansion of the range of banking services and access of the population to Islamic Bank products, the National Bank will continue work on creation of conditions for the Islamic banking development in the Kyrgyz Republic in line with the Action Plan for 2008-2010 in pursuance of the Resolution of the Government of the Kyrgyz Republic «On introduction of the Islamic financial services industry in the Kyrgyz Republic».

195. Improvement of the banking system efficiency and growth of the economy crediting scope will be promoted also by continuation of systematic process of integration and consolidation of commercial banks through rising requirements set to size of the minimal capital of commercial banks, and creation of conditions encouraging processes of merger, association, absorption leading to the banking market integration. Regulation of the external funds attraction process will be carried out exclusively within the country risk diversification framework. To ensure fair competition development in the banking market, reduction of the state participation in the capital of commercial banks is stipulated. In this connection the KAFC was reorganized into the “Ayil Bank” in 2006; and the bank will become a major source of investments in to agroculture.

196. Emphasis will be placed on implementation of actions in pursuance of the Law of the Kyrgyz Republic “On counteraction to the terrorism financing and laundering of incomes derived by means of crime” passed by the Jogorku Kenesh of the Kyrgyz Republic in 2006, including establishment of appropriate specialized agencies and their institutional strengthening with donor assistance.

197. For the purposes of lowering the cost of borrowing, and simplifying the borrowing process, inconsistencies in the law «On collateral» must be removed as well as its practical implementation in terms of withdrawal of the collateral by the banks prior to court trial, legal restrictions of use and realization by banks of the pledged agricultural lands to secure loans granted to peasant (farm) facilities that comes as a necessary precondition of the bank lending expansion to agriculture and the land market activation. To lower credit risks actions will be taken to expand the credit bureau system.

198. Conditions and mechanisms will be created on introduction and expansion of the system necessary for promoting the housing mortgage system to further activate construction, formation of reliable sources of its financing and transformation into the driving force of economic development. As the first stage the mortgage strategy will be developed and approved. Based on the given Strategy respective amendments will be brought in the legislation of the Kyrgyz Republic, and institutions responsible for regulation of mortgage relations will be established and strengthened.

199. For improved outreach of the population in remote areas with financial services, including the job creation, further implementation of the Medium-Term Strategy for micro finance development in the Kyrgyz Republic for 2007-2010 will be continued. Implementation of this Strategy will result in the twofold increase in number of borrowers in the micro-financing sector (220 thousand persons) through corresponding growth of rural community-based microcredit associations. The total loan portfolios of microfinance institutions will also double and will make 6-7 billion Som through encouragement of resources inflow in the specialized non-bank and microcredit institutions. With the purpose of supporting the microcrediting and leasing services delivery to rural communities the National Bank will continue to hold ownership shares in the Financial Company on the credit unions support and development in the Kyrgyz Republic and will carry out actions directed on improvement of the given company operations and development of the credit unions

200. The payment system reform will promote development of new and convenient payment mechanisms for the population and economic entities through accounts in commercial banks. Development of the infrastructure for acceptance and servicing payments at using the banking innovative services and technologies will be carried out including use of debit cards all over the country for wire transfer of regular and budget payments and salaries of budgetary workers through commercial bank accounts. Expansion of the financial services system through post offices in rural areas and small cities will necessitate the postal system re-structuring which, in turn, will be possible only on conditions of active support rendered by donors.

201. During 2005-2007 stirring up of activity in the securities market of the Kyrgyz Republic was observed. In 2007 as compared with 2005, a number of transactions in trading systems of trade institutors in the securities market increased by more than 1,6 times (7170 transactions), and the total number of securities auctions increased by 3,6 times (5742,6 million Som). If in 2005 the volume of security issues made 34,7 billion Som, and only in the first half-year of 2008 – 41,3 billion Som.

202. In the medium-term new financial tools will be introduced in Kyrgyzstan to enable maximal capitalization of free assets of the country for investment in the national economy thus providing growth of the investment portfolio in compliance with approved norms. To achieve realization of the set tasks it is necessary to promote adoption of the following draft laws: «On mortgage securities», «On housing certificates». In addition, with the purpose of creating of favorable investment climate and economic security for investors in the area of financial services adoption of the new Law of the Kyrgyz Republic «On the securities market» deems necessary. All government securities of the Ministry of Finance of the Kyrgyz Republic will be transferred to a licensed trading pit in the stock market.

203. Up to date in Kyrgyzstan a leading institution is lacking for the securities market registration system – Central Depository which would provide the unified system of storage, registration of rights and movement of government and corporate securities. In this area, concurrently with strengthening of the operations transparency and efficiency, actions on further strengthening of the institutional framework of the securities market will be undertaken, namely, creation of the unified Central Depository and adoption of laws in 2008-2009 «On the Central Depository» and «On the authorized body on financial regulation and supervision» for strengthening of oversight in the nonbanking financial sector and protection of legitimate interests of investors.

204. Measures on accumulation of investments in the securities market are to take place through introduction of the obligatory circulation of shares of the largest enterprises. Thus, it is important to

corporatize all state-owned enterprises without exception in joint-stock companies. Sale of the state shareholding of the largest enterprises should be carried out through the licensed trade institutors in the securities market by means of public offerings. It is needed to develop legislative and practical investment insurance mechanisms to protect property interests of subjects of investment activity from every possible risks.

205. Issue of long-term bonds under large national investment projects, such as Kambar-Ata-1 and-2 is needed, including roads of international significance. For these purposes the Ministry of Finance of the Kyrgyz Republic needs to develop corresponding amendments to the legislation regulating budgetary relations.

206. In connection with implementation of the pension reform it is necessary to take urgent measures on development of nongovernmental pension funds (NGPF). In particular, it is necessary to pass the Law of the Kyrgyz Republic in 2008-2009 «On nongovernmental saving pension funds in the Kyrgyz Republic», to introduce a licensing system for the pension asset management companies, to develop draft statutory legal acts regulating and concretizing legal relationship between nongovernmental pension funds, the NGPF pension asset management companies, and citizens (investors and recipients).

207. The insurance sector in the Kyrgyz Republic is presented currently by 17 private companies with the turnover volume at 0.13% of GDP in 2007. In 2007-2008 4 laws were adopted pertaining to obligatory insurance («On obligatory insurance of a civil liability of employer to workers for trespass to life and health of the worker in the course of labor (official) duties», «On obligatory insurance of a civil liability of carrier to passengers», «On obligatory insurance of a civil liability of carrier of hazardous goods», «On obligatory insurance of a civil liability of the organizations maintaining dangerous industrial objects»). In the medium-term activation of the insurance market will become possible only at introduction of obligatory insurance.

208. Implementation of preparatory steps is planned in 2009: the concept development, adoption of statutory acts, development and preparation of regulations and statutory legal documents and corresponding institutional structures with their subsequent operations launch in 2009-2011. The following draft laws will be adopted for further development of the insurance sector: «On insurance of a civil liability of vehicle owners», «On the guarantee fund», «On insurance of professional responsibility of tour operators and travel agents», «On obligatory insurance of tourists», «On insurance of professional liability of auditors».

209. The recent financial crisis has shown that the financial market regulation methods fail to conform to the growing level of the financial markets development and integration. Thereupon, work on adoption of laws of the Kyrgyz Republic «On the National Service on the financial market regulation and supervision», «On the securities market» for improvement of efficiency of measures of the regulatory and supervising policy in the nonbanking financial sector and protection of legitimate interests of investors will be continued. Measures will be undertaken on strengthening capacity of the authorized body on the financial market supervision and regulation of the Kyrgyz Republic to ensure effective supervision in the nonbank financial sector.

5.6. Fiscal reform

210. Reforming of the Kyrgyz tax system will be based on solution of three problems: providing stability and predictability of tax policy, consistent and estimated reduction in tax burden, simplification and de-bureaucratization of the tax system, based on the tax payer's good faith and innocence presumption. For this purpose in 2008 a new edition of the Tax Code will be adopted which will become a uniform codified document covering all kinds of taxes and tax activities, integrating all tax field of the country.

211. Development of a new edition of the Tax Code was necessitated by the following:

- (i) *taxation simplification to provide transparency and clarity of tax administration methods for the tax payer;*
- (ii) *ensuring stability and predictability of the uniform tax policy;*
- (iii) *application of lower tax rates and a broad tax base;*
- (iv) *alignment of tax burden across various categories of tax payers reduction of tax privileges and exemptions granting;*

- (v) *reduction of granting tax privileges and exemptions creation of equal taxation conditions for domestic and foreign enterprises and physical persons;*
- (vi) *creation of equal tax treatment for domestic and foreign enterprises and natural persons;*
- (vii) *incentives for diligent tax payers; and*
- (viii) *modernization and automation of the tax administration system.*

212. The following measures are stipulated within the framework of the new Tax Code:

- (i) *Decrease in total number of taxes and dues from 16 up to 8;*
- (ii) *Decrease and retention of basic tax rates already established on a low level, VAT – 12% instead of 20%, profit tax – 10%, income tax – 10%, single tax rates according to the simplified taxation system within of 4-6% instead of 5-10%;*
- (iii) *Elimination of cascade non-market taxes: the higher user tax from legal entities and deductions to emergencies prevention and mitigation;*
- (iv) *Creation of mechanisms for actual introduction of the real estate tax to provide taxation of rich groups of the population;*
- (v) *Strengthening of social focus through social tax deductions from natural persons for public health services, education, deductions to the non-state social fund;*
- (vi) *Introduction of overall declaring of incomes and property;*
- (vii) *Liberalization of tax administration in relation to the diligent tax payers and toughening towards tax payers evading taxes;*
- (viii) *Creation of a basis for transition from the system of total annual inspections to checks of tax payers if their activity has indication of tax evasion based on tax nonpayment risk analysis technique;*
- (ix) *Introduction of restrictions on quantity of conducted spot checks;*
- (x) *Introduction of the public-private partnership arrangements in establishing tax rates.*

213. With introduction of the Tax Code reforming of the tax system will not be completed, it is necessary to consider the following proposals:

- (i) *integration of the sale tax and the value added tax into the single tax;*
- (ii) *carrying out of the tax amnesty excluding requirements on criminal prosecution of tax evasion and establishing low tax rates on declared property and incomes,*
- (iii) *providing primary role to excise taxes as a private consumption regulation tool;*
- (iv) *strengthening of investment incentive, in particular, by means of granting financial leasing privileges;*
- (v) *simplification of current tax payments mechanisms.*

214. It is necessary to continue reforming of the tax administration system directed on achievement of equality of rights of tax payers and tax bodies, elimination of corruption in tax and customs bodies y limiting and improvement of efficiency of these bodies' activity. In particular, important efforts are required to be taken in this direction:

- (i) *improvement of the checkout use mechanisms;*
- (ii) *realization of the taken decisions based on the "one window" principle in registration of tax payers;*
- (iii) *development of the effective risk management-based system of tax inspections;*
- (iv) *introduction of new tax administration mechanisms such as use of auditors' reports of independent auditors for confirmation of tax obligations;*
- (v) *development of standards and programs of work with the tax payers to meet the needs of tax payers to improve services and to impart a preventive focus;*
- (vi) *improvement of ethics of tax inspectors through development of code of ethics of the state tax inspectors and introduction of its principles in daily work practices of the State Committee for taxes and dues.*

215. Development of information technologies will allow the Tax Service to implement a task of management democratization will provide the decision-making efficiency, predictability and openness. Within the tax service modernization project framework the following is stipulated:

- (i) *creation of the unified tax service information center;*
- (ii) *creation of the uniform high-speed computer network of tax service;*
- (iii) *provision of full information to the tax payer on status of his tax obligations payments;*
- (iv) *e-submission of declarations, reports and so on;*
- (v) *maximal elimination of direct contacts of tax payers with representatives of tax service.*

216. Within the reorganization framework of the Tax Service activity the following actions are planned:

- (i) *revision of the Tax Service structure and functions and its territorial divisions;*
- (ii) *introduction of modern information technologies;*
- (iii) *change of organizational and methodological work arrangements for development of the comprehensive system of administration;*
- (iv) *elimination of conditions for spread of corruption in fiscal bodies by reduction of their contacts with tax payers through introduction of the "one window" mechanism at registration of entities and submission of tax reports;*
- (v) *e-submission of tax returns;*
- (vi) *reduction of the number of tax inspections on the basis of tax non-payment risk assessment by economic entities;*
- (vii) *optimization of work with large tax payers.*

217. Major tasks for improvement of customs administration will be focused on creation of favorable conditions for encouraging of foreign trade activity carried out by Kyrgyz economic entities; and large inflows of investments in the national economy.

218. Measures which will enable increase in efficiency and transparency of administration of the custom duties will assume the following:

- (i) *revision of customs border control procedures towards simplification;*
- (ii) *automation of customs clearance and control, other information exchange processes, its collection and analysis, and e-completion of import and export declarations;*
- (iii) *strengthening of capacity and professional development of the customs service officers, modernization of the personnel training system and stimulation of institutional development of customs brokers, customs carriers, customs warehouses with the strict control over free competition principles violation in this sphere;*
- (iv). *providing transparency of the customs service operations by facilitating access of all interested persons to the required information, development of partner cooperation between the customs service and business community on the basis of the Consultative Council (for these purposes it is necessary to conclude agreements on the information exchange with customs services of major trading partners of the Kyrgyz Republic).*

219. The following measures will be undertaken to simplify and speed up the customs clearance procedure:

- (i) *optimization and reduction of the existing administrative procedures in sphere of export and import by reduction of the quantity of required documents and elimination of excessive administrative barriers at granting of export-import permits;*
- (ii) *development and introduction of the preliminary notice mechanism;*
- (iii) *introduction of the 'one window' principle for exercising of the joint control by the bodies responsible for transport, radiation, veterinary, sanitary and phytosanitary and other forms of control with the purpose of the procedures to be conducted in one place;*
- (iv) *computation of customs duties in strict compliance with requirements of the WTO Agreement on customs assessment.*

220. Administrative agencies will gradually discontinue to charge their services which will be fully funded from the state budget by 2009-2010.

221. In order to provide real incentives to increase tax and other receipts collection levels, as the important condition of the inter-budgetary relations efficiency improvement will become the clear differentiation of income sources between levels of the budget system. The need for identification of each local government body's revenue capacity will require distinction of new deduction rates from the republican taxes, assignment of own income sources to the local self-government bodies along with implementing the public expenditure policy and currently ongoing tax reforms.

222. The Government pays special attention to issues of formalization of informal sector of economy which reaches 50% of GDP (the UNDP surveys). The shadow economy negatively affects tax and social basis and leads to a vicious circle of an increase in both the tax burden and the shadow sector. The shadow economy also causes unfair competition for registered enterprises and distorts official statistics, which leads to inefficient policy decisions.

223. The Government will continue work on the shadow economy legalization with the purpose of real reduction of the shadow economy, creation of favorable environment for establishment of fair and transparent relations of business with the state, formation of a legal field for legalization of the shadow economy. The new Program on legalization of shadow economy in the Kyrgyz Republic and the Action Plan for its implementation will be adopted.

224. The program will be aimed at the solution of the following problems:

- (i) *legalization of the capital and property;*
- (ii) *fiscal policy optimization;*
- (iii) *legalization of "grey" wages;*
- (iv) *strengthening of responsibility of economic entities for involvement in the shadow activity;*
- (v) *launching of awareness campaign to form intolerant perception of the shadow activity in the society. (herewith, special attention will be given to the measures directed on legalization of certain sectors, such as industries of combustive-lubricating materials, mobile communication, alcoholic products and mineral waters, servicing depots, tourism, etc.).*

225. Major goals of the state antimonopoly policy are as follows:

- (i) *detection and suppression of the facts of abuse by economic entities dominating in the commodity and financial markets,*
- (ii) *creation of the competitive environment in all sectors of economy,*
- (iii) *prevention of anticompetitive actions of governmental bodies,*
- (iv) *bringing of the existing antimonopoly law to conformity with international standards of competition rules,*
- (v) *creation of conditions for competition development through prevention and suppression of anticompetitive actions,*
- (vi) *provision of equal access to goods and services produced by subjects of natural and authorized monopolies,*
- (vii) *pursuance of the public policy on protection of consumers and advertising.*

In this connection laws on competition, natural and authorized monopolies and other statutory legal acts will be reviewed.

5.7. Gender equality achievement policy

226. During development of the CDS for 2007-2010 its gender analysis was carried out and a number of measures of policy was implemented to achieve gender equality in the special section, synchronized with the National Action Plan on gender equality achievement for 2007-2010 (NAP), and other sections of the document.

227. Taking into account the existing situation related to total lack of women in the parliament of the country and their minority in executive bodies special attention in the CDS was devoted to issues of political representation of women. As an important measure of policy was introduction in the text of the matrix of actions of temporary special measures and indicators for progress evaluation in political promotion of women.

228. Based on results of the 2007 parliamentary elections there elected 24 women (26,6%) representing three political parties among 90 legislators of the country. Women hold executive positions in the majority of the parliamentary committees. Political representation in the executive branch of power increased. However, in spite of the fact that women make 41,9% of the total number of civil servants, the proportion of women in top administrative capacity makes 17,3%. Low is proportion of women at decision-making levels in local state administrations (7%) and bodies of local self-government (19,1%). Among the oblast governors there are no women.

229. Not least important than expansion of numerical political representation of women is integration of gender-sensitive measures into sectoral policies and programs. One of tools of such integration is use of gender-disaggregated indicators at carrying out the Strategy monitoring and evaluation.

230. The 2007 CDS performance monitoring revealed a number of problems. Gender disaggregated indicators was carried out after identification of key parameters of the Strategy without their linkage to sectoral policies. Inadequate scrutiny of implementation arrangements and monitoring in the CDS Action Plan and NAP as its component lead to formal actions taken by line ministries, state committees, agencies, oblast state administrations in achievement of CDS matrix gender indicators.

231. It is necessary to revise the National Action Plan on gender equality achievement for harmonization of measures and monitoring indicators with sectoral and territorial development strategies.

232. Implementation of the comprehensive gender approach demands strengthening of the national institutional framework capacity for achievement of gender equality In order to ensure concerted efforts of state bodies and civil society as well as identification of the gender policy priority directions it is necessary to continue further strengthening and improvement of the overall performance of the National Council for Women's Affairs, Family and Gender Development under the President of the Kyrgyz Republic. Taking into account that the Economic and Social Development Department of the Administrative Office of the President of the Kyrgyz Republic retains the function of formulation of gender policy priority directions, transfer of powers on the gender policy implementation to the Office of the Government of the Kyrgyz Republic came as an important positive step. Performance of these functions requires setting up of a structural gender policy implementation division in the executive branch of state power.

233. As priority directions of the public gender policy it is necessary to address the issue of expansion of participation of women in decision-making process in the executive branch and bodies of local self-government. Committed and systemic measures are necessary for achievement of the given goals including balancing of employment opportunities for women and men at recruitment to the state and municipal bodies, improvement of professional development and career promotion. It is necessary to take special measures aimed at:

- (i) *increase of opportunities of women in local elections;*
- (ii) *expansion of economic opportunities of women and reduction of vertical and horizontal gender segregation in the labor market;*
- (iii) *gap reduction in the life expectancy indicator;*
- (iv) *reduction of maternal and infant mortality rates;*
- (iv) *focus of attention on needs of employees with family duties and taking of a package of measures to improve the support system of due performance of parental duties;*
- (vi) *prevention and reduction in the level of gender violence in the society.*

VI. DEVELOPMENT FOCUS AND PRIORITIES

6.1. Economic growth quality improvement

6.1.1. Energy

234. **Current status and background.** The Kyrgyz Republic accounts for 2% of all energy resources in Central Asia, including large coal deposits and 30% of total hydropower resources of which only 10% is developed. Over 50% of the country's fuel and power balance is imported.

235. **Electric power industry.** The electric power industry accounts for about 5% of GDP, 16% of industrial production, and 10% of the state budget revenues. The power distribution network ensures 100% access to energy practically for all population. Per capita energy consumption made 2379 kW/hr in 2007 and remains at the 2005 level (2380 kW/hr) which is a rather low indicator in Central Asia. The hydropower potential of 252 large and medium rivers is estimated at 18.5 mln kW/hr of capacity and over 160 billion kW/hr of electric power production. The hydropower potential of small rivers and water courses amounts to 5-8 billion kW/hr per year, and only 3% are used.

236. Poor operational management and lack of transparency created opportunities for misrepresentation of the reporting and development of the shadow economy. Achievement of the sustained decrease in the budget quasi-fiscal deficit (QFD) ended in failure which actually made 7,6% to GDP in 2005, or 7,6 billion Som; in 2006 – 5,4%, or 6,13 billion Som and in 2007 – 4,9%, or 6,9 billion Som. Such situation is caused by a low level of payments collection (about 86%), a high level of losses reaching on the average 40% that in money terms makes 2,4 billion Som and low tariff rates preventing from full cost recovery amounting to 1,25 Som/kW/hr.

237. Accounts receivable for the electric power as on 01.01.2008 made 3310,0 million Som and increased by 4% since the beginning of year. Of total debt amount a proportion of the population makes 2,4 billion Som (72%), and of other consumers – 28%. Wear of the equipment exceeds 60%, and as a consequence, reliability of power supply decreased. 7812 power failures were registered in the first half-year of 2007 which is by 34% higher as compared to the similar period of 2006.

238. In the electric power industry disproportions are observed in the distribution structure of generating capacities which are located basically in the Jalal-Abad oblast. Growth of the current consumption by the population persists making 58%. Herewith, the payment collection from the population makes 50% from total amount. Consumption by other groups is distributed as follows: agriculture – less than one percent, industry and business – 33%, and budgetary organizations – 15%. The facts are observed of the reporting misrepresentation of the consumption structure by the distributive companies which use the socially oriented tariff policy for profiting from shadow incomes, thus creating erroneous signals for the market economy development in the country.

239. Additional difficulties are caused by seasonal prevalence of consumption. Thus, during the winter period consumption exceeds more than twice the summer time consumption, herewith the load factor of the power supply system is not uniform and it is difficult to ensure cost-effectiveness of its operations.

240. Dynamics of tariff change in 2005-2007 (from 57,6 up to 66 tyiyin/kW/hr) shows that its level prevent from cost recovery. Therefore, the new tariff policy was set since April 23, 2008. At proposed increase of tariff rates the average electricity prices by 2012 are projected at 1,66 Som/kW/hr. Main concept of the tariff policy was creation of the attractive investment environment in the energy industry. The tariff policy should provide cost recovery of all sound expenses, and exclude crossing subsidies and provide correct signals for development of economy. The success of the tariff policy implementation depends directly on efficiency of social protection of the population.

241. Lately gains from export of the electric power decreased drastically. Annual currency receipt from export of the electric power decreased by 4 times. In 2008, as expected, export of the electric power will make 0,5 billion kW/hr and will reach 1 billion kW/hr in the next years till 2011. The existing water-power-fuel barter mechanism for the export of power makes no sense due to the need to pay for imported natural gas in cash.

242. **Heat-power engineering.** The annual thermal energy production makes 3,1 million Gcal, including production by the OJSC "Elektricheskiye stantsii" – up to 72%, "Kyrgyzzhilkomunsoyuz"-20%, and the remaining volume accounts for departmental and municipal boiler-houses. The centralized heat supply operates only in 4 cities of the republic: in Bishkek – 85% of the housing stock; in Osh – 35-40%, in Kyzyl-Kiya – 60% and in Karakol – 26%. Imported fuel costs are estimated as exceeding 1 billion Som. There are about 3000 electric boiler-houses in operation with thermal capacity of 4200 Gcal /hr that by 3,5 times more than the heat capacity of the Bishkek thermal power station. Deterioration of the equipment exceeds 80% that led to growth of heat losses exceeding 25%. Tariffs for the population are established by 45% below cost. Equipping with heat supply meters does not exceed 10% that is an extremely low level.

243. "Kyrgyzzhilkomunsoyuz" supplies with thermal energy 95% of consumers of cities and rayon centers of the republic and coordinates 25 structural divisions; it is a subsidized enterprise.

244. **Gas supply.** Natural gas supply in the annual volume of 750 mln cubic m., including 300 mln cubic m. of contractual deliveries is carried out by the JSC "Kyrgyzgaz". Natural gas transit deliveries are carried out to consumers of the Fergana valley in the Republic of Uzbekistan. The JSC "Kyrgyzgaz" is a natural monopolist, operates 753 km of gas-main pipelines, 657 km of average pressure and 1679 km of low-pressure gas transmission pipelines. The tendency of constant growth of import natural gas prices persists; over last 2 years prices advanced from 45 US dollars per 1000 cubic meters up to 145 US dollars.

245. Deterioration of the equipment makes 80%; and natural gas losses reach 110 million cubic meters or more than 10%, respectively. It is needed to replace 119,4 km of gas-main pipelines and 90,7 km of average- and low-pressure gas transmission pipelines. About 2 billion Som is required to carry out works on reliability improvement of gas pipelines and gasworks in the north of the republic.

246. **Coal.** There are 70 coal deposits in the country with their reserves totaling 1,3 billion tons. Currently, about 1.1 mln tons of coal or 78% of annual consumption is imported. The share of coal mining in the energy budget of the republic makes about 9,5% (2005). Herewith, the Kyrgyz coal makes only 17,5% from the consumed volume, and import of coal makes more than 82%. The coal industry consists of 30 coal mining companies which employ 1933 persons (2007). Per capita coal consumption decreased on the average from 0, 24 tons in 2005 up to 0, 22 tons in 2007 that is directly associated with growth of power consumption.

247. During 2005-2007 certain positive changes were observed with respect to coal mining volumes which reached the level of 48,8% in 2008 versus the 2005 level.

248. Depreciation of coal industry equipment exceeds 90%. Due to high bills receivable there is lack of circulating assets that affects the quality of the mining engineering repair works, roads; untimely daylighting works for the coal mining front preparation. In the crisis condition of the fuel-energy complex and transition to solid fuel due to energy production deficit the coal industry should be revived for increase of coal output and satisfaction of domestic demand.

249. **Oil and gas.** Probable geological resources of hydrocarbon raw materials in the Fergana valley make 145 up to 260 mln tons. There are 15 oil, gas and oil-and-gas deposits in operation. Mineable oil reserves make 11,3 million tons, natural gas of industrial categories – 4,8 billion cubic meters. Wear-out of the field and technical equipment reaches more than 75%.

250. In 2007 growth of oil extraction by 3,7% (71 thousand tons) and growth of gas production by 12,3% (17,3 million cubic meters) were achieved on account of the contribution made by Chinese investors in repair of idle wells. In 2008 it is projected to maintain extraction at 2007 level due to introduction of new horizontal drilling technology and oil wells intensification, and boring of new production wells.

251. **Problems.** The fuel-energy complex is found in crisis situation caused by mismanagement, serious deterioration of the equipment, losses, failures, high bills receivable, low-level collection of financial resources, total lack of operations transparency. Additional problems are caused by a long drought and growth of the world prices for energy resources. Preparation for winter of 2008-2009 is characterized by water shortage by 3,8 billion cubic meters in comparison with 2007. In case of low-water year in 2009 annual energy generation at HPS will make about 9,9 billion kW/hr while the total production will make 11,1 billion kW/hr. In such environment water saving in the Toktogul reservoir

storage may become difficult. Additionally 1,25 billion Som is required for purchase of fuel. At transferring facilities of social sphere and the population from electric heating to solid fuel (coal) in winter about 180 thousand tons of coal will be needed for 600 megawatt capacity for the amount of 720 million Som.

252. The level of power consumption of GDP in Kyrgyzstan makes 1,1 tons of fuel equivalent per 1000 US dollars. In developed economies this indicator makes 0,09-0,18, while in developing countries it makes 0,22-0,74. By estimates, total power consumption in sectors of economy can be reduced to 13% due to technical and organizational measures that can provide saving of 550 thousand tons of equivalent fuel up to 2011. At modernization of the existing power equipment, introduction of power saving technologies it is possible to achieve saving of 25% of energy and about 15% of thermal energy that makes 2000 million kW/hr and 800 thousand Gcal.

253. **Development of hydroelectric power industry** will be a **priority** in formation of the fuel and energy complex in the republic participating in satisfaction of growing demand for energy inputs in the domestic and regional market.

254. **Objective.** The CDS major objective is development of the energy sector and maintenance of energy safety of the Kyrgyz Republic.

255. **Tasks.** The following tasks will be undertaken within the framework of the Strategy:

- (i) *Development of the institutional framework and the statutory and legal base necessary for completion of the structural reforms launched in 2001;*
- (ii) *Transfer to concession or privatization of electricity distribution and supply companies, the "Bishkekteploset" (thermal networks) and the property complex of the Bishkek thermal power plant;*
- (iii) *Development of regional cooperation for development of the open energy market;*
- (iv) *Construction and reconstruction of power plants, maintenance of reliable and uninterrupted delivery of energy, first of all, to domestic consumers;*
- (v) *Development of the National Program of small hydropower stations (HPS) development.*
- (vi) *Creation of conditions for wide introduction of renewable energy sources (RES);*
- (vii) *Creation of conditions for use of pure development mechanisms aimed at reduction of atmospheric emissions of harmful substances allowing to receive financing from carbon funds that will reduce construction costs of small HPS and renewable energy sources.*
- (viii) *Creation of conditions for development of power efficient and power saving technologies allowing a 13% decrease of GDP power consumption by 2011.*

256. **Measures of policy.** The following is planned to address the first task:

- (i) *development of the market model for fuel and energy industries which are natural monopolists (energy and heat supply, gas supply);*
- (ii) *introduction of an independent regulator institution;*
- (iii) *development and carrying into effect of a complete package of normative documents on energy market and setting up of agencies supporting its operations;*
- (iv) *development of the market management system, including interrelation mechanisms of the market participants, ensuring transparency of operations and financial flows, identification of the ownership form;*
- (v) *continuous improvement of the energy market operating rules;*
- (vi) *improvement of the tariff policy to provide self-regulation of the energy market;*
- (vii) *reduction of the QFD up to 1,9% of GDP in 2011 through removal of cross subsidies of consumers and provision of cash payments collection up to 97%;*
- (viii) *carrying out concurrently with reforms of the fuel and energy complex, monetization and targeting of the social protection system with respect to fuel and utilities benefits and privileges;*

- (ix) *it is necessary to complete corporatization and privatization in coal and oil-and-gas industries, to create institutional and normative preconditions for competition development with the purpose of service improvement and price reduction.*
257. As to fulfillment of the **second** task it is necessary:
- (i) *to approve and carry out the tender for privatization of the state shareholding of the OJSC "Severoelektro", and the OJSC "Bishkekteploset" and the property complex of the Bishkek thermal power plant, to prepare and privatize them through competitive bidding;*
 - (ii) *to develop the Reorganization Program for the JSC "Kyrgyzgaz" and the Privatization Program for remaining gas distribution companies and to obtain approval to their privatization;*
 - (iii) *to launch a campaign to identify interests of investors, and to develop bidding requirements with the following tender holding.*
258. Solution of the **third** task is connected with:
- (i) *creation of conditions for regional trade in power resources for mutually profitable cooperation development between the fuel and energy complexes of the South and Central Asian countries;*
 - (ii) *development of the energy market in the region, and as a first step will become creation of the water-energy consortium to optimize the HPS operations, thermal power stations, oil refining and coal-mining enterprises;*
 - (iii) *provision of efficient use of generating capacities of stations in daily and annual modes, and economically sound modes for the countries of the entire region;*
 - (iv) *strengthening of the role of Kyrgyzstan in development of the Central Asia/South Asia Regional Electricity Market (CASAREM);*
 - (v) *construction of the "Datka-Kemin" 500 kV transmission line.*
259. Solution of the **fourth** task will allow:
- (i) *to promote attraction of direct investments in construction of 500 kV transmission lines for connection with the power supply system of Tajikistan and enabling of the electric power market entry in Afghanistan and Pakistan;*
 - (ii) *to put into operation new 360 megawatt generating capacities and to increase them through rehabilitation up to 400 megawatt;*
 - (iii) *to rehabilitate backbone and distributive networks;*
 - (iv) *to reduce losses to 24% by 2012;*
 - (v) *to reduce emergency outages by 7% on the average annually and to improve reliability of power supply in overall.*
260. The **fifth** task assumes development and acceptance of performance of the National Program of small HPS development in Kyrgyzstan.
261. Within the **sixth** task solution framework the following measures will be taken:
- (i) *adoption of the law of the Kyrgyz Republic «On renewable energy sources»,*
 - (ii) *approval of rules of small HPS networking to the electric grid;*
 - (iii) *elaboration and approval of financial arrangements to support development of the renewable energy sources.*
262. Solution of the **seventh** task assumes introduction of the renewable energy sources and use of the Pure Development Facility within the Kyoto protocol framework. To this effect, agreements with UNDP Carbon Fund and the World Bank Bio-Carbon Fund will be made, etc.
263. Within the solution scope of the seventh task the Energy Saving Program will be developed to reduce power consumption of GDP. With this object it is necessary to develop energy saving sub-programs by sectors of economy.
264. **Programs, projects and an investment policy of the fuel and energy complex development.** The investment policy will be aimed at attraction of private capital, grants and own funds of companies to develop the fuel and energy complex.

The following will be included in the number of strategic projects:

- (i) *Development of the master plan of generating capacities layout, consumption modes leveling the power network load schedule. Development of the "Operating rules of the Toktogul storage reservoir» and their compliance.*
- (ii) *Development of the feasibility report for Kamar-Ata HPS-1 and 2 with total capacity of 2260 megawatt with average annual energy generation over 6 billion kW/hr. Commencement of construction works and putting into operation of the Kamar-Ata HPS will allow to use the Toktogul hydropower unit for power generation and irrigation purposes. To this effect 5 billion Som is allocated. Construction of the Kamar-Ata HPS – 1 started up with increased speed at involvement of direct investment resources from Russia. It is projected that in 2009-2011 out of the total amount of the earmarked funds equaling to 1,7 billion US dollars about 1,7 billion US dollars will be disbursed.*
- (iii) *Rehabilitation of the Bishkek thermal power station-1 (2,05 billion Som) and Uch-Kurgan HPS (615 million Som). Sources of capital investments will be own means of the companies, grants and investments within the PIP framework.*
- (iv) *Development of the feasibility report for the Kara-Keche state rayon power station with capacity not less than 800 megawatt. Development and creation of conditions for attraction of investments for construction of the state rayon power station.*
- (v) *Attraction of direct private investments on construction and putting into operation of small HPSS, first of all, on existing water basins, such as Kirov, Orto-Tokoi, Papan and the Kara-Kul river. For cost cutting it is intended to use of the Pure Development Facility within the Kyoto protocol framework.*
- (vi) *The total amount of investments directed on modernization and technical re-equipment of distribution networks will make about 10 billion Som. First of all, investments will go for reduction of commercial and technical losses thus eliminating opportunities for theft and lowering of breakdown rate.*
- (vii) *Financial expenses for development of national backbone networks will make about 13,7 billion Som, including: 500/220 kV "Kemin" substation with 500 kV overhead power transmission line North-South – 10,25 billion Som; 500/220 kV "Datka" substation with 220 kV overhead power transmission line – 2,25 billion Som; "Datka Khydjand" 500 kV overhead power transmission line – 20 billion Som; and "Aigultash-Samat" 110 kV overhead power transmission line – 410 million Som. For reinforcement and relocation of electric line routes about 300 million Som will be spent. Amount of investments necessary for modernization of high-voltage electric networks is estimated to make 2,1 billion Som.*
- (viii) *Development of heat supply master plans of Bishkek and Osh cities with account of decentralization of heat supply systems, installation of thermal meters at consumers and in municipal boiler-houses, use of solar energy in heating and hot water supply systems.*
- (ix) *For development of thermal networks 20 km of them need rehabilitation, construction of new 50 megawatt capacity networks is necessary, reconstruction of pump stations, rehabilitation of municipal and local heating boiler-houses with application of renewable energy sources and installation of thermal energy and hot water meters at consumers.*
- (x) *Attraction of direct investments into coal-mining industry to increase coal mining up to 1,1 mln tons by 2011.*
- (xi) *For development of gas industry it is necessary to attract direct investments in the amount of about 21 billion Som, of them 4,3 billion Som will be directed to construction of the second gas main line. It is necessary to ensure receipt of financial resources for rehabilitation of the gas-main pipeline provided by joint venture "Kyrkazgaz " in accordance with the gas main lease contractual provisions.*
- (xii) *Development of oil and gas extraction industry is planned to carry out by attraction of investments, privatization of the state shareholding of the OJSC "Kyrgyzneftegaz" and execution of the agreement «On general principles of geological examination of mineral resources of the Kyrgyz Republic» signed between the Government of the Kyrgyz Republic and OJSC "Gazprom". Investments into JSC "Batkenneftegaz" and OJSC "Kyrgyzneftegaz" (investors: "International oil prospecting company Czhunnen", Chinese*

People's Republic and OJSC "Gazprom", the Russian Federation) will be directed on repair of wells, exploration and development of potentially gas bearing areas; and on investigation of the "Kugart" u «Eastern Maili-Suu IV» for potentially oil and gas bearing areas. As expected, the gas recovery stabilization will reach the 2008 level by 2011, oil extraction growth will increase by 6,2% to the 2005 level and will make 82 thousand tons annually.

- (xiii) *Development of the program of reducing consumption of hydrocarbon raw materials and its replacement with renewable energy sources, and development of rules of access to networks and sales of the RES-generated energy.*
- (xiv) *For attraction of investments into the renewable energy sources development the enterprises of the republic should increase in annual production of: solar collectors – up to 100-150 thous. sq. m, wind power plants – up to 250 megawatt, micro-HPS – up to 2-2,5 megawatt, photovoltaic converters – up to 2-3 megawatt per year for a total amount of 520-950 million Som. Rehabilitation of temporarily shut down and construction of new small HPS for 178 megawatt total capacity and generation of 1 billion kW/hr per year. Investments are necessary for these projects implementation into the amount of 8,36-11,02 billion Som.*
- (xv) *Development of the "Kyrgyzzhilkomunsoyuz" reorganization program with the purpose of setting up of a structure conformable to market economy based on self-supporting basis.*
- (xvi) *Development in 2008 of the power efficiency and power saving program aimed at achievement of reduction of power consumption of GDP by 13% in 2011. Development of power saving sub-programs in the fuel and energy complex, power-intensive industries, agriculture, transport, budgetary spheres, in housing and utilities and objects of social infrastructure. Broad attraction of the donor community, NGOs and local authorities to the power saving program implementation. Use of arrangements for issue of special-purpose bonded debts, market and energy and bank lending, establishment of the republican unit investment trust, financial leasing, revolving funds, means of the population on the basis of housing bonds issue.*

265. **Resources.** The enterprises of thermal power plant determine needs for investments in the amount of 88 billion Som. Projects were submitted for this amount. There were selected as priority projects in the electric power industry costing 25,8 billion Som. Sources of finance are available for the amount of 58 billion Som. The gap makes 30 billion Som. For implementation of all submitted projects it is necessary to attract private capital. Therefore the policy of measures should be focused on improvement of the investment climate in the energy sector, including improvement of the regulatory and competitive environment for inflow of investments.

266. **Expected results.**

- (i) *Market economy-based mechanisms will be developed and introduced into the fuel and energy complex. The state shareholdings of power distribution companies, OJSC "Bishkekteploset" and the property complex of the Bishkek thermal power plant will be privatized or transferred to strategic investors under trust management.*
- (ii) *Private investors will enter fuel and power industry, which will improve management and enhance reliability and quality of power supply.*
- (iii) *Accounts payable and liabilities to the budget and tax liabilities will decrease, human factor related corruption level will fall. Market economy incentive mechanisms for employees of the energy sector personnel will be introduced.*
- (iv) *Electric power producers will be able to sell to large industrial consumers, which will allow improving and stabilizing their financial state. Industrial consumers will be able to purchase electric power at reasonable prices directly from producers, not intermediaries.*
- (v) *The GDP power consumption will be reduced, industrial and regional power saving programs will be launched to promote the country development.*
- (vi) *In coal and oil-and-gas industries of the fuel and energy complex the competitive environment and monitoring of retail prices by the state bodies will operate.*

267. Strategic environmental planning is mandatory in the process of developing and implementing projects of the fuel and energy complex. Ecologically pure power sources will be used in regions with weak environmental sustainability or in those that are protected in accordance with global ecological

conventions and international agreements (biosphere, reserves, degradation of agricultural lands and pastures from deforestation).

6.1.2. Mining

268. **Current status and background.** Mining industry is currently a basis of industrial production of Kyrgyzstan. Based on data of the State Agency for Geology, in 2007 the production output of the sector made 22,6 million Som or 40% of value of all industrial output. It accounts for 9,2% of GDP, 40,1% of total exports by volume, and 9% of tax revenues. The budget receives from royalty about 500 million Som of revenues annually in addition to all other mineral use taxes. By estimates, creation of one job in the mining industry entails emergence of 1,6 workplace in neighboring industries delivering materials and services for the mining sector. It employs over 15 thousand people. For over one century-long period of mining development the professional manpower was formed. Strong growth in world prices of minerals and raw materials makes the industry's prospects favorable. At the same time world market prices for the equipment, materials, oil products, reagents used in mining grow rapidly, raising mining costs.

269. **Status of mineral and raw material base and operating enterprises.** The number of mining enterprises in operation declined considerably during the last seven years from 316 to 112. The survey which was carried out upon request of the Government of the Kyrgyz Republic «Mining industry as a source of growth of economy of Kyrgyzstan» has shown that if to disregard taking of drastic measures on the industry development of branch it will lead to a decline in GDP, in tax revenues, and in exports, and job cuts.

270. The formed mineral and raw-material base allows to develop production at the working enterprises and to set up new processing and metallurgical production by many kinds of minerals.

271. Known oil reserves make 97,4 mln tons, oil productive capacity makes 12,8 mln tons, and that of gas – 7,1 billion cubic meters. Oil recovery was reduced lately up to 69 thousand tons, gas – up to 15 mln cubic meters. The republic imports 95% of hydrocarbon raw materials. Own raw materials provides for 15% load of the oil refining factory in Djalal Abad, therewith, existing oil and gas condensate refining capacities on in the country make 680 thousand tons annually.

272. The coal industry is found in the crisis condition. The proved coal stocks make 1,3 billion tons, inferred resources – about 2,0 billion tons. Geological stocks and coking coal probable reserves make 260 mln tons that allows to begin works on their investigation and to plan construction of the by-product coke plant.

273. Large stocks of tin and tungsten are concentrated in deposits "Trudovoye", "Uch Koshkon" and "Kensu" and make in total 208 thousand tons of tin and 125 thousand tons of tungsten. For the "Trudovoye" deposit the work is underway on preparation of the draft of its industrial development. The mine construction will be carried out in to 2008-2009, with planned ore extraction in 2009 and start of industrial production in 2010. At taking into account the design and construction works the mining operations at the "Kensu" deposit will start not earlier than 2011.

274. The mercury raw-material base is made of mercury reserves and complex mercury and – antimony-fluorite ores of deposits "Khaidarkan", "Novoje", "Chonkoi" and "Chauvai".

275. Deposits "Chonkoi" and "Chauvai" are laid up under the PESAC program and no rehabilitation is planned in the nearest years. Deposits "Novoje" and "Khaidarkan" are developed by the Khaidarkan mercury plant. The remainder of mercury reserves in these objects makes 16,5 thousand tons, antimony – 108 thousand tons and fluorite – 1071 thousand tons. Economic position of the Khaidarkan mercury plant is very difficult due to mercury price fluctuations and low production profitability. In 2007 mercury extraction made 332 tons, and that of fluorite concentrate – 898 tons.

276. Explored antimony reserves in antimonial and complex ores of deposits "Kadamzhai", "Terek", "Khaidarkan", "New", "Novoje", "Northern Aktash» and "Abshir" make in total 265 thousand tons. The "Kadamzhai" and "Terek" deposits were earlier developed.

277. The "Terek" deposit is an exhausted mine and its operations were changed into gold ore extraction and processing. The "Kadamzhai" deposit after privatization of the plant was suspended

and operations of integrated metallurgical works are focused on processing of concentrate delivered from Russia. Delivery of raw material is unstable and the enterprise works irregularly.

278. In 2007 the antimony production output made 1,7 thousand tons at the metallurgical plant capacity of 18 thousand tons. The rehabilitation program of antimony production began.

279. The raw-material base of rare-earth elements is made of the proven reserves of the «Kutessai II» deposit which has been developed till 1992. Since 1995 the deposit is laid up. Concentrating production was changed for processing of gold ores, but since 2002 the enterprise stopped its operations. The remaining part of rare-earth elements reserves makes 51,5 thousand tons. By estimates, the production rehabilitation is economically inexpedient, though various foreign companies take interest in rare-earth products.

280. **Discovered deposits of uranium in the republic are exhausted**, and over last 30 years the Kara-Balta mining plant worked using raw materials imported from Kazakhstan. As the plant lacks its own raw material source its further operations in the nearest years will rely on external deliveries of uranium raw materials.

281. Gold reserves are assured at 25 gold and complex deposits and as on January 1, 2008 they make 416 tons. Out of all deposits only 5 are being developed – "Kumtor", "Makmal", "Solton-Sary", "Terek" and "Terekkan". Gold production in 2006-2007 made 10,6-10,7 tons due to decrease in extraction at the "Kumtor" mine.

282. Next 6 deposits are prepared for industrial development ("Djerui", "Left-bank Taldybulak", "Andash", "Bozymchak", "Ishtamberdy", "Ken Tegerek") with field-development programs already made or under completion. Currently prospecting works are carried out on other objects. The gold reserves status was stabilized lately, and despite annual repayment of reserves from 12 up to 22 tons, gold resources in comparison with 2004 have grown by 100 tons. The reserves addition took place due to production growth at "Kumtor" and supplementary exploration of other objects.

283. Hundreds of deposits of building materials, mining and chemical raw materials are explored in the republic. 3 cement works operate on their base with the rated capacity of 1 mln tons per year – (Kant plant), 300 thousand tons ("Tekhnolin" LLC); and 70 thousand tons (Kurmenty plant), dozens of brick factories and quarries for extraction of sand-gravel, sand, loams and clays, limestone, and plaster. The developed raw-material base of building materials satisfies almost completely long-term needs of the republic, and if necessary new deposits of building materials can be explored against time.

284. Output of the building industry enterprises grows from year to year and as compared with 2004 it has increased more than twice. In the Djalal-Abad oblast construction of the largest in Central Asia stone-cutting factory was completed.

285. **Achievements and problems of the industry.** Strong progress characterizes gold mining and mineral raw material extraction for the building industry. Recently addition in gold reserves and some nonmetallic minerals (limestone, loams and clay, plaster, sand-gravel) at new objects exceeds their extraction.

286. In 2006-2008 a number of new deposits of gold and nonferrous metals were subject to preparatory works for development and a part from them are already under preparation and civil works (gold fields "Djerui", «Left-bank Taldybulak», "Bozymchak"; tin deposits – "Trudovoye"). Cement works in Aravan and Nookat rayons of the Osh oblast are at the stage of construction completion, the Kant factory of local binding materials in the Chui oblast was rehabilitated and is operated at full capacity, the large cement works in Kyzyl – Kiya city are under construction. As a positive moment may be considered the increase in private investments made in exploration works up to 2,4 billion Som in 2007 which twice as much in comparison with 2005.

287. **Major problems** of the industry include unsatisfactory condition of the coal and oil-and-gas industry the capacity of which may satisfy completely demand of the country for coal and, in part, in mineral oils.

288. **General problems** of the mining industry relate mainly to the inadequacy of mining legislation in the ongoing transition to a market-based (economic) regulation, imperfection of the regulatory framework in the sphere of subsurface use. Access registration procedure to

use of subsurface resources is complicated and requires numerous approvals, examinations, agreements. Some major provisions of existing laws such as «On subsoils», «On oil and gas», and «On coal», «On production sharing agreement at subsurface use» and others are inconsistent with each other or of equivocal character. The ownership issues pertaining to mining property and land use are not settled in development of deposits. The legislation on use of subsurface resources admits a broad intervention of the state and local bodies in economic activities of the companies, grants excessive powers to officials to solve questions at their discretion. State bodies on subsoil management kept the management structure and functions which do not correspond to modern requirements. State-owned mining enterprises enjoy subsidies and preferences granted by the Government. It creates a conflict of interest of the state which acts both as an owner and a regulator. The setting up of joint ventures with the state participation does not lead to expected profit and reduces for foreign investor the deposit capitalization which is used to provide financing of mining projects. The infrastructure maps being a basis for designing of the new mining enterprises are dispersed among various agencies and access to them is difficult for users of subsoils. Most geological data is stored in old hard paper form, whose potential loss could affect the industry's development catastrophically. Its transfer to e-format is made very slowly. Lately tension is observed between mining companies, prospecting companies and local communities which seriously hampers their work due to lack of mechanism for taking into account the latter's interests at development of deposits and insufficient elucidative work carried out by authorities.

289. **Priorities of the industry.** Basic contribution to total amount of production of the mining complex is made by gold mining industry and the building industry enterprises. The oil-and-gas and the coal-mining industries in total production have clearly subordinated significance, with account of the fact that namely they are strategic industries in the context of the national power safety provision. Therefore, special attention should be given, first of all, to these sectors in overall development of the mining complex. Priority direction will be strengthening of all kinds of minerals exploration works based on private investments as today are used basically the Soviet epoch working data and findings. Transfer of the core geological data in e-format should be carried out without delay.

290. **Goals** of the Strategy in the mining industry development are as follows:

- (i) *To increase income from mining by diversifying production and integrating it into the global economy;*
- (ii) *To create a favorable investment climate for all subsoil users irrespective of ownership form and country citizenship;*
- (iii) *To improve well-being and in-migration reduction through development of new minerals deposits and creation of additional jobs.*
- (iv) *Improvement of working conditions of miners;*
- (v) *provision of incentives for introduction of the cutting-edge mining technologies and counteraction to application of wasteful mining methods.*

291. **Tasks.** The mining industry's priorities within the Strategy framework will be:

- (i) *elimination of existing problems and creation of favorable conditions in the legislation and state regulation;*
- (ii) *improvement of the geological infrastructure;*
- (iii) *accelerated development of gold mining industry by putting into operation already prepared deposits;*
- (iv) *accelerated rehabilitation of the coal and oil-and-gas industry by putting into operation new deposits and increase in extraction at developed deposits;*
- (v) *privatization of extractive industry enterprises and divisions of the State Agency on Geology and Mineral Resources, including geological field parties;*
- (vi) *simplification of procedures of subsoil use rights registration, fulfillment of obligations under the Extractive Industries Transparency Initiative (EITI) adopted by the Government of the Kyrgyz Republic in May, 2004.*

Prospects of the mining complex development for 2009-2011.

292. **Measures of policy.** The public policy in use of subsurface resources will build on maintenance of balance of interests of the state and the mining industry. Core principle of policy

should become creation of conditions for overall private initiative development. The Government entrusts completely the private sector with a mission of the mining industry development which should take up commercial risks through provision with financial and human resources based on simple, clear and transparent rules formulated by the subsoil legislation.

293. Accordingly, the Government undertakes a fundamental mission: to create the favorable environment for investments, to identify stimulating, legal and institutional basis and to provide its application for development of the mining sector of economy. Taking into account a high capital intensity of mining projects and scarcity of domestic financial resources, the policy will be focused on active attraction of foreign investments.

294. Within the policy realization framework it is needed, first of all, to review the regulatory basis which fails to stimulate inflow of investments to the mining sector. The Government is going to liberalize mining business doing, to lower excessive control functions of the state by replacement of the administrative control with more effective market (economic) regulators, to provide an opportunity to cancellation of the rights to deposit development only based upon the court decision, to provide gradual transition from administrative and legal management to civil regulation.

295. In the state supervisory policy relating to subsoil use the normative approach with clear, precisely formulated norms and criteria will be applied.

296. It is planned to implement the following measures and reforms: (

- i) *adoption of a new edition of the Law of the Kyrgyz Republic «On subsoils» and the Tax Code;*
- (ii) *development of the Law “On mining concessions in the Kyrgyz Republic”; and amending and supplementing the Law of the Kyrgyz Republic «On production sharing agreement at subsurface use agreements», etc., to remove all barriers constraining the mining development;*
- (iii) *establishment of the uniform mining industry management body including in its structure a separate subsoil use licensing unit (Mining cadastre) and Mining Inspectorate;*
- (iv) *simplification of registration of the subsoil access rights and administrations will be carried out through: Introduction in the registration practice of the subsoil use rights of a “one window” principle (with this purpose divisions, providing expert examination of mining projects in the area of ecological and industrial safety, should be transferred to the mining industry management body), refusal of bargaining method of the subsoil use rights registration and transition to a tender-auction based way of licensing, granting of concessions, approval by the Government of the Regulations on tenders and auctions stipulating for application of transparent international bidding procedures;*
- (v) *formation and approval by the Government of the Kyrgyz Republic of the State Register (Cadastre) of minerals deposits and finds subject to bid and auction based distribution;*
- (vi) *introduction of the progressive payment for holding of the license (royalty proceeds will go to local communities encourage their interest in presence of mining companies in their localities as well as for the maintenance of the Mining Cadastre;*
- (vii) *provision of broad and unrestricted access to geological data on a fee basis, prohibition of giving out of the archive data originals and speeding up its transfer on electronic carriers;*
- (viii) *strengthening of the responsibility of subsoil users for leaving mine sites without re-cultivation, for delayed submission of geological data and for illegal mining;*
- (ix) *cancellation of the requirement that only the certified design companies may project geological prospecting and operational works.*

297. The Government of the Kyrgyz Republic recognize that fulfillment of its obligations within the Extractive Industries Transparency Initiative (EITI) framework became the international understanding and one of critical prerequisites for attraction of financing by international financial institutions for the purpose of the mining industry development. The EITI process must become an object of independent verification and audits and cover all mining companies.

298. **Programs and projects under the stated priorities.** For achievement of the purposes of Strategy the following programs and projects will be implemented:

(I) The program: “Improvement of the statutory and legal system”.

The program includes preparation of a new edition of the Law of the Kyrgyz Republic «On subsoils» and bringing other laws regulating use of subsurface resources in conformity to it along with amending and supplementing laws governing the subsoil use. The follow-up development of the Mining Code regulating all issues pertaining to use of subsurface resources.

(II) The program:”Privatization of the mining industry enterprises”.

Privatization of enterprises will be carried out in accordance with the State Property Privatization Program for 2008-2012 approved by the Resolution of the Government of the Kyrgyz Republic # 518 as of 17.09.2008. Adjustments and amendments will be introduced in the course of the the State Property Program implementation with account of the existing circumstances.

(III) The program: “Improvement of the geological infrastructure”

This Program can be carried out only on the basis of state and private co-financing arrangements (partial self-support). The program stipulates: establishment within the State subsoil management body of the information centre responsible for receipt, distribution and transfer of archival information on the electronic carriers, which will function on the partial self-support basis. Updating of the funds through obligatory transfer of geological data on electronic carriers, including databases; vectorization of the graphic geological data and provision of free access to geological data on a fee basis, State agencies possessing electronic infrastructural maps are obliged to transfer them to the State subsoil management body.

(IV) The program: ”Mining industry development”

This Program provides for implementation of the following industrial projects in the mining sector:

- *Investigation of underground gold reserves at the "Kumtor" deposit. The "Kumtor" mine is provided with reserves till 2013. Duly exploration and the subsequent development of underground reserves will allow to prolong the enterprise operations till 2020 and for the subsequent period. Gold mining in 2008-2011 will make about 19 tons annually.*
- *Putting in operation in 2010-2011 of gold deposits "Djerui", "Left-bank Taldybulak", "Ishtamberdy", "Andash", "Bozymchak", "Kuru-Tegerek". These deposits development will allow to increase gold production by 5-6 tons, and at their reaching the rated capacity – by 10-12 tons annually.*
- *Continuation of gold deposits development – " Kumtor ", "Makmal", "Solton-Sary", "Terek" and " Terekkan".*
- *Development of tin – tungsten deposits "Trudovoye" and "Kensu".*
- *Completion of construction of cement works in Kyzyl – Kiya city, Aravan and Nookat rayons of the Osh oblast and first commercial production in 2009; at putting into operation of these plants increase in production of the building industry enterprises up to 9 billion Som per year is planned.*
- *Doubling of building materials mining based on the home market demand dynamics.*
- *Increase coal extraction to – 1,5 mln tons, oil – up to 100,000 tons, and gas – up to 50 billion cubic meters.*
- *Expand the production of bottled mineral water.*

(V) The program: “Organizing the development of small deposits”.

The program includes:

- *Learning from the experience of development of small deposits in China and other countries with well-developed small mining industry.*
- *Selection of specific deposits and economic-geological efficiency analysis of their mining.*
- *Development of minerals development and extraction technology.*

- *Production of basic equipment.*
- *Training of representatives of local communities.*
- *Arranging promotion of products in the market.*

299. **Resources.** The estimated need in resources makes 22-25 billion Som.

300. **Expected results.** As a result of putting in operation of new mineral deposits, reforming of tax and regulatory systems by 2011:

- (i) *mining industry will become one of the main budget composing sectors: tax revenues will increase from 1,1 up to 2,6 billion Som;*
- (ii) *investment amount in mining projects will make about 25 billion Som;*
- (iii) *direct employment of the population by 2011 will increase by 3 thousand persons, and indirect employment will increase by 6-7 thousand persons;*
- (iv) *due to input of the new enterprises growth rates of mineral raw material production will be doubled within 5 years.*

6.1.3. Development of agriculture and processing industry

301. **Current status and background.** The agro-industrial sector is the key industry of the Kyrgyz economy. In 2005-2007 the value added share of the agro-industrial complex in GDP averaged 32%, including agriculture – 29% of GDP.

302. Since early 1990s the land reform has been implemented in Kyrgyzstan during which over 300 thousand peasant entities and farms, about 1300 various associations and cooperatives societies were set up. Private property on land was introduced, a number of laws regulating land and other relations in agriculture was adopted. Peasant and individual farms became major producers. Over 90% of agricultural output is now produced in private sector, thus the share of peasant and individual farms makes over 44%.

303. The development of network of micro-crediting agencies had a positive impact on improvement of access to credit resources for producers of agricultural products – currently 266 credit unions operate in Kyrgyzstan.

304. The state financial support covers about 40% of needs of the industry. It is implemented through allocation of seeds, commodity credits and grants, sales of fuels and lubricants at reduced prices. Within this amount the republican budget earmarks annually funds for repair and restoration of waterworks facilities, plant protection and quarantine, improvement of the situation with epizootology.

305. The overall situation in the industry in 2005-2007 remained ambiguous. In general, real of in the industry by 1,5% was achieved. However, the structure of agricultural production changed, growth of the industry took place mainly due to animal husbandry, vegetable growing (particularly, potato culture). Herewith, for the reason that the area under crops was reduced (by 39%) and productivity dropped (from 22,4 up to 20,0 c/ha), production of the strategic crop for the country – wheat – also decreased by more than a quarter. There was a considerable production slippage of rice (by 46%), sugar beet (by 19,5%), and olive (by 14,1%).

306. During last three years agriculture continued to remain an industry with the lowest income level – wages in 2005-2007 varied within 39-50% to the average by all kinds of economic activities, in December, 2007 it made 2,6 thousand Som versus 5,7 thousand Som in the economy overall which was caused by slow growth of labor productivity in the sector. It led to labor outflow from agriculture: over three years the number of employed in the industry decreased by 9,0%.

307. In 2008 the situation will improve slightly. In the sector for 2008 harvest they allotted 1160 thousand ha for the area under crops which is expanded by 31,5 thousand ha as against 2007. As a result, the wheat production made 105,3 but the crop yield decreased by 0,6%. Production growth versus 2007 took place in vegetable growing (by 4,18%), watermelon, melon and gourd cultivation (by 4,48%), and fruit-and-berry growing (by 2,7%). The cotton growing remained at the 2007 level. Other crop production subsectors showed decline in output: sugar beet (by 88,8% - due to nine fold reduction of the area under this crop), potato growing (by 2,8%) tobacco growing (by 5,6%), and oil-bearing plants (by

11,8%). Positive growth trends were observable practically in all animal breeding subsectors except for the egg production (decline by 1,2%). For the first time within 10 years 76% of the sown area under winter grain crops was additionally fertilized.

308. Thus, the gross production output in agriculture, hunting and forestry sectors in 2008 increased by 0,7% in 2008.

309. Enterprises of the processing industry make about 15% of industrial production providing more than 17% of total taxes paid by the industry of the republic. The level of processing of agricultural produce by the domestic industry makes less than 15%. The index of actual volume of the processing industry in the period 2005-2007 made 112,6%, and the 2007 growth rate was lower than in 2006 – 101,5% that reflects trends to worsening of the situation in the industry associated with decline in agricultural raw material production and their price advance. In 2008 the real growth rate in food manufacturing and processing industry made 100.7%.

310. **Problems.** During the period of the republic development the agriculture has undergone a difficult transition process, and, unfortunately, now one cannot but admit the land reform setback. At summing up, it is possible to state a fact that it was implemented without a well-thought concept. Mistakes were made at reforming collective and state farms: splitting of large-scale enterprises on small, and as a result, inefficient entities led to decline in labor productivity in agriculture and, to decrease in production in the sector, respectively.

311. Since 2007 preconditions of threat of food security of the Kyrgyz Republic became apparent, World food crisis affected Kyrgyzstan revealing problems of the country' ability to provide independently all strata of the population with foodstuffs at affordable prices. Nevertheless, the self-sufficiency level of the country in the minimal norms in Kyrgyzstan remains high enough and makes 95%.

312. Replenishment of the state material reserve with wheat is made at inadequate rates. Thus, Kyrgyzstan cannot rely upon its own grain as domestic production provides only 63% of annual need of the country.

313. The main reason of emergence of threat of food security in the country is the low industrial capacity of agrarian and industrial complex caused by lack of financial resources of producers, weak development of irrigation systems, low efficiency of the state and market regulation levers in the industry, weakness of marketing activities, deterioration of seed-growing and breeding activities, depreciation of agricultural machinery and equipment of enterprises.

314. The factor causing negative tendencies in the sector of agrarian and industrial complex is lack of effective state and non-state systems of the food market regulation. Old administrative and distribution bodies are abolished, and the new mechanisms meeting modern requirements of economy are not created. So, farmers and peasants lack information on the sales opportunities of agricultural products. Up to date high-efficiency agricultural technologies used in collective and state farms are lost. People lacking any conceptions about agro- and zootechnics are engaged in farming. Quality of seed and breeding material is lost. All this results in essential losses for agriculture and the population, and complicates formation of the uniform market space of the country.

315. Despite the strengthening tendency to development of rural banks, credit unions and state support delivery, the acutest problem of the industry is difficult financial position of peasants and farmers. It is s consequence of insignificant cash revenues from sales of produce due to rather low prices and limited marketing. As s result, rural producers cannot carry out reproduction of fixed assets and replenishment of circulating assets to a full extent.

316. Difficult financial position of rural producers and the processing industry enterprises is aggravated with high cost and even inaccessibility of bank credits, lack of insurance in agriculture, high bills payable under the state credits and payments to budgets of all levels.

317. The major problem in the agrarian production is lack of cooperative-based relations in agriculture between the processing industry and trade. A share of the agricultural producer in the final product price inadmissibly small, and the greatest part of the profit is received by intermediary structures. As a result, for example, cost of raw materials for fruit-and-vegetable production (fruit and vegetables) grows several times thus negatively affecting the industry development dynamics. At the

same time due of excessive costliness of purchased raw materials capacities of the processing enterprises in the republic stand idle on production of cigarettes, beer, confectionery, sugar, fruit-and-vegetable, meat and dairy production. Demand for these goods is satisfied with imported products.

318. The price disparity problem still persists despite the food price inflation. The prices of producers of agricultural produce and products of their processing during the entire period of reforms lagged behind the prices for material resources by 4-5 and 1,5 times, respectively. As a result, profitability of the agrarian and industrial complex reduced thus affecting negatively food production dynamics.

319. Poor quality of domestic agricultural produce and products of their processing cause distribution and export problems. Inter-regional barriers to trade have an adverse impact on food production development thus complicating access of Kyrgyz producers to the markets of neighboring countries. High costs of inland and cross-border transport, high road fees, informal payments worsen price competitiveness of domestic agricultural products.

320. Manpower problems constrain development of the agrarian and industrial complex. Shortage of specialists and managers in the industry, and lack of adequate level of management, organizational and consulting activities on formation and functioning of new market structures is acutely persistent.

321. The existing situation shows that the agrarian and industrial complex of the republic has not recovered from the crisis and that the carried out land reform failed to achieve its goals. Simple redistribution of land and its transfer to private ownership shook the settled farming system and led to primitive farming. As a result, crops and productivity of basic strategic agricultural crops, such as wheat, sugar beet and olive were reduced. Accordingly, the food security of the country is weakening.

322. Today agriculture develops in the extensive way. In this process the soil natural fertility is lost leading to non-renewal of animal husbandry and other production factors potential. As a result, at taking into account the labor outflow from the industry the recession seems to be imminent. Negative tendencies in agriculture affect directly the processing industry development dynamics; and the situation will be aggravated with internal problems of the industry.

323. **Priority.** In the circumstances of food safety threat the priority directions of the agrarian and industrial complex development are:

- (i) *development of cooperative management forms within the framework of the agrarian and land reform;*
- (ii) *improvement of the state support system in agriculture and the state services delivery;*
- (iii) *development of food manufacturing and processing industry;*
- (iv) *improvement of agricultural production marketing;*
- (v) *solution of problems connected with irrigation and farmland reclamation.*

324. **Objective.** In the nearest three years development of agro-industrial sector will pursue the objective of the food crisis prevention and satisfaction of needs of all strata of the population in basic foodstuffs not below minimal consumption norms. Thus, it is necessary to provide products safety and ecological compatibility. The important condition of the agrarian and industrial complex development is sales promotion and export of agricultural produce and products of its processing.

325. **Tasks.** For achievement the stated objective the following tasks will be performed:

- (i) *development and realization of large-scale food security measures;*
- (ii) *deepening of the land reform, creation of cooperative management forms;*
- (iii) *development of extension agricultural services;*
- (iv) *sales promotion of production of the agrarian and industrial complex;*
- (v) *improvement of the financial position of rural producers and enterprises of the processing industry;*
- (vi) *development of domestic agricultural processing industry; and*
- (vii) *development of water industry.*

326. **Measures of policy.** The agrarian and industrial complex development strategy will be focused on solution of problems faced by agriculture. Efforts of the state and the society will be directed on creation of favorable conditions and incentives for the industry development and

maintenance of food security. A package of measures to be implemented will cover all aspects of the agrarian and industrial complex, including production, taxation, investments, extension services, etc. In the medium-term the important role is assigned to the state support of the agrarian and industrial complex in all priority areas.

327. Major measures directed on maintenance of food security of the country. First of all, it is necessary to provide strict observance of the Law of the Kyrgyz Republic «On food security» adopted on August 4, 2008. For this purpose the uniform state policy will be developed and implemented in the field of food security provision and the food market development. The food security program will be developed and adopted which includes the following components:

- (i) *maintenance of foodstuffs quality;*
- (ii) *protection of human health;*
- (iii) *identification of basic foodstuffs purchase and distribution principles for the population, first of all, vulnerable groups in case of threat of the food crisis emergence;*
- (iv) *exercising of the state control over production, storage and realization of foodstuffs. The given program will be supported through development and realization of target food programs which will provide the state support of economically viable industries in agriculture, food manufacturing and processing industry.*

328. To provide increase in foodstuffs volumes produced in the country and reduction of the country's reliance upon import of foodstuffs the following will be undertaken: (i) transfer of production of mass consumption seeds to private sector, (ii) intensive development of animal husbandry in the country and further strengthening of fishery and beekeeping.

329. Special attention will be paid to improvement of the state food reserve management with the purpose of its rational use and timely replenishment. The volume of grain stocks in the state material reserve will reach a level not less than 123 thousand tons – this volume is necessary for 90-day provision of minimal consumption norms to the population.

330. For purposes of exercising the food security control the monitoring system will be developed in the country and regions including a list of indicators, the order of the data collection, processing and analysis.

331. The medium-term land reform strategy will be focused on its mainstreaming in the necessary direction and improvement of the existing situation in agriculture. For this purpose the following will be undertaken:

- (i) *introduction of private market rent relations in land use. On this basis introduction of mortgage lending elements in agriculture is considered where the land will be used as the mortgaged property;*
- (ii) *measures are carried out on farm facilities structural adjustment, particularly small ones as it is difficult for them to compete in agribusiness. Therefore, the significant role should be given to development of cooperative societies and other types of association on a voluntary basis. The state will support through granting of fland, financial, material and technical resources;*
- (iii) *the Uniform Real Estate Information System of (UREIS) was developed to serve clients through web-portal.*

Improvement of efficiency of use of farmlands and arable lands will become the important direction of agricultural development. For this purpose, first of all, audit of the land fund of the republic will be conducted.

332. Development of extension agricultural services and the state support delivery to them are one of the basic conditions of providing further growth of agriculture and maintenance of food security of the republic. In this direction the following measures will be carried out:

- (i) *newly set up and existing structures on delivery of educational, consulting and information services to agricultural producers are expanded;*
- (ii) *the role of Kyrgyz Agrarian Market Information System (KAMIS) is strengthened for provision of timely information on prices and demand on foreign and home markets, availability of material resources, etc. for the peasant entities and farms, and processing enterprises;*

- (iii) *agricultural machinery leasing arrangements with involvement of international leasing companies and firms are developed, tested and accepted for implementation, particularly, from the CIS countries;*
- (iv) *the long-term program is developed on manufacture of domestic agricultural machinery and equipment with use of imported and local spare parts, units and aggregates;*
- (v) *conditions are created for development of agrochemicals and agro-technical services, free sale of mineral fertilizers, weed and pest-killer chemicals and pesticides, agricultural implements and spare parts to agricultural machinery is arranged;*
- (vi) *licensing of private veterinary specialists is introduced. Concurrently their material base will be strengthened annually from public funds and equipping of veterinary laboratories with equipment and instruments will be improved.*

333. Critical deficit of financial resources of peasants and farmers impedes development of agriculture. Therefore, measures on this problem solution are highlighted in the given Strategy as the most important issues in the industry. At initial stages of this problem solution the most significant role is given to the state financial support of peasants and farmers. Within the framework of such support peasants and farmers will be provided in a timely manner with combustive-lubricating materials, fertilizers and qualitative seeds on a subsidized basis. In parallel the market funding mechanisms of peasant entities and farms will be developed. Crediting of the agrarian and industrial complex will be developed, first of all, on the basis of JSC "Ayilbank" and the credit unions established within the scope of the project «Rural financial institutions». Work will be carried out on attraction of private investments into the agrarian and industrial complex, mobilization of all available financial sources, including the PIP.

334. Implementation of actions on improvement of the agrarian and industrial complex production distribution will allow to alleviate some urgent problems of the sector, including the issue of lack of financial resources of producers. The task on providing sales markets for peasants and farmers with marketing outlets will be solved through implementation of the following measures:

- (i) *wholesale agricultural and food markets will be created (to provide their effective activity the Law of the Kyrgyz Republic «On wholesale markets» will be adopted);*
- (ii) *development of vertically integrated agrarian companies will be continued which are territorially incorporated – designed as clusters – and on a functional basis – along the technological string «raw material production – processing – realization».*

335. For development of domestic agricultural produce processing the conditions will be created to provide access of the enterprises to credits at acceptable rates. First of all, funding will be provided to the enterprises operating on agro-industrial cooperation based principles. As a result, it will be possible to achieve a 20%-level of the agricultural produce processing by the domestic industry. The processing enterprises creation projects will have the state priority.

336. In the processing industry modernization will be carried out of the enterprises with primary development of power-saving technologies or the renewable energy sources using technologies. For this purpose the state-of-art equipment leasing will be introduced with use of services of the international leasing companies and firms.

337. As one of the basic production directions in the processing industry there will be a highly profitable industry of alcoholic products the production of which will grow due to decrease in smuggling and shadow activity. Realization of alcoholic production will be regularized, and the criminal and administrative responsibility of economic entities for violation and production of illegal alcohol will be tightened.

338. Research activities in respect to markets, product assortment and prices will be normalized with the purpose of providing of information to processing enterprises.

339. At the state level measures will be developed on orientation of rural producers to sales of production to the domestic processing enterprises. The state should provide for elimination of discrimination barriers in trade in products of the processing industry with other countries.

340. Agro-industrial clusters will be created uniting agricultural producers and processing enterprises on a territorial basis. Activity of the state-owned joint-stock company "Agroprod korporatsiya" will be expanded to apply a comprehensive approach to agriculture according to the scheme "state order – production – processing – distribution".

341. Certification of production of the agrarian and industrial complex will be regularized and introduced inline with international standards that will improve their potential in the markets. For this purpose laboratories on production quality audit accredited in the international organizations on quality system audits will be created.

342. Growth of agricultural and foodstuffs output production will depend in many respects on successful implementation of measures on the industry supply with irrigation water. In this direction, first of all, the institutional reform of water relations will be carried out. It will provide for decentralization of water resources management with transfer and delineation of economic functions on basin, territorial, municipal levels and private sector. Within the given reform framework introduction of corporate management of water-economic systems based on creation of associations of independent water users will be continued (setting up and development of independent water users' association). Major part of irrigation assets and facilities other than strategically important infrastructure projects will be transferred to private sector water users for ownership and management.

343. Rehabilitation of irrigation systems and modernization of production assets of the water management will be continued. The given work is carried out with assistance of the World Bank («On-Farm Irrigation -II» and "Water resources management improvement" projects) and the Government of Japan.

344. The country faces a task of bringing the interstate water-distribution mechanism to conformity with market realities based on water use quota system. It is necessary to introduce a principle of adequate compensation of expenses and damages suffered by the Kyrgyz Republic in connection with delivery of water-management services in favor of the neighboring states.

345. For achievement of the agrarian legislation integrity it is planned to develop a number of laws which will allow to remove gaps and inconsistency of the current legislation, including such laws, as: «On agriculture development», «On wholesale markets», «On procurement and supplies of agricultural production, raw materials and food for Government needs», «On insurance in crop production», «On procedures, setting and collecting fees for use of water objects and water resources», «On veterinary service», «On livestock breeding», «On pastures», and the «On setting tariffs for water supply services», etc.

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

- (I) «Agribusiness and marketing» project, (WB);
- (II) «On-farm irrigation-II» project (WB);
- (III) «Avian influenza control and human pandemic preparedness and response» project (WB);
- (IV) «Agricultural investments and services» project (WB);
- (V) Realization of the repeater project «Land and real estate registration», and also the Kyrgyz-Swedish project «Strengthening of land management in the Kyrgyz Republic in 2006-2009».

347. **Sectoral** development programs approved by the Government of the Kyrgyz Republic are constituent and present a more detailed part of the CDS:

- (I) The agrarian policy concept of the Kyrgyz Republic till 2010.
- (II) The program of construction of water-management objects and development of the new irrigated lands in the Kyrgyz Republic for 2008-2010.
- (III) The state program of the Kyrgyz Republic «Development of wheat seed-growing for 2008-2010».
- (IV) On concept of animal breeding development in the Kyrgyz Republic till 2010.
- (V) On the state program of agriculture research support of the Kyrgyz Republic till 2010.
- (VI) On the strategic plan for development of veterinary service of the Kyrgyz Republic for 2008-2012.
- (VII) Fish-breeding development program of the Kyrgyz Republic for 2008-2012.

348. **Resources.** Implementation of projects, programs and activities will require in total 18,7 billion Som is required, from them 8,4 billion Som are committed.

349. **Expected results.** Major expected results of the tasks fulfillment within the Country Development Strategy framework in the given sector will be:

- (i) *annual increase of gross amount of processed goods by at least 800 mln Som;*
- (ii) *annual 7% real increase in agricultural processing and a 3,0% increase in agriculture;*
- (iii) *growth of the average real income of farm (peasant) facilities by 12%;*
- (iv) *increase in number of the operating small and medium-sized agricultural produce processing enterprises;*
- (v) *growth of private investments into the industry;*
- (vi) *creation in each area of functioning marketing and advisory centers with involvement of farmer associations;*
- (vii) *increased job creation in the processing industry so that by 2011 the number of employed would increase by 50%;*
- (viii) *annual increase in tax revenues from the processing industry.*

6.1.4. Construction

350. **Overall assessment of the current situation.** Today construction is one of the main sectors of economy of the Kyrgyz Republic, which creates necessary prerequisites for sustainable development in other sectors. The main priority areas in construction are objects of residential buildings construction, transport and communications, power engineering, infrastructure and processing industry. The total gross value of construction grew from 10 658 mln. som in 2005 to 20 650 mln som in 2007, and this indicator was on the level of 6 764 mln. Som for the first half a year of 2008, which testifies to maintaining the growth rate tendencies of capital investments volumes formed in the recent years. At that out of the total volume of investments the share of residential housing construction which the major share was contractor's works (64%) connected to the construction comprises about one quarter of all capital investments (24%).

351. During this period significant efforts on improvement of the state regulation in the sector of construction regarding optimization of procedures in the system of permits during/for construction were undertaken. As the result of the carried out reform the list of rendered services and procedures was optimized due to reduction of duplicating functions, the principle of the One-Stop-Shop is introduced for obtaining of coordination documents and sanctions for construction of objects. The new order stipulates for 2 stages: (i) delivery of architectural-and-planning assignments (Architectural-and-Planning Assignments) – 20 working days; (ii) approval, examination of the design documentation and issuance of a permit for construction – 40 working days (10 – approval of the Design Documents and Plans, 20 working days – expertise, 10 – construction permit).

352. Existing tariff rates on the services rendered by the state bodies during construction were cardinally reconsidered and reduced. New rules and term of commissioning of objects by the body, issuing the construction permit and carrying out supervision of construction were introduced (in the amount of) 10 working days. The total number of valid procedures from coordination of the Architectural and-Planning Assignments before commissioning of the object into operation will be reduced from 20 currently existing procedures to 9, the number of required days for obtaining of the permit also will be reduced from 291 to 137.

353. As a result of revision of the terms and cost of services on carrying out of expertise of designs the tariffs were reduced from 20 to 44% in comparison with the former tariffs, while terms of consideration are reduced to 10 days.

354. **Achievements and problems.** Residential housing construction is one of the burning social problems of the society. During the years of independence of the republic commissioning of residential buildings reduced by more than 4 times. So, in 1990 24 640 comfortable apartments constructed according to designs and normative and technical requirements including earthquake-resistance, comfort and safety were commissioned, whereas for the period of 2005-2007 only from 5500 to 6300 apartments and individual family houses were commissioned.

355. In many settlements of the republic due to lack of general plans, construction works are carried out chaotically, without engineering preparation of areas. As a result, inhabitants of

settlements very often become victims of destruction caused by technogenic processes (landslides, rockslides and floodings). For today only 127 out of 1860 settlements of the republic have the working general plans, about 500 settlements entirely lack them, and as to the remaining settlements the available general plans need updating. Lack of the developed and approved town-planning documentation appears to be a factor constraining the settlements' perspective development and site coverage in the republic.

356. Available amount of housing recourses does not meet the demand of the population in habitation in full: currently average living floor area per 1 person is less than 12 sq.m. More than 70 % of families have living floor area of less than 5 sq.m. per person. It is estimated that around 200 thousand families are in need of obtaining housing. Over 12 thousand families are subject to resettlement from the dangerous zones prone to forecasted emergency situations. The existing situation in residential housing construction will not resolve this problem during the life time of the subsequent of 2-3 generations.

357. Thus it is necessary to note that the state has ceased to be the main participant in residential housing construction. The greater part of commissioned apartments and individual houses are built with the efforts of citizens without observance of elementary safety requirements and seismic stability. Over 97 % of commissioned residential buildings are built due to funds of the population. Annually up to 15000 land parcels are allocated to citizens for construction of individual residential/family houses across all regions of the country.

358. One of the solutions of problems with availability of housing is development of the system of long-term mortgage crediting. However in connection with the global financial crisis, commercial banks are not able to meet the demand of the population in this type of crediting in view of high risks of a non-repayment of loans and absence of sufficient resources as the financial base for long-term mortgage crediting. On the other hand, the currently existing terms of mortgage crediting have led to the fact that mortgage in Kyrgyzstan is not accessible to the majority of citizens of the republic. Annual interest rates on mortgage loans in commercial banks vary from 15 % to 23 %, depending on conditions and terms of crediting. The maximal term of the mortgage loan is 10 years. However to a greater degree loans which are allocated for the mid-term period of up to three years are more frequently available.

359. Probability of earthquakes in the Kyrgyz Republic with 8, 9 and more points is high. Therefore, threat of large earthquakes in the Kyrgyz Republic is considered to be an objective reality, and preparedness for them is one of the important problems of the state. High seismicity of the area makes special demands to the Kyrgyz building and construction sector. It is necessary to implement the long-term and target public policy for the purpose of strengthening the seismic-resistant level of existing and newly erected buildings and structures. With these purposes, the Gosstroy of the Kyrgyz Republic developed the Republican Program «Seismic safety of the Kyrgyz Republic for 2003-2010» which was approved by the Resolution of the Government of the Kyrgyz Republic №737 dated November 4, 2002. The given program is aimed at realization of a package of urgent measures to be undertaken for prevention and mitigation possible risks and damages from consequences of the various intensity earthquakes, and preparedness for possible natural disasters.

360. For resolution of the issues relating to residential housing construction, the National Residential Housing Construction Program of the Kyrgyz Republic for 2008-2010 was developed and approved by the Resolution of the Government of the Kyrgyz Republic No 562 as of November 26, 2007. In May, 2008 the Action Plan on implementation of this Program was approved by the Order No.195-p of the Government of the Kyrgyz Republic. According to these program documents it is stipulated to allocate 1,2 billion Som for residential housing construction in the current year, including from the republican budget – 600,0 million som and from local budgets – 600 million Som.

361. Within the framework of implementation of the Action Plan in the first half-year of 2008 it was allocated 45 million som from the republican budget for construction of the “targeted” apartment house for the society of blind and deaf people.

362. In spite of the fact that implementation of the National residential housing construction program now already started, nevertheless there is a number of problems impeding the increase of volumes of residential:

- (i) *under financing from budgets of all levels of construction of housing according to the National residential housing construction program of the Kyrgyz Republic for 2008-2010;*
- (ii) *lack of funds in the region budgets for the development of the urban-planning documentation (master plans, designs of a detailed planning (lay-out) of cities and settlements);*
- (iii) *further aggravation of the problems relating to allocation of the land parcels for residential housing construction, particularly in the cities of Bishkek and Osh;*
- (iv) *lack of reserves of capacities and steady degradation of infrastructure for connection of built objects to networks electricity and water supply, sewage system, gas, heating and to other sources;*
- (v) *growth of prices on construction services and transport;*
- (vi) *insufficient account of the currently built and commissioned construction objects that results in increase of “grey economy” and as the consequence, to decrease of tax revenues in the state budget.*

363. **Priorities.** The main priority in development of construction for the period of 2009-2011 will be providing for affordability of housing for the population by means of creation of a foundation for escalating the volumes of residential housing construction.

364. **Objective.** Comprehensive resolution of sustainable development issues of residential housing construction for formation of the residential housing market affordable to all categories of citizens of the republic.

365. **Tasks.** For the achievement of the set forth objective it is necessary to resolve the following problems:

- (i) *As a basis for the area development shall be development of the town-planning documentation for the republican settlements;*
- (ii) *in the field of residential housing construction – to maintain growth rate of residential housing construction and reconstruction of residential housing, bringing its structure and characteristics in conformity with demand and needs of the population, improvement of quality and efficiency of residential housing construction;*
- (iii) *in the field of providing for affordability of residential housing – development of the effective market of residential housing and financial mechanisms providing for affordability of residential housing for citizens with sufficient ability to pay/solvency, as well as support to low-income citizens in improvement of living conditions from the funds of the republican and local budgets within the limits of the established social standards;*
- (iv) *development of capacities of infrastructural engineering sources for providing for maintenance and operation according to the established specifications of existing consumers and newly commissioned residential housing objects, objects of social sphere, etc.;*
- (iv) *energy/power saving every year becomes more and more burning problem. Limited power resources, high cost of power, negative impact on an environment, due to power generation – all these factors lead result in necessity of reduction of power consumption through wide application of high technologies and use of progressive products and designs.*
- (iv) *In the field of seismic-proof building – maintenance of safety of buildings and structures by use of modern earthquake-resistant building structures and protection systems;*
- (vi) *Carrying out. of comprehensive certification of buildings and structures in all settlements of the Republic, its data-based plotting and sequence of funding of reinforcement works, and identification of sources of finance of such works.*

366. **Development prospects for 2009-2011. Measures of policy.** For the resolution of the set forth objectives in the field of residential housing construction development is necessary to:

- (i) *improve the legislative base in the field of residential housing construction, including introduction of amendments and additions in laws of the Kyrgyz Republic: “On individual residential housing construction”; in the Code “On administrative*

responsibility”; “On fundamentals of technical regulation in the Kyrgyz Republic”, as well as it is necessary to develop the Residential Housing Code;

- (ii) *creation of effective economic mechanisms for attraction of financial resources for residential housing construction, including attraction of the private capital, loans and credits on the basis of collateral and principles of mortgage crediting; simplification of administrative procedures of new building designs coordination, obtaining permitting documentation;*
- (iii) *creation of capacities on output of produce for construction purpose on the basis of progressive technologies including production of materials and structures designed for antiseismic construction to meet maximally the demand of construction materials market through production of own goods (construction materials) producers;*
- (iv) *demonopolization of the construction materials market (cement, glass, etc.) through construction of new enterprises/manufactures, as well as its diversification in particular by development of gypsum and other deposits of the republic, creation of manufacture on gypsum production and construction materials on its basis;*
- (iv) *definition of the personal responsibility of heads of region public administrations, rayons, the mayoralties of the cities of Bishkek and Osh for development and implementation of the regional housing development programs stipulating allocation of funds on: development of the urban-design (planning) documentation; allocation of the land parcels for construction of residential houses; possibility of connection of the newly built objects to sources of engineering infrastructure; construction of municipal residential housing for the category of the citizens having the right on obtaining housing;*
- (v) *development of designs/projects and implementation of training of construction workers in conditions of market relations;*
- (vii) *put into order the procedure of registration of construction objects in local self-government institutions for obtaining of their full and real cost.*

367. For resolution of problems in the field of providing for affordability of housing it is necessary to:

- (i) *implement of a policy of restraint of the prices for components of building manufacture in construction;*
- (ii) *improvement of mechanisms of protection of the rights of services consumers in housing sphere;*
- (iii) *development of legislative base for creation of conditions of access of the population to extra sources of financing of residential housing construction;*
- (iv) *increase of solvent/able to pay demand of the population on residential housing construction through organization of long-term mortgage crediting in combination with various forms of the state support;*
- (v) *increase of a role of the regions (regions) in implementation of the National residential housing development program of the Kyrgyz Republic for 2008-2010;*
- (vi) *providing for construction and commissioning through local budgetary sources of financing of residential housing in scope not less than 5 apartments annually in the region centers of the republic starting from 2010, as well as in the cities of Bishkek and Osh for creation of stock/fund of the municipal residential housing.*

368. In the field of development of the engineering infrastructure it is necessary to develop the program on rehabilitation and further development of this infrastructure in each settlement. By the end of the programs implementation the minimal equipment of settlements with the engineering infrastructure systems should comprise: (i) in the cities of Bishkek and Osh, in the regional centers – 90-100 %; (ii) in cities, settlements of city type, in the region centers of the republic – up to 70 %; (iii) in the countryside – not less than 30 %.

369. For the resolution of energy saving issues construction modern energy efficient objects of residential housing with use of progressive systems, materials, technologies, space-planning-design solutions, unconventional energy sources is necessary, in particular it is necessary to provide for satisfaction of the construction materials market with highly effective basalt heating insulation materials and products on the basis of own raw materials resources.

370. **Programs and projects.** The main program focused at the resolution of the situation with residential housing construction and improvement of affordability of residential housing for the population is the National residential housing development program of the Kyrgyz Republic for 2008-2010.

371. The first stage of the program implementation stipulates for organization of work on the Program implementation, creation of normative legal base, credit and financial mechanisms, systems of financing of residential housing construction, expansion of scales of internal and external investments, organizational structures, introduction of long-term mortgage crediting of residential housing construction for socially vulnerable strata of the population. Besides this, it is planned to establish interaction of participants of residential housing construction, including the mechanism of interaction of the public and local authorities is planned. Identification and attraction of investors in financing of residential housing construction for 2009-2010.

372. Also at this stage it is necessary to carry out work on development of the town-planning-design documentation on settlements with transformation of land parcels for residential housing construction and engineering – utilities infrastructure objects.

373. The second stage of implementation of the program includes actions on legal and credit and financial mechanisms improvement, growth of mass residential housing construction, development of the residential housing market in all regions of the Kyrgyz Republic, introduction and the further progressive development of long-term mortgage crediting of residential housing for wide strata of the population.

374. A major program directed on dealing with the existing situation in the antiseismic construction is the Republican program «Seismic safety in the Kirghiz Republic for 2003-2010».

375. Besides this, Gosstroy of the Kyrgyz Republic, with attraction of the South-Korean company, implements a large project on construction of micro district Jal-Artis where construction of 1400 apartments is carried out, including 400 apartments of social purpose for workers of budgetary sphere. Completion of construction of the micro district is planned during 2010-2011.

376. **Resources.** The total funding requirement for implementation of the task on commissioning residential housing for the period of 2009-2011 makes 43 billion Som of capital investments, while the seismic safety program implementation cost makes 74,5 million Som. It is necessary to provide financing in the amount of 70 million Som for development of the town-planning documentation in local administration budgets.

377. **Expected results.** With the state support residential housing construction can entail financial stabilization, creation of stimulus to making savings and containing of unemployment rate of the population. Creation of a real opportunity of construction of residential housing by families with average and low incomes will allow generating the residential housing market and labor market. Successful implementation of the Strategy also will allow providing improvement of living conditions of the population of the country, affordability of buying residential housing, growth of volume of newly built and reconstructed residential housing and maintenance with residential housing at the expense of citizens, attributed to certain categories, identified by the legislation of the Kyrgyz Republic. Addressed support of the population relating to payment for residential housing and municipal services will be achieved. Quality of municipal services, safety and comforts of residing in dwellings will increase. Improvement of the housing legislation of the Kyrgyz Republic will take place. Conditions for improvement of the demographic situation in the country, implementation of an effective migratory policy, decrease of social tension in the society, as well as for sustainable and independent development of all municipal entities will be created.

6.1.5. Tourism Development

378. **Overall assessment of the current situation.** Modern tourism is a highly profitable, multisectoral complex, potentially capable of providing a high level of employment and well-being of people involved in the sphere of tourism. Currently tourism is one of the rapidly developing segments of economy. According to the World Tourism Organization, tourism makes about 10 % of the global economy, average annual growth rates are about 4-5 %.

379. In the sphere of tourism the Kyrgyz Republic possesses strong competitive advantages. First of all, it possesses rich vigorous authentic culture and traditions, history and well conserved ecology. Besides the country has basis for formation of a material basis of tourism.

380. The Kyrgyz Republic is rich with natural beauty represented by relic forests of Arslanbap, mountainous lakes, rivers and mineral springs. In the country there are many historical monuments, such as: archeological museum Sulaiman Too, the Burana Tower, the Uzgen architectural monument, museum Shakh-Fazil, Tash-Rabat, petroglyphs of mountainous gorge Sajmaluu-Tash, the Manas tomb, etc. The Republic has a huge potential of mountain tourism and mountaineering.

381. The biggest tourism recourse of Kyrgyzstan is the lake Issyk Kul, with a unique combination of a mountainous and marine climate, magnificent beaches, crystal-clear medical water with mineral springs, medical mud and thermo-mineral treatment. Issyk Kul is a resort zone of the world scale.

382. Potentially, if appropriate conditions are available, the Kyrgyz Republic according to the most modest estimations could receive up to 400-500 million dollars per year from the international tourism, receiving approximately 2 million of foreign tourists. In 2007 the number of tourist arrivals in the Kyrgyz Republic has reached 1.6 million persons, which is 2 times higher than the level of 2006.

383. Due to undertaken efforts during the period from 2005 to 2007 the gross value added in the sphere of tourism increased from 3,5 to 5,6 billion som, having made 4 % of the GDP. Export of tourism services in 2007 has reached 341,7 million US dollars, having increased in comparison with 2005 by 4,5 times. Tax revenues in the budget from tourism in 2007 comprised 239,0 million som, having increased in comparison with 2005 by 90 %. In 2007 the volume of investments into the sphere of tourism comprised 5,2 billion som, having increased in comparison with 2005 by 6 times.

384. In 2008 a growth was on all parameters of tourism: GAV of the sector comprised 7,6 billion som, the number of arrivals of tourists comprised 2,4 million persons, services were rendered for the amount of 509.2 million US dollars.

385. International tourism is actively developing in recent years in the republic:

- (i) *presentations on promotion of Kyrgyzstan as the country of tourism were made in China, Japan, Turkey, Korea, Azerbaijan, Egypt, Russia, Kazakhstan and Uzbekistan;*
- (ii) *informational press-tours were carried out for representatives of foreign and domestic mass media. The program of press-tours included visiting natural and cultural objects, as well as sights of Kyrgyzstan;*
- (iii) *the Resolution of the Government introducing the state system of classification of hotels in the republic was adopted; documents on creation of tourist information centers were prepared;*
- (iv) *preliminary consent on land allocation for construction of hotels, camping sites and improvement of the roadside infrastructure was received from the Naryn, Talas, Osh and Batken oblast public administrations;*
- (v) *The brand "Kyrgyzstan – the country of tourism" is actively promoted in the international markets and advertising products about tourism opportunities of Kyrgyzstan are distributed. New tourist brands, for example, "Kyrgyzstan – the country of Santa-Klaus" are developed. Information tours for a wide range of participants, forums, thematic festivals, competitions, actions, etc. are organized.*

386. Thus, tourism has become one of most dynamically developing sectors of economy of the Kyrgyz Republic. Now active work on development of tourism in the country is carried out. Kyrgyzstan participates in the largest international tourist exhibitions and fairs, as well as carries out similar actions in the territory of our republic.

387. **Problems.** At the same time development of tourism in the republic is impeded by a number of systemic, interrelated problems.

388. The sector of tourism, being a multisectoral complex, is regulated by a multitude of sections of the legislation, such as: international, transport, customs, land, tax, licensing, environmental protection, etc. in this connection adoption of some laws and sub-legislation focused on creation of favorable conditions for development of domestic and country of destination tourism (tourists coming to Kyrgyzstan from abroad), entrepreneurship in this sphere is necessary. Besides this, the profile law of the Kyrgyz Republic *On tourism* does not meet requirements of today.

389. Impact of tourism into social and economic development of the Kyrgyz Republic continues to be underestimated during the process of the forecast and planning of expenditures of the republican budget. For this reason marketing and promotion of the national tourist product under the brand "Kyrgyzstan – the country of tourism" remain underfinanced. It causes insufficient popularity of

Kyrgyzstan as the country of tourism in the world. In 2007 7,9 million som were allocated on development of priority areas of tourism in the regions and promotion of the tourist product of the Kyrgyz Republic from the budget.

390. The most part of objects of the tourism material base and infrastructure are in an unsatisfactory condition that constrains development of the sector. Quality of provided services at these objects does not meet the requirements of the international quality standards, safety and environmental protection. In architecture and interior finishing of the majority of buildings and objects there is no originality, (but) at the same time there is local color, i.e. those elements at which, besides comfortableness and affordability, modern tourists began to pay special attention.

391. Limited aviation access from/to many destinations, high transport costs in the price of the tourist package for foreign tourists, (and) bad condition of highways remain an acute problem. Attractiveness of air flights is reducing because of a constant rise in prices on petroleum products. All the above mentioned aspects are also true in relation to business – tourists, which negatively affects the inflow of direct foreign investments.

392. In connection with climatic features of Kyrgyzstan tourism in the country is more of seasonal nature, especially it is true about resorts of Issyk Kul where a season lasts for about 60-70 days. Thus, investments should be attracted in construction, modernization and reconstruction of tourist objects of the resort-and-recreational establishments designed for all-the-year-round operation.

393. A big problem is the insufficient level of security during organization of tourist activity, which also makes a negative impact on the inflow of tourists to the country.

394. An important problem is incomplete and not reliable record of arriving foreign tourists. The existing system of registration of arrivals of foreign tourists does not reflect a full and objective picture of a tourist flow to Kyrgyzstan and influence of the tourist expenditures on the economy of the republic. Besides practically all monetary turnover in sphere of tourism occurs in the cash form that allows to hide the actual picture of mutual settlements between travel agents, and tour operators and owners of tourist objects.

395. Obtaining of tourist visas by foreigners still is a problem. A possibility foreign citizens to obtain entry visas in foreign embassies on the basis of their personal applications does not solve this problem as not in all countries there are diplomatic and consular establishments of the Kyrgyz Republic.

396. Potential threat of environmental pollution in the zones of mass tourism, particularly at the area of the Issyk Kul lake causes a particular concern.

397. **Priorities.** Existing problems in the sphere of tourism define priority areas of tourism sector development:

- (i) *improvement of sub-legislation (normative-legal base);*
- (ii) *raising quality of tourist services up to the international level;*
- (iii) *attraction of investments into the sector;*
- (iv) *strengthening of work on promotion of Kyrgyzstan as the country of tourism destination.*

398. Thus all main resort-and-recreational, tourist and mountaineering zones will consistently be developed to avoid dependence on one or two tourist resources

399. Special attention will be devoted to the aspect of ecology conservation to disallow pollution of nature of the tourist-and-recreational zones, in particular, and of the country as a whole.

400. **Objective.** The overall objective of tourism development in the mid- term period is formation of the modern sustainable and competitive tourist complex, capable to meet the needs of foreign and internal tourists in good quality tourist services, with wide geography of export of the services. Tourism should become a highly profitable sector creating new jobs. Ecological and social focus thus should remain the guiding principles of functioning of the sector.

401. **Tasks.** For the achievement of the goal it is necessary to achieve the following objectives:

- (i) *to provide for institutional development of the sector;*
- (ii) *to develop a modern strategy of the tourist product promotion into the international market the key component of which will become formation of the positive image of Kyrgyzstan as the country of tourism in the international tourist market;*

- (iii) *to create favorable conditions for sustainable development and modernization of the tourism infrastructure, having brought it up to the international standards in the interests of quality of service improvement, including mass training of lower and medium levels personnel for the tourism sector for saturation of the labor market in tourism industry with highly skilled experts.*

402. **Measures of policy.** For resolution of the set forth objectives and achievements of the set forth goal the following actions will be implemented before 2011:

403. Measures of institutional development:

- (i) *development of the Master Plan (the General scheme) of tourism development on the basis of tourist clusters where all sectors of economy of the regions and of the republic will be involved;*
- (ii) *creation of the institute of "free tourism zones" on the basis of tourism clusters;*
- (iii) *development of objects of the tourism infrastructure: tourist class hotels, motels, the enterprises of a public catering, toilets; construction of new and reconstruction of existing highways and access roads to the basic tourism centers;*
- (iv) *Improvement of the normative legal base of tourism;*
- (v) *creation of the regulatory mechanism, allowing supervising the use of tourist resources within the framework of ecological norms;*
- (vi) *improvement and simplification of visa strategy concerning tourists from the countries which are not representing migration threat, including introduction of a visa-free mode for tourists from (non-CIS) foreign countries at least for the period of a tourist season;*
- (vii) *Introduction of progressive electronic systems of the account of the number of the arrived tourists, in particular by introduction of "a personal map of a tourist" which foreign tourists will get after the arrival to Kyrgyzstan;*
- (viii) *creation of conditions for development of social tourism.*

404. A long-term strategy will be developed on promotion of tourist products of Kyrgyzstan in the key international markets. It will include:

- (i) *development and promotion the all-nation brands, such as: «Kyrgyzstan – the country of tourism», «Kyrgyzstan – the country of Santa Claus», « Kyrgyzstan – the country of the clean nature», «Kyrgyzstan – the country of mountain peaks»;*
- (ii) *development and promotion of local tourist brands for each region of the country, such as: «Issyk Kul – all the year round", "Osh – a pearl of the Great Silk Road", " Talas – the Land of Manas ", " Naryn – the country of mountain lakes»;*
- (iii) *carrying out of the international festivals, competitions and other actions of the international value for attraction of foreign and internal tourists;*
- (iv) *large-scale carrying out of advertising-informational actions on raising awareness of and promotion of Kyrgyzstan as the country of tourism in mass media of the countries of foreign and CIS countries;*
- (v) *measures on organization of presentations of tourist opportunities of the Kyrgyz Republic abroad;*
- (vi) *measures on organization of a network of information centers for foreign and Kyrgyz tourists in public places attracting the greatest tourist flows;*
- (vii) *measures on formation of modern statistics of tourism which correspond to the international requirements and take into account the multiplicative effect from development of this sector.*

405. For improvement of the tourist service and safety of foreign tourists the following measures will be implemented:

- (i) *introduction of the mechanism of economic responsibility of tour operators and tourist agencies with a view of protection of the rights of tourists;*
- (ii) *establishment of a specialized rescue service for rescuing of tourists and during organization of tourist activity;*

- (iii) *improvement of existing professional standards of the basic trades of workers of the tourist industry;*
- (iv) *creation and implementation of the curriculums corresponding to the needs of modern tourism industry;*
- (v) *support to perspective applied research in the field of tourism.*

406. **Programs and projects.** Priority measures for achievement of objectives of the Strategy are:

- (i) *Submitting to the Jogorku Kenesh of the Kyrgyz Republic of the draft proposal on introduction of a system of the state support to investment activity for the juridical persons of the Kyrgyz Republic implementing priority projects in the sphere of tourism as in one of the priority sectors of the national economy, with application of innovative technologies;*
- (ii) *Submitting to the Jogorku Kenesh of the Kyrgyz Republic of a draft Law «On tourism» in a new wording on the basis of the model law on tourism, for the CIS countries;*
- (iii) *Adoption of the Resolution of the Government of the Kyrgyz Republic «On creation and development of tourism cluster in the territory of the Issyk-Kul oblast of the Kyrgyz Republic »;*
- (iv) *Development of master plans of development of tourism infrastructure with linking it to certain districts in large cities and the basic tourist areas of the Kyrgyz Republic;*
- (v) *Development of perspective programs of development of tourism by its perspective types in the regions of the Kyrgyz Republic.*

407. **Resources.** Prior to 2011 funds in the amount of 300 million Som are necessary on implementation of actions, programs and projects in the tourism sector. Confirmed amount makes 136,7 million Som.

408. **Expected results.** Resolution of tasks of effective tourism development will allow to develop considerably domestic tourism, to create an inflow of foreign tourists into the Kyrgyz Republic and inflow of foreign currency into the national economy, as well as to provide, on the one hand, growth of tax revenues in budgets of all levels, and on the other hand to stimulate development of associated sectors of economy. It is necessary to take into account also significant multiplicative effect of tourism promoting development of related sectors of economy and job growth among the population (thus indirectly 1 foreign tourist provides 1 workplace).

409. As a result of implementation of all programs and measures of the Strategy the share of tourism in GDP of the Kyrgyz Republic by 2011 will reach 5,6 %. Export of tourist services (the revenues brought by foreign tourists), by our estimations, must reach 600-700 million US dollars. The number of arrivals of foreign tourists will exceed 2 million persons per year. Investments into the fixed capital in the sphere of tourism, under the corresponding conditions, will make about 300 million US dollars.

6.1.6. Development of trade and stimulation of export

410. **Overall assessment of the current situation.** Due to combination of certain favorable internal and external factors the foreign trade turnover of Kyrgyzstan grew at high rates and exceeded in 2007 the 2005 level by 2,2 times. Achievement of such indicators became possible as a result of growth of economy and financial flows in the country, and owing to diversification of trade and economic mutual relations of the country. If in 2005 Kyrgyzstan maintained trade and economic relations with 100 states of the world trade community, in 2007 – with 120 countries at building mutual trade relations with the majority of them within the framework of the World Trade Organization.

411. Growth of export became possible due to improvement of the situation in the sectors of economy possessing an export potential, such as tourism, light industry, industry of building materials and crop sector. Besides them, export opportunities exist in nonferrous metallurgy, food-processing, energy and mechanical engineering industries. Growth of export was promoted by economic growth in the countries – main trading partners and close location of Kyrgyzstan to new fast-growing markets of Central Asian region.

412. Regional cooperation of Kyrgyzstan in the Central Asia is an important component of trade policy for expansion of trade and economic cooperation with trading partners for reduction of barriers

to trade and transport, promotion of the Kyrgyz goods and services in foreign markets. This factor is one of the basic preconditions for participation of the Kyrgyz Republic in trade and serves as future growth prospects.

413. Trade becomes one of the important sources of economic growth due to consistent trade relations liberalization policy in the country.

414. **Achievements and problems. Foreign trade.** Since independence the volume of foreign trade of Kyrgyzstan reached the record-breaking scale. It became possible due to multilateral, regional and bilateral initiatives to which the Kyrgyz Republic is a signatory. The multilateral trade policy of the country is focused on compliance with obligations to the WTO on trade in goods and services and protection of intellectual property rights. Within the framework of regional initiatives the Kyrgyz Republic carries out regional trade agreements with member-countries of the Commonwealths of Independent States (CIS), EuroAsian Economic Community (EurAsEC), Shanghai Cooperation Organization (SCO), of Economic Cooperation Organization (ECO) due to territorial proximity of the states, traditionally established economic and cultural relations.

415. The openness of economy increases: in 2007 export and import of goods and services made 44,7% and 89,9% of GDP, respectively, while these indicators in 2005 made 38,3% and 56,8%, respectively. The investment component in the import structure increases at making 63,0% in 2005 up to 71% in 2007 (including a share of machines and equipment – 14,5% and 18%, respectively; of raw materials and assembling parts – 20% and 23%, respectively). These tendencies are supported by work on reduction of barriers to foreign trade: as a result of the taken measures the quantity of permits in this sphere was reduced by 23%.

416. Alongside with the positive developments, alarming tendencies in development of foreign trade of the country were observed, and the most critical ones pertain to:

417. **Dependence on import of energy resources and situation in the world food market.** The country lacks significant reserves of hydrocarbon raw materials. In the import structure the energy resources make about 30%. Crisis in the world oil market affects substantially the national economy. Crisis in the world food market led to growth of a share of food products which increased from 10,5% in 2005 up to 12,5% in 2007, basically due to the price factor.

418. **The export structure has the raw material nature:** the commodity structure of export in 2007 the raw materials make about 50% (including the share of unprocessed agricultural products made 15%). In 2007 the tendency to reduction in export of finished goods persisted.

419. **Disproportion of balance of trade:** the gap between volumes of import and export tends to grow which in 2005-2007 increased almost by 4 times.

420. **Use by regional partners of Kyrgyzstan of protective measures** to protect markets limits export opportunities of the country, such measures include differentiated excise tax rates, transit fees, assignment of quotas for goods, antidumping and other protective measures, prohibition and duties on export of goods; recently they introduced prohibition of export of foodstuffs and industrial goods which Kyrgyzstan imports to the home market, such as flour, wheat, oil products, and vegetable oil.

421. **Administrative and other barriers** include excessive quantity of unnecessary export-import procedures, lack of transparency of procedures (requirements and rules established by the involved bodies and organizations contain ambiguous interpretation, weak insurance institutions), complicated access to export crediting, underdevelopment of the logistics infrastructure.

422. **Domestic trade.** During the period of market transformations the domestic trade has undergone major changes. Thus it should be noted that Kyrgyzstan's accession to WTO promoted growth of domestic trade. In domestic trade the rich competitive environment was developed, business and investment activity came to emergence. Today domestic trade is an important budget composing sphere of economy. The share of trade in the GDP formation structure made 18,2% in 2007, about 14% of able-bodied population is employed in this sphere.

423. In the home market although the tendency to turnover growth of commercial organizations was observed in the last years, open markets (about 70%) still remain to be the basic distribution channel.

It is caused by development and formation of large specialized markets in all regions of the republic²² due to low purchasing capacity of the population (goods in the markets are cheaper).

424. Wholesale – retail trade makes its contribution to the national economy without special financial costs and inputs on the part of the state. Up to date in the country the emphasis was placed on foreign trade, while domestic trade developed spontaneously. A multi-tier system of uncivilized trade mediation based on small exclusive markets was developed sporadically. Over last years no studies were conducted in relation to supply and demand of the population, organization of the commodity market infrastructure in domestic trade. As a whole, this sphere required further reforming. The necessity is brewing calling for creation of the complete and consistent statutory and legal framework regulating domestic trade related issues. It is necessary to develop the Code of trade rules in the Kyrgyz Republic which will become a unique commercial code defining legal regimes for circulation of certain commodities, addressing the issues of trade organization and promoting prevention of sale to the population of poor-quality and hazardous products.

425. In the republic the exchange system is not developed. Only one commodity exchange operates which is not connected to the world market and the volume of its operations does not match real needs of trade. One of the main reasons presetermining the exchange trade underdevelopment is lack of funds for organization of this kind of trade and imperfection of the exchange legislation in the republic.

426. **Priorities of foreign trade:**

- (i) *expansion of trade and economic cooperation within the framework of the regional economic unions;*
- (ii) *increase in export at using potential of agriculture, light industry, and services;*
- (iii) *implmentation of measures on simplification of administrative barriers to import / export.*

427. **Priorities of domestic trade:** (i) creation of civilized home market regulation institutes; (ii) reduction in shadow economy.

428. **Purposes and problems. Major purpose** is provision of prerequisites for annual growth of the trade turnover which assumes creation of favorable conditions for exporters and importers, development of the organizational and legal mechanism of delivery of goods to the end user who provides development of the home market.

429. For achievement of the CDS purposes it is necessary to solve the following **tasks** in trade:

- (i) *Further development of foreign trade activity, expansion of trade and economic cooperation based on further harmonization of legal regimes of such cooperation;*
- (ii) *Implementation of measures on simplification of administrative barriers to Import / export;*
- (iii) *Improvement of the statutory and legislative framework;*
- (iv) *Comprehensive provision of rights of citizens to safety and quality of goods;*
- (v) *Provision of economic affordability of the consumer market organized in civilized forms for the population.*

430. **Measures of policy.** Achievement of tasks set in the trade sector assumes implementation of the following measures of policy.

431. **Export development.** With the purpose of development of export potential, promotion of high-quality and competitive production, and improvement of legislative and normative base of foreign trade activities it is needed to implement in a full degree the approved Program on development of export and import replacement for 2007-2010. The given Program includes all necessary actions in the field of improvement of taxation and customs procedures, technical regulation, development of national financial market, foreign trade activities, development of industry and agriculture, transport, tourism, education and information support of foreign trade activities. Besides, the Medium-Term Trade Development Strategy will be developed which should state a new vision and benchmarks at implementing reforms aimed at trade development of the country, creation of conditions for growth of export and for well-being of our citizens.

²² In 2007 371 wholesale-retail markets operated in the republic

432. Introduction and implementation of the "one window" principle will be an important regulatory tool in foreign trade which will allow to optimize administrative procedures, remove barriers and reduce costs for participants of foreign trade activities, and also will improve system of the statistical registraion of foreign trade.

433. Creation of the competitive environment should be carried out on the basis of establishment of institutions for market regulation of trade. This regulation will be aimed at:

- (i) *protection of the home market and support to the domestic producer;*
- (ii) *improvement of tax administration;*
- (iii) *creation of conditions for growth of investments and expansion of crediting in trade;*
- (iv) *effective control of protection of rights and observance of interests of consumers;*
- (v) *stimulation of modernization of the trade process technologies and logistics;*
- (vi) *development and strengthening of the staturoty and legal framework in trade; and*
- (vii) *maintenance of required commodity flows to meet needs of the state.*

434. Amending and supplementing of the existing legislation, stimulating development of exchange trade, namely, the Law of the Kyrgyz Republic «On commodity exchange and exchange trade of the Kyrgyz Republic». In the domestic trade it is necessary to develop the Law «On domestic trade» which will be a backbone law creating a legal base for regulation and organization of business activity in trade, and as a basis for development of other statutory acts.

435. Continuation of reforms in the sphere of technical regulation which requires development of the national quality assurance system of goods and services, based on the principles accepted in the world practice. With this object, it is planned to develop a complete and consistent statutory and legal base preventing access to the market of poor-quality and hazardous production; development of the effective system of supervising bodies and provision of their clear coordination; ensuring of unavailability of punishment and effectiveness of sanctions for poor-quality products delivery to the market.

436. **Development of the trade infrastructure** providing smooth functioning of commodity and other markets.

437. **Programs and projects.** Within the CDS framework in the sphere of trade it is planned to implement the following programs and projects with participation of international organizations:

- (i) *The program of development of export and import replacement for 2007-2010;*
- (ii) *The GTZ project «Promotion of regional economic cooperation in the Central Asia»;*
- (iii) *The USAID project on regional trade liberalization and customs reform (RTL) for 2007-2011;*
- (iv) *The ADB project on investment climate improvement;*
- (v) *The concept of introduction of the "one window" principle in foreign trade of the Kyrgyz Republic.*

438. **Resources.** Total cost amount for implementation of actions in trade sector makes 7172,6 thousand US dollars.

439. **Expected results.** At considering all organizational, economic, market and trade-and-political factors determining development of foreign trade of Kyrgyzstan it is expected to achieve:

- (i) *Increase in the foreign trade turnover in 2011 by 2,5 times to the 2007 level including that of export – by 2,0 times, and of import – by 2,8 times;*
- (ii) *Improvement of the legal base that will promote:*
 - (a) growth of private investments;
 - (b) creation of the additional trading spaces, outlets and jobs;
 - (c) increase in number of modern trading enterprises.
- (iii) *Improvement of Kyrgyzstan's position in the "Doing Business" ranking according to the "international trade" indicator.*

6.1.7. Transport infrastructure

440. **Overall assessment of the current situation.** The road network system provides up to 95% of passenger and freight traffic in the Kyrgyz Republic. Total extent of roads in the country makes about 34000 km, including 18810 km of general use roads and 15190 km of roads of cities, villages, agricultural, industrial and other enterprises. Length of general use roads of international significance makes 4163 km, of republican significance – 5678 km, and of local significance – 8969 km. 38% of roads of them have bituminous concrete pavement and black gravel covering, 53% – gravel covering and 9% – earth surface.

441. The condition of the major part of the road network does not meet requirements which become a serious obstacle in the path of social and economic development of the republic. Two thirds of all surveyed roads in the republic in 2005 4300 km were found in a poor condition. One fifth the examined roads was at such stage of destruction which makes the asphalt covering rehabilitation practically impossible.

442. Another important part of the transport system of the republic is the civil aviation, the effective and development of which is necessary for maintenance of national safety, progressive economic growth and increase of living standards of the population. Starting from reorganization of economic relations the industrial activity of civil aviation declined by many times over which has caused deterioration of the financial position of aviation enterprises and, consequently, led to drop in their developmen rates, however since 2004 the Kyrgyz airlines gradually started increasing volumes of air transport service.

443. **Problems and achievements.** The road subsector since independence and till 2005 suffered a period of stagnation. Due to low level of financing the scope of road repair and maintenance owas insignificant, and quality of roads deteriorated with every year. Due to full depreciation of the road-building equipment park instead of use of mechanisms they began to use everywhere manual labor. Every year the volume of outstanding road repair grew that led to loss of 200 km of roads with hard surface annually.

444. In 2006 the Ministry of Transport and Communications developed the Strategy of the road subsector development for 2007-2010. In pursuance of the given Strategy it was possible to create preconditions for the road network stabilization and development since 2006.

445. International transport corridors provide access of the Kyrgyz Republic to regional markets, services and play an essential role in providing connection between tmain economic centers inside the country and facilitating entry to markets of neighboring countries. Preservation and improvement of regional road corridors is the main priority of the state.

446. At present from 2242 km of international transport corridors 590 km (26,3%) are rehabilitated; and Bishkek – Osh, Bishkek – Georgievka road rehabilitation projects are completed; 382 km (17%) of roads will be rehabilitated at 120,7 million US dollars allocation for that purpose, of them 85,4 million US dollars were allocated as the credit, and 35,3 million US dollars – on a grant basis.

447. From the start of rehabilitation of the major international transport corridors no attention was practically given to repair of the internal road network which provides access to transport corridors and connects areas, cities and villages. It was possible to make mid-life repairs in 2006-2007 of 1300 km, or 18% from the total extent of roads with hard surface, capital repairs of 45 km, or 0,6%, to build 8 new and general overhaul of 17 bridges; major overhaul of Tyup- Kegen road was launched. 195 units of road-building equipment and equipment, including 121 units were purchased from funds of the republican budget.

448. The most important goal is provision of transport independence of the country and in order to achieve it will be necessary to build diversion roads bypassing territories of neighboring states.

449. In 2007 a new, 49 km long motorway Pulgon – Burgondu with gravel covering was constructed. In the current year asphalt works on the given road commenced, construction of the 56-meter bridge across the Sokh river costing 113 million Som is under completion. Construction was launched of the diversion road bypassing the Tadjik villages Chorku and Surkh with extent of 23,5 km. With support of the European Union the construction project of the diversion road Internatsionalnoye – Kulundu was developed.

450. Development of transit potential of the republic includes apart from road rehabilitation expansion of rail transportation. Currently, the railway network of the Kyrgyz Republic consists of isolated, not connected dead-end lines of various extent providing an exit from Kyrgyzstan to the railway network of neighboring states – Kazakhstan and Uzbekistan. Other railroad lines pass in the south-west areas of Kyrgyzstan and connect the largest industrial and populated areas of these regions with the Fergana railway loop. In strengthening transit potential of the republic the railway construction project China – Kyrgyzstan – Uzbekistan is of great importance. Apart from providing an international transport corridor, implementation of the railway project passing through Torugart with exits to cities of Balykchy, Kara-Suu and Andizhan will allow to connect northern and southern regions of the republic through railway communication.

451. At present 80% of radar, navigating, meteorological equipment and linking facility used for air traffic service are also physically and morally obsolete, and also worked out their resources. Full replacement of radars at the “Manas” and “Osh” airports, and installation of radar-tracking and aeronavigation facilities at the “Issyk Kul” airport is required. In all registered airports it is necessary to update the radio engineering equipment. Currently, all works at the “Osh” airports are already completed and the SP-200 landing system was put into operation. The equipment was installed at the “Manas” airport. Completion of the given actions allowed landing of aircrafts in more difficult weather conditions, and to reduce essentially flight delays, to improve qualitatively flight safety and regularity. Based on the results of the completed works, the “Manas” airport received 2nd approach accuracy, and the “Osh” airport – 1st approach accuracy category.

452. **Priorities.** Taking into account that road transport is the main kind of transportation in the Kyrgyz Republic, a priority should be given to rehabilitation of international transport corridors and repair of the internal road network. In the civil aviation sector the main priority should be full modernization of the aeronavigation equipment.

453. **Objective.** On the basis of the existing situation in the sector it is necessary to achieve two major objectives in the **road** sector development:

- (i) *Strengthening of transit potential of the country;*
- (ii) *Expansion of access to local markets, employment opportunities and social services.*

In the **civil aviation** sector:

- (i) *Ensuring of safety of flights.*

454. **Tasks.** For achievement of the set objectives it is necessary to perform the following tasks:

- (i) *Rehabilitation of six roads and construction of the railway making the international transport corridors:*
 - *Osh -Sarytash – Irkeshtam (stretch of road is 258 km);*
 - *Suusamyr – Talas – Taraz (stretch of road is 199 km);*
 - *Bishkek – Naryn – Torugart (stretch of road is 539 km);*
 - *Sarytash – Karamyk (stretch of road is 136 km);*
 - *Osh – Batken – Isfana (stretch of road is 385 km);*
 - *Karakol – Tyup – Kegen (stretch of road is 76 km);*
 - *China – Kyrgyzstan – Uzbekistan railway.*
- (ii) *Maintenance and improvement of the internal hard-surface road network;*
- (iii) *Provision of transport independence of the country;*
- (iv) *Replacement of the outdated aeronavigation equipment.*

455. **Development prospects for 2009-2011. Measures of policy.** With the purpose of performance of set tasks it is necessary to introduce new public-private partnership arrangements, the legislation on toll roads highways and a new concept of the Road Fund operations.

456. The new road network management system should provide for application of the uniform approach based on delineation of the policymaking role of the Ministry of Transport and Communications from road facilities management functions through institutional changes and corporatization of road enterprises. The given task will be performed within the framework of strategic change of the distribution system towards the sector management system based on market mechanisms.

457. Corporatization the road enterprises should be carried out in successive steps. At a preparatory stage, in 2009, it is necessary to complete development of necessary technical, normative and legal bases. The following stage will include the corporatization process of road servicing enterprises (DEPs) in 2011-2013.

458. The regional passenger and trucking operations is coordinated within the Central Asia Regional Economic Cooperation (CAREC) framework. The CAREC member countries developed an action plan on reducing barriers to trade and transport development. The Kyrgyz Republic is the active participant of the given program and is going to initiate regulatory reforms, at maintaining and improving sections of the regional road infrastructure in parallel.

459. For solution of the task on the internal road network maintenance and development it is necessary to carry out annually beginning from 2009 the following:

- (i) *To restore over 800 km of the road asphalt carpet at application of rough surface processing;*
- (ii) *To make major overhaul not less than of 100 km of road paving with bituminous concrete;*
- (iii) *Funding of the road repair and maintenance in the amount not less than 1500,0 thousand Som;*
- (iv) *To make provision annually for the amount of 250,0 million Som for purchase of road-building equipment and machinery and to reach a 50% level of mechanization within 3 years.*

460. In 2009-2011 it is necessary to continue activities on maintenance of transport independence of the country in frontier areas of the republic. Total stretch of the planned for construction diversion motor roads bypassing territories of neighboring countries makes about 170 km. The major construction of diversion roads is planned to be carried out in Batken oblast – it is necessary to construct about 125 km of road. It is planned to start full-scale bituminous concrete paving works and building of bridges.

461. Vehicle operation-related costs will rapidly grow in case the appropriate road maintenance is not provided. Therefore, improvement of the financing system assumes importance.

462. Funding of the road repair and maintenance should be based on a «user pays» principle and to provide for a stage-by-stage transition to the sphere of market relations, and a thoroughfare should be considered as a state-provided service. It is necessary to introduce purpose taxes and dues at rates reflecting volumes of services provided to road users and to compensate damage done to roads.

463. **Programs and projects.**

- (i) *Osh -Sarytash – Irkeshtam (stretch of road is 258 km);*
- (ii) *Suusamyр – Talas – Taraz (stretch of road is 199 km);*
- (iii) *Bishkek – Naryn – Torugart (stretch of road is 539 km);*
- (iv) *Sarytash – Karamyk (stretch of road is 136 km);*
- (v) *Osh – Batken – Isfana (stretch of road is 385 km);*
- (vi) *Karakol – Tyup – Kegen (stretch of road is 76 km);*
- (vii) *China – Kyrgyzstan – Uzbekistan railway.*
- (viii) *Roughing over 800 km of the road carpet rough, paving with asphalt covering not less than 100 km of roads annually;*
- (ix) *Major overhaul and mi-life repair of roads, reconstruction and repair of bridges and road structures;*
- (x) *Construction of roads bypassing the neighboring states for gaining transport independence;*
- (xi) *Modernization of the aeronavigation equipment of "Manas", "Osh" u "Issyk Kul" airports*

464. **Resources.** Total resources required for development of the transport infrastructure of the republic amount to 16,7 billion Som, including rehabilitation of transit corridors – 8,7 billion Som. Total financing amount required for modernization the aeronavigation equipment of airports "Manas", "Osh" and "Issyk Kul", makes 1 billion Som.

465. **Expected results.** Implementation of the present Strategy will lead to overall positive social and economic gains in development of Kyrgyz economy and will promote significantly expansion of transport services delivery to the population. All transport system will move to a qualitatively new level of operations. By 2011 1424 km, or 63,5% of the international transport corridors will be rehabilitated, the condition of 4773 km of roads will be improved and 450 km will undergo major overhaul. Of 18810 km of general use roads 6650 km, or 35%, will meet necessary safety regulations and requirements. In 2005 this indicator equaled 3,5%.

6.1.8. Communication and information

466. **Overall assessment of the current situation.** Since 2005 the Government of the Kyrgyz Republic has implemented public policy directed on creation of conditions for introduction of new technologies in the telecommunication industry by attracting external investment, maintaining annual income growth rates at 8%, achieving transparency and competition in the market of communication services, training and retention of qualified employees.

467. Presently the communication industry is one of most dynamically developing in the country, at increasing information content transferred through the communication network, To break up the market monopoly and develop the competitive environment in the communication industry 257 operators and licensed telecommunication services carry out their activity in the market. As on January 1, 2007 incomes of communication services in the Kyrgyz Republic made 5406,8 million Som, and as on January 1, 2008 – 9207,6 million Som. In the world practice incomes of the telecommunication industry make approximately 2,5% to GDP, in general, this indicator in different countries varies within 1% – 5%, and in Kyrgyzstan the given indicator made 5,4% to GDP. Dynamic development of telecommunications is observed in the last five years in the republic, and the development rates exceed of the national GDP growth rates and average from 20% up to 25% annually.

468. Local telephone communication is provided by the OJSC «Kyrgyztelecom» and about 48 telecoms operators. Total number of the main stations (MS) connected to local telephone exchanges, makes 482005. Density of telephone penetration makes 9,2 MS per 100 person (in 2006 it made 8,9 MS). Currently in the republic the analog local telecommunication prevails. The local network digitalization level made 60% in 2007.

469. In 2007 the fiber-optic link (FOL) is put in operation along the section Tamchi-Cholpon-Ata-BosteriЧолпон-Ата Bulan-Sogottu with total extent of 60 km, 44 km long FOL along the section Balykchi-Tamchi, and 33 km long FOL along the section Bulan-Sogottu-Ananjevo. Memorandum of Mutual Understanding was signed between the OJSC «Kyrgyztelecom» and the «China Telecom» company on construction of the fiber-optic communication line in the direction of Chinese People's Republic (Osh-Sarytash-Irkeshatm). In turn, availability of modern main FOL strengthens the transit potential of the republic for the international traffic organization in direction Tajikistan-China and Uzbekistan-China and will allow to achieve relative transit independence from Kazakhstan.

470. In the market of cellular communications 9 operators of cellular communication obtained licenses, of them 5 communication operators render services. The cellular market is characterized by the following features: all operators of cellular communication offer practically identical list of services, companies, communication operators compete among themselves on tariffs for rendered services. Number of mobile phone subscribers doubled in 2007 against 2006 ((2,2 million subscribers) and penetration of cellular communication per 100 person made 42,5%.

471. The branched network of radio relay lines has 86 radio relay stations (RRS). Through the main radio relay network of the OJSC "Kyrgyztelecom" transfer of TV signals, broadcasting, telephone messages and other information throughout the republic is carried out. At realization of the satellite project on the settlements coverage by the KTR program where the given TV channel was not broadcasted earlier, 175 units of low-power TV-transmitters and satellite receiving devices (SRD) were installed in 185 settlements of the republic According to the services grid provided by the "Kyrgyztelecom" throughout the republic 99,0% is provided by the KTR program broadcasting, 81,6% – by ORT, 78,5% – by RTR, 68% – by EITB, 95,8% – by the 1st Republican Radio Program , and – 95% – by the 11nd Republican Radio Program.

472. In the field of information by 2008 the following tasks were performed: completion of the first stage of the government Internet-portal development (the state computer network) where the information on activities and services rendered by state bodies is placed; all central state bodies developed and placed in the Internet network the information webs-pages; a network of the Information Public Access Centers for inhabitants of rural and remote settlements was developed; the normative legal base is improved; industrial information systems and resources are being developed (the population register, the register of legal units, the register of education, the transport register, the register of the real estate rights, the automated systems of: treasury, on medicine, geology and mineral resources).

473. **Achievements and problems.** The main problem of the sector is the uneven development of telecommunications infrastructure. Total number of settlements lacking telephone communication makes 1872; as on January 1, 2008 447 rural settlements lack installation of telephone services. It may be explained by the fact that 2/3 of the population live in remote mountainous areas that makes traditional installation of telephones an expensive effort requiring significant capital investments. In overall, Kyrgyzstan lags behind a level of such countries, as Denmark, Norway, Switzerland, the USA, Germany by 7 times in the quantity of telephone sets per 100 persons (9,4 telephone sets) where the level of telephonization density makes from 60 up to 70 telephone sets per 100 persons. In the CIS countries the given indicator averages 21,4.

474. One of directions of further telecommunications development is introduction of market economy in the given sector and stimulation of fast growth of the industry through drastic increase in volume of investments into telecommunications by attraction of new sources of funding. Solution of this issue lays in transfer of the telecommunication sector on a reliable commercial basis providing survival rate in the intense competitive environment, existing in the international telecommunication market. Therefore, the Government of the Kyrgyz Republic made a decision to sell a state shareholding (77, 84%).of the joint-stock company "Kyrgyztelecom".

475. Volume of the operators' attracted investments in the industry for purchase of radioelectronic equipment (REE) and high-frequency devices (HFD) average from 70 up to 90 million US dollars that speaks of strengthening investment appeal of the industry and growth of demand for telecommunication services of the business sector. Growth of the attracted investments made by operators for purchase of REE and HFD in 2001-2007 has increased by 22,3 times. At the same time, despite growing interest of foreign investors to Kyrgyzstan the basic source of finance in the structure of capital investments make own means of the companies. At the same time in Azerbaijan, Armenia, Tajikistan and Uzbekistan foreign investments make more than 50% .

476. In overall, at present there are registered over 8 thousand REE (without account of mobile terminals) in the republic. Availability of such quantity of radio-electronic devices led to complication of electromagnetic conditions, in particular, in the southern region neighboring Uzbekistan, and Tajikistan, and also in Bishkek and some areas of the Issyk-Kul oblast that necessitates toughening of control and maintenance of discipline at use of radio-frequency spectrum (RFS). Available equipment of radiomonitoring points in the republic allows to reveal only small proportion of illegally operating REE. As a result, lack of the state radiomonitoring system entails such negative consequences, as:

- (i) *Quality degradation of services delivery, disregard of technical norms, non-observance of side emissions level and effect of illegally working transmitters which influence communication quality without taking into account electromagnetic compatibility;*
- (ii) *Decrease in incomes of the state due to illegal use of radio communication by illegal communication services delivery that results in concealment of incomes and decline in tax revenues, respectively;*
- (iii) *Loss of the national radio-frequency resource;*
- (iv) *Information expansion from the neighboring states.*

477. Despite high rates of the ICT development over last decade, the Kyrgyz Republic could not reduce development lagging from industrially developed countries in informatization level of economy and the society. Partly such situation is caused by general economic reasons (long crisis in economy, a low level of material well-being of majority of the population).

All these factors led to emergence of certain problems in information sphere:

- (i) *Insufficiency of financial resources for realization of ICT-related activities;*
- (ii) *Lack of the complete information infrastructure and effective information support of markets and services, and in e-commerce as well;*
- (iii) *Inadequate level of professional training in the field of ICT development and application;*
- (iv) *Inadequate ICT development in governance, unreadiness of governmental bodies to apply effective management technologies and to establish interaction with citizens and economic entities.*

478. **Priorities.** Priorities of the telecommunication industry development are enhancement of the telecommunication infrastructure and construction of the main communication lines for providing access of all regions of the country to the minimal package of telecommunication services, improvement of the legal regulatory mechanism, and introduction of modern technologies for providing of access to information and telecommunication resources.

479. **Objective.** The industry development objective is construction of a modern hi-tech and competitive National data transmission network based on use of state-of-art technologies with simultaneous provision of guaranteed and equal access of the population to telecommunication resources of the country, and integration of the National network into the world information space.

480. **Tasks.** For solution of tasks in telecommunications it is necessary to do the following:

- (i) *Complete telephone penetration in all non-telephonized settlements of the Kyrgyz Republic;*
- (ii) *Holding of investment tender on sale of the state-owned shareholding of the joint-stock company "Kyrgyztelecom";*
- (iii) *Approaching full coverage of the population of the Kyrgyz Republic with the national TV program – KTR and 1-st and 2-nd republican radio programs and protection of information safety;*
- (iv) *Improvement of mechanisms and the statutory and legal regulation directed on development of the telecommunication services market, stimulation of competition development and increase of investment appeal;*
- (v) *Modernization of the telecommunication network and creation of conditions for transition from the analog to digital telecommunication network, including the television and radio broadcasting network;*
- (vi) *Development of the radiomonitoring system for examination of compliance with licensing requirements and frequency assignments, and assessment of actual state of affairs in the sphere of the radio-frequency resource use with preparation of the quantitative data on the spectrum occupancy.*
- (vii) *Improvement of efficiency of communications and interaction of local self-government on the basis of extensive introduction of modern telecommunication technologies and fiber-optic communication lines.*

481. In the field of information the following issues need to be addressed:

- (i) *Improvement of ICT management system and the legal base;*
- (ii) *Development of the e-government and introduction of electronic administration methods*
- (iii) *Providing of access to the state information systems and resources;*
- (iv) *Development of an infrastructure of information and information systems and resources;*
- (v) *Maintenance of information safety.*

482. **Development prospects for 2009-2011. Measures of policy.** Taking into account scarcity of financial resources of the state budget and unconditional social orientation of the given Strategy, it is necessary to identify priorities and to select those projects which are socially important and have first-

priority in providing the population with communication services in the telecommunication industry of the Kyrgyz Republic for 2009-2011.

- (I) Installation of telephones in non-telephonized settlements means organization of a radio access segment on the basis of CDMA-450 technology in the investigated settlements to provide regions with poor developed and lacking infrastructure with such basic services, as high-speed Internet access and a telephone system of general use. The CDMA-450 network will be built on 100 base stations operated under control of two replicated units installed in Bishkek and Osh. Within the scope of the project for the given superimposed network dedicated numeration for general use- telephones will be allocated based on the areal principle and distributed up to 50 thousand personal user's terminals.
- (II) Modernization of the physically and morally outdated television and radio broadcasting network and its preparation for conversion to a digital broadcasting will improve its quality, the coverage percentage of the population with the KTR programs, I RR and II RR will expand at reaching nearly 100%, ORT – 93%, RTR – 82%, and EITB – 55%. The “State Program of conversion to digital broadcasting in the Kyrgyz Republic” will be developed. Result of the given program implementation will be the effective use of the frequency spectrum and increase in quantity of the republican television and radio programs, provision with sufficient frequency resource for state programs broadcasting; improvement of broadcasting quality, offer of a broad range of telecommunication services.
- (III) Development of the radiomonitoring system assumes purchase of premises for arrangement of the stationary radiomonitoring point, and purchase of stationary and mobile radiomonitoring complexes, training of the engineering personnel in maintenance service of the equipment and the analysis of the incoming data.
- (IV) With the purpose of improvement of statutory legal acts it is necessary to revise Laws of the Kyrgyz Republic «On electrical and postal communication» (1998) and «On communication» (2001). At revision of the Law «On electrical and postal communication» improvement will refer to internetting principles; standardization of services in the IT sector, universal services and universal service implementation arrangements; regulation of numeration resources; licensing; frequency regulation, etc. The existing acts do not stipulate provisions stimulating development of the communication industry and informatization in the field of export-import policy, and there are not any provisions made for special taxes and customs duties.
- (V) The purpose of construction of the fiber optic main communication network will be a hi-tech data transmission network which will serve as a basis for the state-of-art telecommunication system modeling in the Kyrgyz Republic. In its turn, use of the network with high quality indicators for telecommunication services delivery by operators, both on regional and international communication level will lead to improvement of services quality and will provide sustainable growth of economic indicators in the industry.
- (VI) Improvement of the ICT management system and legal base will be directed on regulation of relations in the sphere of information to satisfy the information needs of the society, protection of e-services consumers, identification of competence and coordination of activity of state bodies in the e-government operating environment.
- (VII) Creation of e-government (EG) assumes the infrastructure development directed on enhancement of base components, such as a portal of the state services and creation of the e-government integration nucleus, development of a national identification system and a national register of the population, creation and development of the uniform protected transport environment of the state bodies, creation and development of interdepartmental and standard systems of central and local agencies, and implementation of actions on providing of access to e-services, organization of work on elimination of the information inequality and improvement of the educational level in the sphere of information and communication technologies.
- (VIII) Achievement of the maximal availability of the information and services of the state bodies and bodies of local self-government for the population, private sector and organizations through the ICT use will be realized by means of development of the network of public access centers (PAC), providing access to the information and e-services.

483. **Programs and projects.**

- (i) *Installation of telephones in non-telephonized areas.*
- (ii) *Modernization of the telecommunication network and creation of conditions for conversion from the analog to digital telecommunication network. In 2008 the pilot project on introduction of the digital television broadcasting in the Batken oblast is to be implemented.*
- (iii) *Creation of the fiber-optic main communication.*
- (iv) *Implementation of the Medium-Term State Action Plan on information and communication technologies in the Kyrgyz Republic for 2008-2011.*
- (v) *Development of the state radiomonitoring system in the Kyrgyz Republic.*

484. **Resources.** In general, the required resources for the sector are assessed as 2,5 billion Som.

485. **Expected results.** The Strategy implementation result in the field of telecommunications will be development and formulation of policy on improvement of communication services quality and general availability of telecommunication services by introduction of wireless systems of user's access, laying of high-speed transport fiber-optic main lines, modernization and digitalization of telecommunication networks, effective use of a radio frequency spectrum and strengthening of investment appeal of the industry. As to informatization it is assumed to create conditions for provision of citizens and organizations with fast and qualitative access to the state services and improvement of efficiency of the state bodies activity due to broad use of ICT.

6.1.9. Development of science and innovations

486. **Current status and background.** Kyrgyzstan is on the threshold of entry into the industrially-innovative phase of development of economy. This stage is characterized by adaptation of science to new economic conditions that should lead to major changes in structural, organizational, human resources, infrastructure and financial support of this sphere.

487. Recently preconditions have been created which upon certain conditions will become the base of the country innovation development. Thus, with the purpose of development and implementation of new public policy in sphere of science focused on managing for practical results in priority directions of the national economy, and the about-turn of innovations development the draft Law of the Kyrgyz Republic «On science and innovative activity» was prepared and agreed with ministries and agencies.

488. Apart from it:

- (i) *the draft National Nanotechnology Development Program in the Kyrgyz Republic for 2008-2010 was developed;*
- (ii) *the register of innovations of research institutions of the Kyrgyz Republic was created;*
- (iii) *the Young Scientists Council was established under the Ministry of Education and Science with the aim of creation of conditions for attraction of talented youth in science and innovative activity;*
- (iv) *the draft Regulations about the National Science and Innovations Fund was developed creation of which will allow to accumulate funds allocated for research and innovations, to raise efficiency of their distribution, and to promote use of the innovation development venture financing with the purpose of support of local scientists engaged in the given sphere;*
- (v) *the draft Regulations on the order of financing of scientific, research and technical and innovative activity was developed from funds of the republican budget;*
- (vi) *the draft Resolution of the Government of the Kyrgyz Republic on establishment of the Kyrgyz Technopark (an industrial park) was initiated which will stimulate consolidation of financial and technical resources, testing of innovations.*

489. Many of the set forth above documents are by-laws by nature and will take effect after adoption of the Law «On science and innovative activity».

490. **Problems.** The analysis of the scientific and innovative activity status in Kyrgyzstan shows that this sphere does not serve as a guarantee of sustainable economic development. Moreover, the

science appeared to be excluded from the economic reform process that prevented from laying the «scientific groundwork» urgently needed for activization of economic and social progress factors.

491. Organizational structure of science lacks the decision-making system in use of resources and potential of private sector. The fact research and development programs financed from the republican budget are headed by a number of managers complicates coordination of research activities carried out in the country.

492. Structural disproportions in organization of research activities led practically to lack of demand for their results. One of characteristic features of today's scientific and innovative activity is that specific weight of fundamental research receiving 47% of funds allocated for science (exceeding twice the world level) whereas slightly more than 17% is allocated to the applied research, and only 3% – to experimental development activities. Specific weight of funds directed to development financing in engineering sciences does not exceed 19% notwithstanding the fact that namely here so needed power- and resource-saving issues as well as of alternative energy sources are solved. Therefore, science is not able to response to threats of energy and food crises faced by the country.

493. Conditions for reproduction of science manpower resources were complicated in connection with leaving of highly qualified scientists for other spheres of economic activities. Thus, the number of employees engaged in scientific and innovative research and development in Kyrgyzstan, as compared with 1991, reduced more than twice. There is outflow of the scientific personnel abroad at lacking inflow of new young specialists in the domestic science leads to break of continuity.

494. Participation of higher education in research activities is reducing that is a consequence of its reorientation mainly to educational functions due to bias towards commercialization. Thus, negative tendencies in training of scientific personnel, such as increase in the proportion of dissertations of applicants who are not working wholly in scholarship, lack of motivation of scientific workers to continue professional development after obtaining of a degree without proportional material security, etc.

495. Number of publications and patents of domestic scientists is reducing. The available innovative potential does not conform to production needs that lead to communication gaps between science and industries. In the sector the incorrect financing approach is used – the budget financing of scientific research in strict conformity with protected items of the budget economic classification focus scientific institutions on resources, but not on result. The laboratory and instrument base is morally and physically obsolete, and this circumstance does not allow to conduct research and development satisfying consumers' demand.

496. There is no mechanism of attraction of private business to development of scientific potential that explains businessmen's low activity in the R&D sphere though development and introduction in manufacture of high technology production and innovative technologies are key factors of achievement of competitive advantages.

497. **Priorities.** Science and innovations become a productive force of domestic economy, and priorities of research and innovative activities are linked directly with priorities of social and economic development of the country on the stipulation that the share of applied research and experimental development activities aimed at introduction of modern energy- and resource-saving technologies will increase to provide the power and food safety.

498. **Objective.** Achievement of competitiveness and parity of science and innovations which will provide generation, gains and transfer of knowledge in demand for sustainable social and economic development of the country and promoting adequate and prompt response to arising threats of security of the country.

499. **Tasks.** For achievement of the objective in view it is necessary to solve the following primary tasks:

- (i) *improvement of the management system of the science and innovations sphere;*
- (ii) *modernization of the research and innovation infrastructure;*
- (iii) *training of the highly qualified scientific personnel and their stimulating for conducting of research and innovative activities;*
- (iv) *increase in the R&D financing including funding from private investments;*
- (v) *improvement of statutory and legal framework of research and innovative activities;*

- (vi) *creation of the information environment favorable for development of science and innovations.*

500. **Measures of policy.** To address the designated tasks the following measures are stipulated:

501. Within the framework of the science and innovations sphere management improvement by 2011 a three-tier examination system will be introduced to provide for uniformity and sequence of base management levels: (1) examination of the international advisory council at identification of scientific and innovative research priorities, (2) the state scientific and technical examination at evaluation of scientific and innovative programs, (3) the state scientific and technical examination at projects evaluation upon request of the administrator.

502. To address the issue of modernization of infrastructure of science and innovations the following measures will be undertaken:

- (i) *scientific shared laboratories on priority directions of scientific and technological development will be opened;*
- (ii) *research-educational centers, advisory centers for private and business sectors, advanced research, transfer of technologies, student's design departments, small innovative enterprises providing development and output of new kinds of production are introduced;*
- (iii) *modernization of the material base of all state scientific institutions and research institutes is carried out;*
- (iv) *the network is created of design and scientific innovation firms which translate the obtained scientific knowledge (technologies, know-how, patents) in specific business projects;*
- (v) *active work is underway on development of science commercialization offices.*

503. The task of training of the highly qualified scientific manpower will be solved by:

- (i) *target training of the personnel and youth in the scientific specialties matching the science development priorities and industrial innovative development;*
- (ii) *development and introduction of joint research programs and innovation projects implemented by groups of universities and research organizations;*
- (iii) *increase in volumes of financing for training of young perspective scientists abroad and invitations of the world famous scientists;*
- (iv) *development of a social package to strengthen the status of scientists;*
- (v) *raising the status of the state awards and scholarships in the sphere of science and increase in their amount and size.*

504. Improvement of the system financing is the major task the solution of which has a great significance for science and innovations development:

- (i) *by 2011 optimization of the R&D expenditures structure both by kinds of research and by sources of financing will be provided;*
- (ii) *role of the state will focus on the base budgetary financing of the science and innovations infrastructure;*
- (iii) *financing of research will be carried out on the program-based and purpose-specific financing of perspective projects from the republican budget resources;*
- (iv) *financing arrangements of research activities will be introduced based on co-financing principles between the state and private sector enterprises;*
- (v) *principles of preferential taxation and reduction in customs duties will be developed and offered for research organizations and hi-tech and high-end technology productions.*

505. Improvement of the **statutory and legal framework of research and innovative activities** will be carried out in two stages.

506. At the first stage (2009) the new Law «On science and innovative activity» and a number of related by-laws will come into force.

507. At the second stage (2010-2011) adoption of Laws «On integration of science and education» and «On innovative zones and technoparks» is planned creating specific opportunities for sustainable development of scientific and innovative activities.

508. With the object of further improvement of the state system of scientific and technical information and creation of the expert and analytical environment the following activities will be carried out:

- (i) *by 2011 the national scientific and innovative portal will be developed creating the information scientific space with access to latest world scientific development and tracking opportunities of world scientific development tendencies;*
- (ii) *assessment of scientific and innovation potential of the country is completed directed on the analysis of the research and innovation environment and tendencies of its further development;*
- (iii) *forecasting of scientific and innovative development is carried out for development of the scientific research database;*
- (iv) *international standards of Good Scientific Practice are introduced which should include the general provisions connected to ethics of conducting scientific research and development.*

509. **Programs and projects within the framework of the stated priorities:**

- (i) *The National Innovative System Development Program of the Kyrgyz Republic for 2009-2012;*
- (ii) *The Republican scientific and technical information system;*
- (iii) *National Science Fund of a;*
- (iv) *Regulation on open bidding for budgetary grants.*

510. **Resources.** For the Plan implementation funds of the republican budget will be allocated and developed institutional conditions for attraction of private investments. Total volume of allocated funds for development of science and innovations should make not less than 2% to GDP.

511. **Expected results:**

- (i) *uniform coordination and administration of science and innovations;*
- (ii) *orientation of scientific researches to the priority directions approved by Government of the Kyrgyz Republic stipulating for move from the state support of research organizations to the state support of scientific and innovative directions implemented by the organizations according to the chain «research – development – adoption»;*
- (iii) *provision of stable, necessary and sufficient financing of research projects;*
- (iv) *emergence of a new generation of the scientists and qualified research office interested in work in the sphere of science and innovations;*
- (v) *introduction in practice of research management international standards;*
- (vi) *structural transformation towards hi-tech and science intensive production with high value added, first of all, in the area of energy- and resource-saving;*
- (vii) *growth of patenting of scientific research results in the country and abroad, increase in the share of domestic developments acquired by industrial enterprises and firms;*
- (viii) *establishment of research-educational centers on the basis of universities, increase of the role of institutes of higher education high schools in realization of applied scientific projects;*
- (ix) *creation of necessary legal conditions for attraction of private investments to R&D activities;*
- (x) *growth of specific weight of scientific and innovative activity production in the GDP structure.*

6.2. Public administration quality improvement

6.2.1. Governance reform

512. Over last years the public administration system has undergone changes as a result of adoption of the new edition of the Constitution of the Kyrgyz Republic at holding the referendum on October 21, 2007. The basic effect of revision of the main law of the country was maintenance of

political stability in the country after three-year turbulent political development. The new political system was formed when political parties play a key role in governance shaping.

513. As a whole, all changes of the main law of the country were directed on formation and introduction of a new model of the 'checks-and-balances' system in the government.

514. On the referendum on October 21, 2007 **the new Election Code of the Kyrgyz Republic** was also adopted. The innovation in the elective legislation was necessitated by new political realities arising from adoption of the new edition of the Constitution, and also need for stimulation of a multi-party system development in the republic. Political parties became the central subject of the election process. In overall, all changes in the Election Code were aimed at providing transparency of the election process, preventing from violation of the Code provisions on elections.

515. According to the new Election Code in December 2007 early elections of members of **Parliament (Jogorku Kenesh) of the Kyrgyz Republic** were held for the first time on party lists. With introduction of the quota election system the Parliament began to bear full responsibility not only for its performance, but also for work of the Government of the Kyrgyz Republic. In other words, the Parliament turned from a «discussion forum» to the effective legislature. Public control of the population over activity of parliamentarians strengthened. Early elections to the Jogorku Kenesh made parties to speed up work in all regions of the country and to inform the population of their program statements.

516. The Government of the republic in 2008 completed the functional review in 40 state administrative bodies, their 108 subordinate and 713 territorial structures. Work on inventory of the existing normative legal base regulating activity of state bodies is completed.

517. The next stage of the functional review for the first time reflected the quantitative and qualitative assessment of tasks and functions performed by the state bodies, and it allowed to conduct their complete audit. Measures were developed on bringing the performed by them functions to strict conformity with the existing legislation.

518. However, for the lack of the functions' register of the state bodies the majority of them manipulated various editions of the same function that complicated tracking real changes in the list of functions of this or that state body. Also, all these factors created huge difficulties at summarizing total results of the functional review.

519. Besides, the practice of functional reviews conducting in the republic for last years shows that its many recommendations remain unobeyed or are not carried to consistent completion. As a result, duplicating and old functions still persist, delegated to private sector, along with functions subject to decentralization.

520. It should be noted that today the existing **functional organization** of the public administration system affects in many respects a low level of its productivity, profitability and efficiency. Time has come for reorganization of "state machinery" for process-oriented management principles. It means that performance appraisal will be made not on the basis of achievements of individual state bodies, and but according to overall performance at the national level as a result of their joint activity. Thus, all concerted efforts should be focused on promotion of the approved country development priorities. In this aspect the Government of the Republic has already made first steps: the successful performance indicator system of the state bodies is developed which should evaluate success of transition to the process-oriented approaches

521. However, the existing **organizational structure of the Government** which is basically built on the industrial principle against the principle of the country development priorities support still creates critical barriers to it. Besides, the existing structure of the Office of the Government in many respects duplicate the organizational structure of the entire Government apart from duplication of activities of separate ministries and agencies of the Office of the Government.

522. In addition, the existing Rules of the Government are poorly integrated in its existing organizational structure. Their provision contain many barriers to coordination of various official acts and documents, they do not stimulate improvement of their development quality. As a result, today many statutory and legal acts of the Government of public importance can be coordinated more than one month.

523. Moreover, procedures of the Government are built in such a manner that at sessions with participation of the Prime Minister the following issues are considered for the most part: (i)

coordination of various opinions of the ministries and agencies though they should be coordinated between the ministries in advance, and at sessions of the Government ready decisions should be brought up for approval; (ii) current issues the decision regarding which should be made at the level of certain executive authorities in line with the assigned powers.

524. As a consequence, at sessions of the Government less attention is given to policymaking issues, many documents are sent back for repeated finalization. Such organization of the administrative system in many respects determines quality of its basic business processes management.

525. **Strategic planning process.** In 2008 the Strategic Planning Coordination Center was established under the Government of the republic to strengthen coordination of the strategic planning process in bodies of executive power. Its executive body became the Ministry of Economic Development and Trade of the Kyrgyz Republic. One of tasks of the given Center is regularizing the process of initiation, development, consideration and approval of various strategic documents. For this purpose corresponding procedures and formats were introduced. In particular, the "Guidelines for development of strategic documents" were developed to render methodological assistance to the state bodies.

526. The Center should provide inventory of all existing programs and strategies to focus resources of the country on enforcement of priority strategic documents. In the long term the given Center should become a component of the new Governmental Rules.

527. Notwithstanding it many state bodies keep to adhere to old stereotypes in strategic planning. As a result, the majority of existing and developed strategic documents fail to become a real management tool. Many of them do not meet modern requirements, and are not harmonized between themselves and lack adequate financial support.

528. Another important issue is that the strategic planning of the economy including the country social and economic development forecast and medium-term budget planning framework are not strictly regulated between themselves in relation to terms and separate procedures. It leads to the situation when the budgetary resources are not focused properly on adequate support of the approved country development priorities.

529. **Lawmaking process.** The right of the legislative initiative in the national governance system has the President, members of Parliament, and also the Government of the Kyrgyz Republic. Lawmaking process is organized in such a manner that annually flows of draft laws go to the Jogorku Kenesh independently as from the Administrative Office of the President, and the Government, and from separate parliamentarians of the country. As a rule, the given process is poorly coordinated for the lack of the precise overall plan of lawmaking activities. It leads to the situation when the legislative activity does not always provide an adequate and focused support to implementation of the approved country development priorities.

530. Thus, the lawmaking activity of the Government of the Kyrgyz Republic may be specified conditionally as scheduled and unscheduled work. Herewith, all Governmental draft laws irrespective of their scheduled and unscheduled status pass through the Strategic Planning Coordination Center of the Government of the Ministry of Justice of the Kyrgyz Republic. The draft laws initiated by the President of the Kyrgyz Republic and parliamentarians (Jogorku Kenesh of the Kyrgyz Republic) are submitted to the Jogorku Kenesh of the Kyrgyz Republic without passing examination of the Ministry of Justice of the Kyrgyz Republic.

531. Thus, it should be noted that the state bodies very often not unduly address the implementation plan of lawmaking activities. There is a negative practice of carrying over the actions on draft law development from year to year. Besides, at development of draft laws by the state bodies the following mistakes are made frequently:

- (i) *formal attitude to developed draft laws, in particular, the concept of the law in draft is not sustained which in its turn, affects achievement of the object in view;*
- (ii) *availability in drafted laws of a number of provisions inconsistent with the legislation of the Kyrgyz Republic;*
- (iii) *availability in drafted laws of internal contradictions and duplication of regulations;*
- (iv) *pursuance of departmental interests;*
- (v) *non-observance of rules of legal techniques.*

532. In this connection for improvement of rule-making activity and lawmaking coordination of executive authorities, and also improvement of quality of the developed draft laws new Lawmaking Rules were approved by the Resolution of the Government as of August 4, 2008.

533. The new Rules eliminate the revealed contradictions, improve lawmaking coordination functions, specify powers of the Government, the constant representative of the Government the Kyrgyz Republic in the Jogorku Kenesh, and of the Ministry of Justice and other state bodies involved in lawmaking activity. Provisions in the Rules specify:

- (i) *development and implementation of plans of lawmaking activities of the Government;*
- (ii) *off-schedule lawmaking implementation;*
- (iii) *submission of draft laws for consideration of the Government; and*
- (iv) *establishment of interaction of executive authorities with the Jogorku Kenesh.*

534. It is expected that the new Lawmaking Rules of the Government of the Kyrgyz Republic will not only will raise a qualitative level of developed draft laws, but also will regularize the law development process beginning from the moment of lawmaking activity plans development by the Government and ending by passing the laws in the Jogorku Kenesh.

535. **Budgeting process.** In 2006 the Decree of the President approved the Action Plan of reforming of the public finance management system of the Kyrgyz Republic. It was aimed at maintaining if sustainable and effective functioning of the public finance management system.

536. However, the given plan is being implemented very slowly. The main problem in the budgetary process is lack of budgetary discipline. Instead of bringing up all new initiatives at the budget formulation in the beginning of the year, each year adjustments are made to the republican budget during the year. Such situation is explained in many respects by the fact that in the existing budget strategic planning process there are no motivating mechanisms for the state bodies to improve the budget plans. Today each ministry should agree all expenditure items in line with existing budgetary breakdown for its subordinated organizations with the Ministry of Finance that creates additional administrative barriers.

537. As a result of lack of predictability the ministries and agencies today do not have confidence in relation to what volume of funds will be determined by the Ministry of Finance in the draft budget. It leads to additional complexities during planning of necessary actions by them. **The budget classification** existing earlier was unified both for the budget formulation and execution, and for reporting. The classification makes it difficult to estimate the budget spending performance of the ministries and agencies.

538. In 2008 the Ministry of Finance of the republic started development of the three-year budget on 2009-2011. The three-year budget makes provisions for adequate financial support of the country development strategic priorities. Such approach will provide to the budgetary process continuity of budgetary policy and long-term budgetary balance, and stability of public expenditures.

539. Within the framework of the internal audit system development in the state bodies and agencies of the Kyrgyz Republic the Law «On internal audit» was developed and adopted which establishes principles and bases of the internal audit function formation and operations. The internal audit services in the state bodies and agencies will be set up according to the decision of the Government of the Kyrgyz Republic. The Ministry of Finance of the Kyrgyz Republic was appointed as the authorised state body in the field of internal audit which develops the standard legal and methodological base of the internal audit functioning.

540. In 2007 transition was completed from the four-tier (republic, oblast, rayon ayil okmotu) to the two-tier (republic and ayil okmotu) system of inter-budgetary relations. This step was necessitated by providing financial independence to local self-government bodies within the governance decentralization process framework.

541. Transition to new principles of the budget formulation and execution aroused interest of local self-government in development of economy of territories. With transition to the two-level budget revenue and expenditure parts of local budgets of local self-government bodies of the republic increased by 140% as against 2006. However, inconsistency of the given reforms with administrative-territorial reforms has led to a situation, when: (i) there was lack of precise delineation of functions

and powers of local self-government and local state administrations; (ii) mechanisms of social and economic forecasting activity and the revenue forecast at the level of local self-government were not tuned.

542. Due to these factors the 2008 state budget is formulated in a new format when in the budgetary system of the Kyrgyz Republic a new budget composing part was added – a rayon. In other words, the system of budgetary relations became a three-level structure: the rayon budget with assigned own sources of incomes and certain functions and powers.

543. **Auditing of activity of the state bodies.** The Chamber of Accounts is the independent supreme body of the state audit and according to Article 80 of the Constitution of the Kyrgyz Republic carries out audit of performance of the republican and local budgets, off-budget means, use of the state and municipal property. Organization and activity of the Chamber of Accounts are specified in the Law «On the Chamber of Accounts of the Kyrgyz Republic» which came into force in September, 2004.

544. An important step in development of the state audit was adoption by the Council of Chamber of Accounts in March, 2008 of National Standards with account of best international practices, allowing to provide reliable information to the Parliament with the purpose of increase of effectiveness, efficiency and productivity of use of public resources.

545. Performance appraisal of activity of the Chamber of Accounts by international experts showed that today auditors' reports refer for the most part concern to audit of legal compliance at containing of some elements of performance auditing. It was noted that the state bodies inadequately fulfill recommendations of the Chamber of Accounts. Herewith, the Jogorku Kenesh does not cooperate actively with the Government on improvement of the given situation.

546. Various supervising and controlling state bodies still duplicate the work of the Chamber of Accounts. Among them may be named the Office of Public Prosecutor, National Security Committee, the Ministry of Internal Affairs and others. The Law «On the Chamber of Accounts of the Kyrgyz Republic» stipulates that the Chamber of Accounts is financed from funds of the republican budget against a separate line and it is accountable only the Jogorku Kenesh. However, in practice the budget of the Chamber of Accounts is scrutinized diligently by the Ministry of Finance that weakens its institutional independence.

547. **Monetary and credit policy formulation process.** In the statutory and legal documents defining activity of the National Bank, provisions were amended referring to strengthening of its responsibility for financial maintenance of economic growth and inflation rate reduction. Such amendments were made as a result of weakening concert of actions of the National Bank and the Government of the Kyrgyz Republic in counteracting external financial crises in the last years. Many joint actions appeared inefficient which found reflection in the inflation rate increase since September, 2007.

548. Up to now the NBKR retain functions which are not peculiar for activity of central banks. In particular, this includes functions of operators of the batch clearing system, the *shared* access SWIFT node, the *Unified* Interbank Processing Center (UIPC), and the Republican collection agency.

549. The NBKR introduces gradually in public administration the cashless payment system. However, the given process is realized slowly enough. Today only 13 state bodies shifted to this system. It is necessary to adopt the Law of the Kyrgyz Republic "On cashless payments".

550. In the banking sphere additional state bodies are established. In 2005 the Financial Intelligence Service was set up which within the framework of the Law "On counteraction to the terrorism financing and laundering of incomes derived by means of crime" makes data collection, and analysis on cash operations or other property transactions and transfers the processed data to the law enforcement bodies in compliance with their competence.

551. According to the accepted Law «On the Development Fund» in 2007 the Fund of development of the Kyrgyz Republic was created which will accumulate assets of the country and make an inventaization of all public assets, and provide lending to national projects through the existing banking system. Within the framework of the Law adopted in 2008 «On protection of deposits» the Agency on protection of deposits which will act as a guarantor on repayment of contributions of the population at collapse of commercial banks.

552. **Process of civil service organization.** Presently the competitive selection procedure is practically introduced to fill vacant administrative public positions. Thus, if in 2005 the appointment indicator without regard of the grounds stipulated by the Law «On civil services» exceeded 60%, then in 2006 it made 13,7%, and in 2007 – 3,1%. In the period from January till May, 2008 the given indicator makes 4,5%;

553. Annually the Agency on Civil Service Affairs collects declarations of individuals holding political, other special and administrative public offices. As of July, 1, 2008, the Agency receives declarations from 98,4% of the officials holding political and special public posts, and 100% of declarations – from the persons holding administrative public positions.

554. Activity of the state bodies on conducting of appraisal and qualification examinations for awarding of class grades was regularized considerably. On April 16, 2008 the Testing Center was opened. On its base computer testing knowledge and skills of candidates for vacant administrative state posts, and also working state employees is provided at carrying out of procedures of certification and a promotion examination on assignment of a class grade.

555. The existing law «On civil service» has justified in general its role by having launched the legal regulation mechanism, but its execution revealed discrepancy of some of its provisions with today's requirements. For example, the scope of application of the given law was narrowed by regulation of activity of only administrative civil servants, not covering political and special civil servants. Further, the existing law left unsettled a number of legal relationships in the sphere of civil service.

556. In general, weak flexibility is inherent in the existing statutory legal base on human resources management in the public sphere which inadequately takes into account operational distinctions of the ministries. Neither by-laws, nor the Law «On civil service» contain the detailed performance evaluation criteria.

557. The potential of secretaries of state institute who are selected strictly on a competitive basis is building up gradually. However, the majority of them in the ministries and agencies up to now acts as former «first deputy heads of state bodies» and do not take up on a professional basis addressing issues of management quality, introduction of the modern human resources management system in real earnest.

558. Based on results of competitions held by the Agency on Civil Service Affairs the National Cadre Reserve was established including 67 graduates of institutes of higher education and 89 working civil servants. Undertaken measures on employment of reservists and their further professional development did not achieve the desired results. At present only 32 reservists are appointed to vacant administrative public positions, including 11 women.

559. Today practically all state bodies do not comply with Article 21 of the Law of the Kyrgyz Republic «On civil service» about allocation of 1% of funds from the budget for training of employees. Besides, in one state body there are no professional divisions to carry out work with human resources. Personnel departments are left since Soviet times the activity of which has not undergone essential changes for the most part.

560. Heads of such divisions have no special human resources management knowledge in line with modern principles. For change of the given situation, jointly with the donor community, a Trust Fund was founded under the Ministry of Finance where the donor finds will be accumulated. They will be earmarked for training of civil servants, including in management of human resources.

561. Jointly with the World Bank the Information Human Resources Management System is being developed to create a database on all civil servants of the Kyrgyz Republic and to trace in real-time mode the personnel flows. However, today there are no corresponding procedures and managerial processes to run such system. It is necessary to introduce in the beginning the corresponding mechanism of human resources management prior to introduction of any technologies.

562. Lately salaries of civil servants were raised, however, now their level lags behind the level of pay in private structures. According to the World Bank, the wage level in private sector is higher by 3-5 times than in civil service. That does not provide an opportunity for the state bodies to employ and retain highly qualified employees and has an adverse effect on quality of civil service. In this connection development of the civil servants remuneration reform strategy within the framework of

which the conceptual approaches will be proposed stimulating the differentiated salary scale depending on performance quality.

563. **Local self-government improvement process.** On May, 29, 2008 the Law of the Kyrgyz Republic «On local self-government and local state administration» was adopted. The present Law establishes principles of organization of local authorities at the administrative and territorial units, defines roles of local self-government and local state administration. It also establishes competence and principles of interaction between the local self-government and the government, the state guarantees of the right of local communities to local self- government. However, up to now there is no clear division of powers between the central state bodies and bodies of local self- government.

564. The personnel selection problems still persist. The municipal service has not built up necessary capacity for the qualitative and timely solution of problems locally.

565. In the last years local self-government bodies have achieved strengthening of financial independence and creation of normative conditions for stimulating of interest of ayil okmotu in search and increase in the local budget revenues.

566. **Major objective and strategic priorities of the public administration system of the government. The major objective of forthcoming reforms is to provide improvement of the public administration quality perceivable by the population.**

567. For this purpose it is necessary to improve essentially the efficiency level of public services provided to citizens of the country. Key factors are as follows: (i) professionalization and (ii) political will of the state bodies in active implementation of reforms to minimize resistance at each level of management.

568. Each state body will be assigned specific tasks, and their heads will bear personal responsibility for realization of these tasks. It is necessary to carry out diagnostics of the existing business processes in the public administration system, to provide their optimization, and to focus their direction on successful implementation of priorities in various fields of activity of the state. **It is necessary to approve the quality standards in management through introduction of corporate regulations:** (i) in decision-making procedures, (ii) identification of the public services register, (iii) clear delineation of functions between the state bodies, etc. Besides, all their powers will be harmonized with the new Constitution of the Kyrgyz Republic.

569. It is necessary to build up a compact and flexible organizational structure of the public administration system at having provided its competitiveness in achievement of national objectives.

570. It is necessary to conduct management audit on a regular basis to assess the implementation progress of the planned reforms. For this purpose the special body will be created on the basis of existing state bodies to carry out this activity on a constant and professional basis.

571. **Achievement of major objectives will be provided through implementation of four priorities.**

572. **First priority: capacity strengthening of the Jogorku Kenesh and its effective interaction with the Government on lawmaking activity.**

573. In this connection it is planned to harmonize standing orders of the Jogorku Kenesh and the Government with respect to enhancement of planning and arranging of lawmaking activities directed on quality improvement and emphasis on strategic development priorities of the country. It is necessary to regularize the hearing procedure of members of the Government and other state bodies in the Jogorku Kenesh to minimize their off-schedule calls to the Parliament.

574. It is necessary to strengthen capacity of the Office of the Jogorku Kenesh in line with existing needs. With this purpose the modern human resource management system will be introduced, allowing to retain and employ the highly qualified personnel.

575. **Second priority: reforming of organization of work of the Government with the purpose of improvement of management quality and effectiveness.**

576. The leading role is assigned to the Government of the Kyrgyz Republic in carrying out of governance reforms. As a branch of executive power, it should become the main driving force of the "state machinery" in achievement of tangible results. In this connection indicators of performance

effectiveness, efficiency and productivity of all executive authorities will be developed and monitored on an ongoing basis.

577. Results of the functional reviews to be conducted on a regular basis will be introduced in full scope on the basis of the approved uniform methodology. It will allow to strengthen quality of functional performance evaluation of each state body and to raise the impact degree on solution of existing problems.

578. For maintenance of independence of the functional review a special subdivision will be created in the Office of the Government providing institutional support to the given activity. With the purpose of consolidating of systemic results of the functional review the uniform principles and formats will be introduced in the Regulations on activity of executive authorities.

579. **Third priority is to optimize business processes of the Government and to focus them on adequate institutional support to the country development priorities.**

580. The new **Rules of the Government** providing the effective coordination of interdepartmental activities and strengthening of coordination of the state bodies' activities will be introduced. The reforms also should include optimization of the document circulation and ensuring its transparency.

581. Besides, it is necessary to optimize the organizational structure of the Government with the purpose of concentration of its efforts on implementation of strategic development priorities and minimization of barriers to decision-making procedures. For this purpose the structure formation principles and criteria directed on building of the compact Government will be developed able to solve effectively public problems faced by it.

582. **Activity on reorganization of business processes of the Government will be carried out. In particular, the special attention will be given to the following:**

583. (i) **Strategic planning process**

584. **The purpose** of reforming of the given activity of the Government will be regularizing of the strategic planning process.

585. For this purpose it is necessary to strengthen capacity of the Strategic Planning Coordination Center in improvement of skills on quality assessment of developed strategic documents. It will be necessary to strengthen discipline of strategic planning so that all strategic documents developed by executive authorities passed examination of the Strategic Planning Coordination Center. With this object it is necessary to adopt the Law «On strategic documents» specifying approval of procedures, formats and standards of strategic documents development. It is necessary to strengthen capacity of ministries and agencies, and regional administrations through training in strategic planning methods according to the "Guidelines for development of strategic documents".

586. (ii) **Lawmaking process.**

587. **The purpose** of reforming of the given activity of the Government is directed on improving process of lawmaking activity planning through minimization of quantity of the off-schedule draft laws submitted to the Jogorku Kenesh for consideration and improvement of quality of developed laws.

588. For this purpose the discipline of executive authorities will be strengthened in planning development of laws through introduction of the new Lawmaking Rules of the Government of the Kyrgyz Republic approved in 2008. Capacity of the Strategic Planning Coordination Center under the Government will be strengthened. It will be necessary to expand automation and information level of the Center, and to improve quality of legal examination of draft laws.

589. (iii) **Budgeting process.**

590. **The purpose** of reorganization of the given activity of the Government is based on focusing of the budget formulation process on efficiency improvement of public expenditures.

591. With this purpose it is necessary to provide linkages of public expenditures to development programs. Thus, it is necessary to carry out large-scale elucidation work with the state bodies explaining advantages of program-based budgeting to make an active transition of the ministries and agencies to new principles of budget formulation. It is necessary to identify specific measurable strategic purposes for all ministries and agencies, and regional administrations and to establish the personal responsibility of heads of executive authorities for their achievement.

592. In order to grant more weighty powers the state bodies in distribution of financial resources the budgetary breakdown should be organized only at the level of state bodies at excluding from the list the subordinated organizations and departments.

593. It is needed to strengthen the budgetary discipline for minimization of adjustments made to the republican budget during the year through introduction of mechanisms motivating the state bodies to improve their budget plans.

594. It is required to develop and approve the Regulation of the annual and three-year budget formulation process which will allow to identify more clearly budgeting procedures, terms, standards and responsible persons.

595. A package of measures upon completion of Phase III of the Treasury modernization will be implemented. In particular, the information equipment in the Central Treasury will be installed. The given system will be put into operation with connection of one of regions on a pilot-run basis. Further this system will be distributed throughout the republic.

596. It is necessary to introduce modern cash management improvement models so that the money supply which is disbursed to the budgetary organizations would not lead to drastic surge of inflation.

597. It will be obligatory to integrate the budget decentralization into the overall implementation course of administrative and territorial reforms. It will allow to reduce costs in the budgetary management and to improve efficiency of carried out reforms.

598. Mechanisms of the social and economic income forecast of local self-government and a package of measures on expansion of the local self-government bodies' tax base will be developed. It is necessary to provide transition of local budgets to medium-term budget framework. For strengthening capacity of local self-government it is necessary to transfer the budgetary management powers and to minimize inter-budgetary funds counter-flows. Besides, it is necessary to improve transparency of the budget alignment mechanism introduction by the central bodies for each local self-government body.

599. It is obligatory to strengthen responsibility for use of public funds through tightening of internal audit. With this purpose it is necessary to develop and approve the expenditure performance assessment indicators of the state bodies. To improve the basis of the financial flows analysis it is necessary to introduce a new budget classification for all state bodies. Besides, it is necessary to approve all necessary by-laws, guidelines, methodological manuals and instructions in pursuance of the Law of the Kyrgyz Republic «On internal audit». To strengthen self-control over budget expenditures it is required to set up internal audit divisions in all state bodies.

600. For improvement of business processes of the Government their integration is needed with activity of other state bodies which are not included in the executive branch system. This is to be addressed through the fourth priority of the governance reform.

601. (i) **Process of financial audit and performance audit.** The purpose of improvement of activity of the Chamber of Accounts is focused on introducing in the process of audit and control over activity of the state bodies the financial audit and performance audit tools.

602. With this purpose the State Audit Development Concept and the Plan on transfer of the Chamber of Accounts to audit of consolidated financial statements of the Government, and also audit of the financial reporting of state-owned enterprises and other bodies were developed. The auditors' teams will be formed responsible for planning, conducting of individual audits and preparing of reports. Also, it is necessary to develop procedures and formats of the required reporting to be submitted by the state bodies within the framework of the Law «On the Chamber of Accounts of the Kyrgyz Republic». It is necessary to liquidate duplication of activity of the Chamber of Accounts by other supervising and auditing state bodies.

603. (ii) **Monetary and credit policy formulation process.** The purpose of reorganization of activity of the state financial institutions is to strengthen coordination and efficiency of the process of formulation of monetary and credit policy.

604. With this purpose it is necessary to regulate interaction of the National Bank and the Government of the Kyrgyz Republic for strengthening of coordination in formulation of monetary and credit policy. It is necessary to improve organizational structure of the NBKR to provide a reasonable

combination of research, analytical and practical activities. It is required to implement a package of actions aimed at provision and maintenance of the necessary qualification level of the NBKR personnel.

605. It is necessary to strengthen independence and capacity of the Financial Intelligence Service. For this purpose it is necessary to harmonize all necessary statutory and legal acts with the Law of the Kyrgyz Republic "On counteraction to the terrorism financing and laundering of incomes derived by means of crime". Also, it is necessary to bring the staff number to conformity with the approved functions of the Financial Intelligence Service.

606. It is required to launch activity of the Development Fund and Agency on deposits protection through development and implementation of their development strategic plans.

607. **(iii) Process of civil service organization.** The purpose of reforming of this activity of the state is aimed at focusing of the civil service on introduction of modern human resource management methods.

608. For this purpose it is necessary to develop and approve the Civil Service Development Strategy and a new edition of the Law of the Kyrgyz Republic «On the state civil service of the Kyrgyz Republic». These measures will help to identify its development priorities and to provide adequate institutional support of forthcoming reforms.

609. **The Code of Civil Service Ethics and incentive system for civil servants** will be developed and introduced. It is necessary to strengthen capacity of divisions of the state bodies engaged in work with the staff at orienting their work to human resource management

610. It is necessary to strengthen institution of Secretaries of State and to bring to an end attempts of the institution liquidation or putting obstructions in its activity. Thus, it is necessary that Secretaries of State were engaged only in performance of their direct duties on improvement of management quality in their organizations.

611. **(iv) Local self-government improvement process.** The purpose of the given reform is aimed on directing the local self-government (LSG) improvement process to capacity strengthening and independence of local self-government bodies. For this purpose it is necessary to delineate functions and powers of representative and executive bodies of local self-government and the rayon state administrations and structures of ministries and agencies. For the local self-government capacity strengthening the analysis of LSG spending on performance of their functions and powers will be carried out along with identifying of their financing arrangements. Mechanisms will be developed providing for the financial and economic incentive system and other stimulation arrangements for local communities subject to integration.

6.2.2. Judicial reform

612. **Overall assessment of the current situation.** According to the Constitution of the Kyrgyz Republic, justice in Kyrgyzstan is dispensed only through the courts; and, courts are independent and subordinate only to the Constitution of the Kyrgyz Republic and laws of the Kyrgyz Republic. The judicial system of the Kyrgyz Republic consists of the Constitutional Court, the Supreme Court and local courts. In addition, constitutional laws may establish specialized courts.

613. The Constitutional Court of the Kyrgyz Republic is the supreme body of judicial power in protecting the Constitution of the country.

614. The Supreme Court of the Kyrgyz Republic and local courts make the uniform system of courts which are administering justice on civil, criminal, administrative, economic and other cases stipulated by laws.

615. The Supreme Court of the Kyrgyz Republic is the highest power in the sphere of civil, criminal and administrative legal procedures, as well as on other cases provided for by the laws.

616. The system of local courts of the Kyrgyz Republic make:

- (i) *Oblast and equal to them courts (Military Court of the Kyrgyz Republic and the Bishkek city court);*
- (ii) *Rayon and equal to them courts (rayon courts in cities, city courts, military courts of garrisons, interdistrict courts).*

617. According to the procedural legislation of the Kyrgyz Republic local courts are the basic part of the state judicial system on consideration civil, criminal, administrative, economic and other cases stipulated by the laws.

618. According to the Constitution of the Kyrgyz Republic judicial bodies were given additional authorities: giving sanction to arrest and detention. The Constitution provides that every person has the right to trial by jury in cases established by the law. For solution of issues pertaining to internal activity of courts the Constitution of the Kyrgyz Republic stipulates functioning of judicial self-management bodies – the Council of Judges and the Congress of Judges of the Kyrgyz Republic. The Council of Judges has the authority to exercise control over formulation and execution of the judicial system's budget, arrange for professionalization of judges, and call judges to account for disciplinary liability. The National Council for Justice Affairs as an independent collective body on selection of candidates to offices in local courts, in accordance with the new edition of the Constitution adopted by the referendum as of October 21, 2007 is assigned additional powers to present proposals to the President of the Kyrgyz Republic of candidates for election of judges to the Supreme Court. The National Council for Justice Affairs consists of judges, members of parliament, the government of the Kyrgyz Republic and public organizations.

619. The Constitution provides for election of judges to the Constitutional Court of the Kyrgyz Republic and to the Supreme Court of the Kyrgyz Republic until the limiting age, and for appointment of judges of local courts for 5 years for the first time, and thereafter until the limiting age. Within these term limits, judges will preserve their authorities if their behavior is faultless.

620. Based on the Decree of the President of the Kyrgyz Republic as of April 21, 2008 №143 with the purpose of appropriate material, financial provision of local courts of the Kyrgyz Republic the Court Department is withdrawn from the jurisdiction of the Ministry of Justice and integrated into the system of the judicial branch of power. The same Decree stipulates a transfer of the Judicial Training Center from the Court Department to the authority of the Supreme Court of the Kyrgyz Republic.

621. **Achievements and problems.** Over the period 2006 2008 significant efforts on achievement of the judicial branch independence were undertaken. Laws of the Kyrgyz Republic «On the National a National Council for Justice Affairs», «On judicial self-management», the Constitutional law «On the status of judges» were adopted. Amendments were introduced in the Law of the Kyrgyz Republic «On the State Due» establishing the state dues collection based on results of consideration of cases in the court. Adoption of the given law facilitates the judicial recourse procedure both for citizens, and legal entities. Amendments and supplements were introduced in Civil Code of Procedure specifying powers of judges of the Supreme Court at legal investigation in the supervision order, The code provisions regulating specific aspects of civil legal proceedings on administrative cases are unified. As the Court Department was integrated with the judiciary system the body of judicial self-management represented by the Council of Judges was granted the right to hearing reports of the Court Department on performance of the judiciary budget.

622. In 2006 the Kyrgyz Republic presented the conceptual program for participation in the Millennium Challenge Corporation Threshold Program. The Millennium Challenge Corporation's objective is assistance delivery to transition economies.

623. The Kyrgyz Republic in its program undertakes to implement actions in three areas, one of which is strengthening of the judicial reform activity directed on development of the effective and fair justice system and strengthening of its independence. With the object of realization of the actions specified in the Program, the Kyrgyz Republic and the USA signed on March 14, 2008 the Assistance Agreement within the framework of the Millennium Challenge Corporation Threshold Program. Under the scope of the Agreement the Kyrgyz Republic will receive the grant-based aid to implement the judicial reform activities.

624. Despite measures undertaken by the state, trust of the population and economic entities to courts remains to be rather low. Weak material support of courts, a large caseload per one judge, poor procedures for distributing cases among judges, restricted access to court cases and proceedings based on constraints and shortage of rooms, deficiency of employees of the judicial machinery and court clerks, lack of mechanisms to support participation of citizens in administering of justice, lack of clear selection criteria of judges prevent from due performance of functions of constitutional and human rights and freedom protection, protection of property rights, contractual obligations, to control the legality of administrative decisions and so on.

625. The Constitutional provision remains unimplemented regarding independent formulation of the budget of the judicial system by judicial authorities and financing of courts in the volume providing opportunities for full and independent justice administration.

626. **Priorities.** Strengthening of rule of law and reduction in the corruption level through improvement of transparency, overall efficiency of the judicial system and improvement of its activity.

627. **Goals and objectives.** Comprehensive judicial reform for creation of reliable guarantees of constitutional laws and freedom, improvement of business and investment climate, and restraint of administrative abuse of discretion by the state bodies.

628. The proposed reform should provide development of really independent, competent judicial system by addressing the following goals:

- (v) *change of the approach in the judicial system budget formulation and provision of financing in the volume providing an opportunity of full and independent justice administration;*
- (vi) *optimization of the judicial system structure;*
- (vii) *creation of the adequate and transparent disciplinary procedures system upon lodged complaints of citizens and legal entities about actions of judges through the Council of Judges;*
- (viii) *preparation of candidates for judgeship on according to the training program developed by the Council of Judges;*
- (ix) *development of transparent and objective selection criteria for judgeship candidates at all stages;*
- (x) *guarantee of the judiciary independence through restriction on dismissal and make them amenable to only law;*
- (xi) *stage-by-stage introduction of the uniform judicial information and management system allowing to provide introduction of automated case distribution and open access of citizens to court decisions;*
- (xii) *introduction of trials with jury for achievement of effective and open system of justice and involving of the population in the legal trial process;*
- (xiii) *ensuring of due execution of court decisions;*
- (xiv) *introduction of the judicial bailiff institution.*

629. **Development prospects for 2009-2011. Measures of policy (actions).** Strengthening of rule of law and reduction of corruption by improvement of the judicial manpower policy and improvement of judicial self-management, introduction of trial by jury providing openness of justice system.

630. **Measures of policy.** With the purpose of implementation of the Constitutional provision it is necessary to change the order of the judiciary budget formulation in 2009 and to support the judicial system in formulating the budget independently. Different approach to budgeting in the judicial system will allow to assess realistically financial needs of the judicial system, and to prioritize their implementation with account of opportunities of the republican budget.

631. In 2009 the Council of Judges as a judicial self-management body authorized with powers on consideration of the judiciary disciplinary cases shall have to develop and approve the Regulation stipulating for the system of adequate and transparent disciplinary procedures with respect to lodged complaints of citizens and legal entities about actions of judges.

632. According to the Constitutional law «On status of judges» for persons who apply for judgeship in local courts and lack record of judicial service such additional requirement was set forth as availability of the training certificate. In 2009 the Council of Judges shall have to identify the training type, develop the training program and its duration, the order of selection of applicants and its periodicity in the course of implementation of the Constitutional provision.

633. In line with the Constitutional law «On status of judges» selection of applicants for holding judgeship is carried out in two stages. The first stage includes a qualification examination; the second stage includes the interview. In the law the qualification examination procedure is presented in detail along with a mechanism of knowledge assessment. However, the law says nothing about any evaluation criteria of the interview results. Thus, to exclude or to minimize subjective factors at conducting the interview the Council of Judges shall develop and approve in 2009 objective selection

criteria of candidates for judgeship with subsequent presentation of proposals on amendments or supplements to the Law «On status of judges» to the Administrative Office of the President of the Kyrgyz Republic.

634. The Council of Judges shall have to analyze application of the Law «On status of judges» in 2009 relative to independence of judges and application of norms which can be used as a tool pressure of on judges, and to submit proposals not later than the IVth quarter of 2009.

635. Within the framework of the Assistance Agreement under the *Millennium Challenge Corporation Threshold Program* to introduce in 2009-2010 in selected courts the system of the judicial information, allowing to provide introduction of the automated case distribution based on random sample and open access of citizens to court decisions. Further on the automated case distribution system should be introduced not less than in 10 courts, and with this purpose the judiciary budget should earmark funds for implementation of the given activity.

636. The Supreme Court shall have to undertake actions on consideration and passing by the Jogorku Kenesh of the Kyrgyz Republic in 2008 of the draft Law «On jurymen» to provide an opportunity to carry out preparatory measures on introduction of trial by jury within terms stipulated by the legislation on jurimen.

637. Ensuring proper execution of judicial acts is one of bottlenecks in the system of judicial power. It may be explained by imperfection of the legislation of the Kyrgyz Republic on execution process. In this respect it is necessary to develop the Law “On amending and supplementing the Law of the Kyrgyz Republic “On law-enforcement and the status of law-enforcement officers of the Kyrgyz Republic”.

638. Introduction of the court bailiffs’ institution will allow to reduce threat of personal safety of judges at consideration of separate categories of cases and to provide maintenance of public order by persons participating in the case, and participants of the legal process. The court bailiffs should be assigned a task of rendering assistance in the court decisions enforcement and reconduction of individuals fugitive from justice. The Supreme Court, Court Department and the Government shall have to submit agreed proposals on the pilot project implementation on introduction of the court bailiffs’ institution till December, 1, 2009. The Government shall have to find necessary budgetary funds for implementation of the pilot project on the court bailiffs’ institution in 2009. It is necessary to introduce overall by the end of 2010 the court bailiffs’ system with due account taken of the pilot project implementation results.

639. To introduce in 2010 a position of a deputy judge. The position of the deputy judge is stipulated in the Law «On status of judges» aimed at ensuring timeliness of consideration of cases at law. At taking into account the fact that introduction of the given position will need additional funding, it is necessary to address financial issues in 2009.

640. **Programs and projects.** It is necessary to solve the following tasks to implement stated in the present section of CDS:

- (i) *To introduce amendments to the Law «On fundamental principles of the budgetary law».*
- (ii) *To develop a draft law «On court bailiffs».*
- (iii) *To promote adoption of the Law «On jurymen».*
- (iv) *To prepare amendments to the Law «On status of judges» with account of its analysis enforcement practice from the standpoint of elimination of provisions which can be used as a tool of pressure on judges.*
- (v) *The National Council on Justice Affairs shall have to: a) develop and approve criteria for evaluation of the interview results of candidates’ for judgeship at providing objectivity of their selection; b) develop the draft law providing that 50% of the National Council members should be the judicial system representatives.*
- (vi) *The Juicial Council shall have to develop and approve the Regulations on disciplinary proceedings;*
- (vii) *To develop the draft Law “On amending and supplementing the Law of the Kyrgyz Republic “On law-enforcement and the status of law-enforcement officers of the Kyrgyz Republic”.*

641. **Resources.** Funding will be provided from the state budget and grant means stipulated by the Assistance Agreement within the Millennium Challenge Corporation Threshold Program framework signed between the Kyrgyz Republic and the USA on March 14, 2008, and with assistance of the donor organizations.

642. Based on the Agreement within the Threshold Program 'Millennium Challenge Account' assistance framework at its completion date as on June 30, 2010 it is stipulated that the resources will be allocated (technical, consulting and material) in the amount of 4 million US dollars for the judicial reform.

643. **Expected results.** The comprehensive judicial reform should promote:

- (i) *achievement of actual independence and efficiency of judicial bodies;*
- (ii) *transparency of process of court decisions award;*
- (iii) *raising of prestige and strengthening trust of the population and economic entities to the judicial system;*
- (iv) *duly execution of court decisions;*
- (v) *strengthening of the role of the civil society in monitoring and evaluation of the overall corruption level in the judicial system.*

6.2.3. Reform of law enforcement bodies

644. Since gaining independence by the Kyrgyz Republic reforms were implemented with the purpose of strengthening responsibility for protection of guaranteed by the Constitution of the Kyrgyz Republic human rights and freedoms, property, interests of the society and the state from criminal encroachment, strengthening law and order and for provision of openness and transparency of law enforcement bodies' operations in this area. However, the carried out reforms failed to produce expected results.

645. **Overall assessment of the current situation.** Prosecutor's offices represent a centralized system with subordination of inferior prosecutors to superior officers and the General Prosecutor of the Kyrgyz Republic.

646. The Prosecutor's office of the Kyrgyz Republic exercises supervision over precise and uniform law enforcement and other statutory and legal acts. Prosecutor's offices carry out criminal prosecution, take part in the court examination of cases in the established by law order and cases.

647. The system of prosecutor's offices consists of: the General Prosecutor's office of the Kyrgyz Republic, prosecutor's offices of oblasts, cities of Bishkek and Military Prosecutor's office of the Kyrgyz Republic; inter-rayon, city, rayon and equaled to them specialized prosecutor's offices. A multi-level professionalization and retraining system for prosecutors was developed and which is currently in operation now. It was built on the base of the Professionalization Center of prosecutors' and investigators' of the General Prosecutor's office of the Kyrgyz Republic.

648. In 2007 in line with international practice the functions of sanctioning arrest and detention were transferred under the judicial bodies' jurisdiction.

649. Bodies of internal affairs. The Ministry of Interior of the Kyrgyz Republic is the body of executive branch of power carrying out public administration within the scope of vested powers in the sphere of protection of human rights and freedoms, maintenance of law and order. The system of bodies of internal affairs is made of the Ministry of Interior, central administrative departments, internal affairs divisions and units (militia stations) of oblasts, cities and rayons.

650. The Financial Police Service of the Kyrgyz Republic. The Financial Police Service of the Kyrgyz Republic (hereinafter referred to as the Financial Police) is another body of executive branch of power with its operations focused on detection, prevention, suppression and investigation of economic and official crimes and corrupt practices.

651. The Financial Police is the only law enforcement body carrying out detection, prevention, suppression and investigation of crimes in the sphere of economic activity. The Financial Police reports directly to the President of the Kyrgyz Republic.

652. The Financial Police was granted the status of a special body of executive branch of power on June 10, 2008.
653. Agency of the Kyrgyz Republic on drugs control (hereinafter referred to as the DCA) is a central body coordinating body of the country on drug control detecting and suppressing criminal drug-related crimes. The Agency carries out activities on the international cooperation in the sphere of drug control of the Kyrgyz Republic with international organizations and foreign states.
654. The Financial Intelligence Service (hereinafter referred to as the FIS) – is a state body established on December 29, 2005 which was authorized to take measures on counteraction to the terrorism financing and laundering of incomes derived by means of crime.
655. Achievements and problems. In 2006-2008 a number of measures was undertaken to reform the law enforcement system, to specify functions and tasks of law enforcement bodies and to improve efficiency and transparency of their operations.
656. Prosecutor's offices. In line with international practice the functions of sanctioning arrest and detention were transferred under the judicial bodies' jurisdiction.
657. Poor exercising of supervisory responsibility for law enforcement and legality of legal acts issued by power-holding administrative bodies still persists. Lack of provisions in the legislation of the Kyrgyz Republic providing for accountability of officials for disregard of the prosecutor's response stultifies a remedial capacity of prosecutor's offices.
658. It is necessary to improve participation of prosecutors in the court trials with account of adversary proceeding for support to the high-level government case.
659. Bodies of internal affairs. The reform of the internal affairs system is necessitated by ongoing democratic reforms and currently it undertakes tangible achievable actions. Practical interaction mechanisms with civil society organizations are introduced to establish partnership relations, to exercise continuous and effective control in supporting law and order, and combating crime.
660. Reform of the law enforcement bodies till 2010 has identified directions of the law enforcement bodies' reform with account of their major functions – ensuring of public security and combating crime. These directions are as follows:
- (i) *priority focus on solution of issues of combating crime and ensuring of public security;*
 - (ii) *protection of citizens' and human rights and freedoms, their property, assets, and interests of the society and the state;*
 - (iii) *improvement of professionalism, legal culture of internal affairs bodies' officers, and strengthening of technical facilities;*
 - (iv) *transparency, expansion of external accountability in the militia's work;*
 - (v) *strengthening of responsibility, compliance with the rule of law in the internal affairs' system; and*
 - (vi) *stable social security for the internal affairs' system officers.*
661. Certain directions of the internal affairs' system reform laid in the Concept with account of the changed environment were stated in the conceptual document presented by the Kyrgyz Republic for participation in the Threshold Millennium Challenge Corporation Program – 'Millennium Challenge Account' assistance. With the purpose of the tasks implementation stated in the conceptual document on reforming of the internal affairs' system the Assistance Agreement was signed on March 14, 2008 between the Kyrgyz Republic and the USA within the scope of the Threshold Millennium Challenge Corporation Program – 'Millennium Challenge Account'. The Agreement period was specified as up to June 30, 2010 and allocation of grant means is stipulated for implementation of actions of the internal affairs' system reform.
662. Financial Police. With the purpose of strengthening efficiency in combating economic crimes the Financial Police under the Government of the Kyrgyz Republic was reorganized into the Financial Police Service of the Kyrgyz Republic. The Financial Police Service is the only body carrying out detection, prevention, suppression, investigation and prosecution of economic crimes.

663. Agency of the Kyrgyz Republic on drugs control. The DCA establishes and develops interaction in the sphere of drug control with competent bodies of foreign states and international organizations, takes measures on counteraction to drug trafficking and precursor substances. As one of positive examples of coordination with international organizations came out establishment of the Mobile Task Force Department on illicit drug trafficking counteraction across the Kyrgyz-Tajik border. Despite undertaken measures from year to year the volume of drugs detained by the DCA officers grows persistently and its inflow would not stop. Kyrgyzstan due to its geographical location is used as a transit country in the illicit drug trafficking route from Afghanistan to Russia and further to Europe.

664. At the same time there exist a number of problems solution of which will have an effect on sustainability of this body. At considering the fact that the part of the DCA financing was contributions of international organizations it deems necessary to address the issue of its full funding from the state budget. Not less important is the issue of salary rise of the DCA employees at the level not below 50%. In order to improve efficiency of the illicit drug trafficking counteraction it is needed to strengthen the coordinating role of the DCA. Lately the problem of personnel training in combating illicit drug trafficking gained in importance.

665. The Financial Intelligence Service. Over a short period the Financial Intelligence Service jointly with the National Bank of the Kyrgyz Republic have carried out much work on legislative regulation of activity on counteraction to the terrorism financing and laundering of incomes derived by means of crime. In particular, in 2006 the base Law "On counteraction to the terrorism financing and laundering of incomes derived by means of crime" was adopted. Within the CIS framework the Agreement was signed on counteraction to the terrorism financing and laundering of incomes derived by means of crime ratified by the Kyrgyz Republic on June 23, 2008 and signed on October, 5, 2007.

666. In pursuance of the Law "On counteraction to the terrorism financing and laundering of incomes derived by means of crime" the Financial Intelligence Service approved by the Order as of November 2, 2006 regulations "On the order of submission to the FIS of the information stipulated by the Law "On counteraction to the terrorism financing and laundering of incomes derived by means of crime".

667. The National Bank and Service of the financial market supervision and regulation approved by internal orders the Regulations establishing minimal requirements to the internal control system by commercial banks, other financial and credit institutions, and professional participants of the securities market with the purpose of counteraction to the terrorism financing and laundering of incomes derived by means of crime.

668. The legislative regulation of activities on counteraction to money laundering derived by means of crime, and financing of the terrorism will allow the Financial Intelligence Service to trace closely activities in the given area. In this connection it is necessary to introduce respective amendments to the legislation of the Kyrgyz Republic resulting from the base Law «On counteraction to the terrorism financing and laundering of incomes derived by means of crime» and to finalize the process of legislative framework development in the near future.

669. Priorities. Office of Public Prosecutor. Strengthening of supervisory functions of enforcement of laws and legality of statutory and legal acts. This direction of activity of the Public Prosecutor's Office should provide preventive character of preclusion against law violations. Qualitative maintenance of public prosecution is an important component of activity of Public Prosecutor's Offices in criminal justice process.

670. Bodies of internal affairs. Protection of human rights and legitimate interests of the individual and the citizen, fight against crime and maintenance of public safety, improvement of recruitment procedures and performance evaluation of internal affairs' officers for improvement of quality of work and reduction in the number of misconduct cases of internal affairs' employees.

671. Financial Police. Institutional strengthening of the financial police and improvement of employees selection methods to eliminate cases of corruption in the system of financial police.

672. Agency of the Kyrgyz Republic on drugs control. It is necessary to undertake effective measures on detecting and blocking of drug and psychotropic agent trafficking channels. To trace delivery of precursor substances for prevention of their illegal circulation.

673. The Financial Intelligence Service. The FIS capacity should be used for providing of information to law enforcement bodies on cash transactions or other property business of government officials and their close relatives based on availability of sufficient grounds evidencing that the transactions are related to legalization of incomes derived in the criminal way. The given area of the FIS activity will allow to unmask persons benefiting from abuse of power for mercenary purposes, and to counteract corrupt practices.

674. Purposes and problems. Reform of the law enforcement bodies is aimed at improvement of their activity efficiency in performance of the assigned to them tasks and reduction in spread of corruption among officers of law enforcement bodies.

675. The Public Prosecutor's Office faces the following tasks:

- (i) *strengthening of supervisory functions of law enforcement by all entities, irrespective of their ownership form, and legality of the statutory and legal acts issued by the governmental bodies;*
- (ii) *improvement of quality of the public prosecution;*
- (iii) *implementation of the system of measures providing transparency of activity of Public Prosecutor's Offices in interests of the civil society and maintenance of rule of law;*
- (iv) *improvement of protection arrangements of human rights and freedoms, activity of the Public Prosecutor's Office on their securing.*

676. For appropriate maintenance of protection of human rights and legitimate interests of the individual and the citizen, the society and the state from criminal encroachments, public safety, fight against crime, elimination of corrupt practices among employees of law enforcement bodies it is necessary to solve the following problems:

- (i) *to change the recruitment procedure based on compliance with qualifying requirements and to develop performance evaluation criteria;*
- (ii) *to develop the system of actual interaction with the civil society with the purpose of monitoring compliance with the legislation by employees of internal affairs' system and performance of tasks assigned to them;*
- (iii) *to provide effective work of own security service on investigation of misconduct cases of employees of internal affairs' system along with organization of professionalization courses on the basis of the Police Academy under the Ministry of Internal Affairs; and*
- (iv) *to strengthen material base of law enforcement bodies.*

677. The Financial Police being entitled the function of the unique body to carry out detection, prevention, suppression, clearance and investigation of economic crimes, and with the purpose of the effective organization of fight against economic crimes it is necessary:

- (i) *to introduce amendments to the procedural legislation to specify investigative jurisdiction of economic crimes;*
- (ii) *to change the recruitment procedure based on compliance with qualifying requirements and to develop performance evaluation criteria.*

678. Agency of the Kyrgyz Republic on drugs control as the specialized body on counteraction to traffic in illicit drugs, psychotropic agents and precursor substances shall have to undertake effective measures on detecting and blocking trafficking channels. To achieve the set goals it is necessary to open of a special faculty or a center in the Academy of the Ministry of Internal Affairs on professional training in combating illicit drug trafficking and improvement of professional skills of the DCA employees.

679. The Financial Intelligence Service should provide implementation of measures on counteraction to the terrorism financing and laundering of incomes derived by means of crime and fulfilment of obligations under the International Convention for the Suppression of the Financing of Terrorism to which the Kyrgyz Republic is a signatory.

680. **Development prospects for 2009-2011. Measures of policy.** Reform of the law enforcement bodies is directed on improvement of efficiency of their activity and strengthening trust of the

population to the named bodies called to provide protection of constitutional laws and human rights and freedoms, and to combat crime.

681. The General Prosecutor's Office should strengthen work on supervision of enforcement of laws by all entities irrespective of ownership forms. With the purpose of ensuring efficiency of general supervision function performance and effectiveness of the public prosecutor's response to develop a new edition of the Law «On the Public Prosecutor's Office» and to stipulate responsibility of officials for the unconsidered public prosecutor's response.

682. With the purpose of improvement of the public prosecution quality it is necessary to optimize structure of Public Prosecutor's Offices in 2009. Optimization of the structure will allow to provide required staff number of Public Prosecutor's Offices for support of public prosecution.

683. Training of public prosecutors in techniques of investigation and detection of organized crime, corruption and money-laundering at using resources stipulated by the Agreement on the *Millennium Challenge* Account assistance within the scope of the Threshold Millennium Challenge Corporation Program.

684. The Ministry of Internal Affairs will have to develop and approve qualifying requirements for each category of positions with regard to each division-specific activity Application of qualifying requirements will provide for recruitment to the law enforcement bodies of persons with corresponding training and qualification.

685. The Ministry of Internal Affairs will distribute throughout the entire republic positive experience on introduction of district militia operations principles.

686. Not less important for law enforcement bodies is interaction with civil society organizations, therefore, it is necessary to develop a tool enabling the given process aimed at establishment of partnership relations evidencing of transparency of law enforcement bodies' activity, and to adopt new procedures of consideration of lodged complaints about actions of the internal affairs' bodies employees.

687. To finalize work on specification of investigative jurisdiction of economic crimes and to take all necessary measures on its legislative formalization.

688. With the purpose of ensuring proper selection of employees and their reshuffle to develop and approve qualifying requirements for each category of positions with account of each division-specific functions.

689. In order to improve efficiency of counteraction to illicit drug trafficking to complete transfer of drug control units of law enforcement bodies with all established posts and financing under jurisdiction of the Agency on drugs control in 2010. The Academy of the Ministry of Internal Affairs should carry out the first faculty entrance of students on the DCA request in 2010. The DCA financing in 2010 should be completely transferred to the republican budget, at stipulated pay raise by 50 % to the DCA employees.

690. The Financial Intelligence Service will complete the "Egmont" group accession (the international organization uniting over 108 countries of the world on mutual information exchange on counteraction to the terrorism financing and laundering of incomes derived by means of crime), to resolve the issue of establishment in Bishkek the permanent educational center for training employees of law enforcement bodies, oversight bodies, and representatives of nonfinancial sector of the Kyrgyz Republic on counteraction to money laundering and terrorism financing activities.

691. **Programs and projects within the framework of the stated priorities.** For realization of tasks within the framework of the law enforcement bodies reform it is necessary:

- (i) *To develop a new draft Law «On Public Prosecutor's Office» stipulating for strengthening of general supervisory functions;*
- (ii) *To develop a draft Law «On amending the Code on Administrative Responsibility» providing for the responsibility of officials for unconsidered public prosecutor's response;*
- (iii) *To optimize the structure of Public Prosecutor's Offices;*

- (iv) *To develop the training program on techniques of investigation and clearance of organized crime, corruption and money-laundering;*
- (v) *The Ministry of Internal Affairs and Financial Police will develop qualifying requirements for each category of positions with account of each division-specific operations;*
- (vi) *To develop the Rules of interaction with civil society for provision of transparency of law enforcement bodies' operations and establishments of partnership relations;*
- (vii) *To approve a new procedure of consideration of complaints about actions of law enforcement officers;*
- (viii) *To develop amendments to the procedural legislation to specify investigative jurisdiction of economic crimes; the Financial Intelligence Service will develop amendments to the acts resulting from the base Law «On counteraction to the terrorism financing and laundering of incomes derived by means of crime» that will allow to receive complete information for achieving of goals and objectives set for the given body, to implement organization procedures on accession the "Egmont" group, to resolve the issue of establishment in Bishkek the permanent educational center for training employees of law enforcement bodies, oversight bodies, and representatives of nonfinancial sector of the Kyrgyz Republic on counteraction to money laundering and terrorism financing activities.*

692. To strengthen the Agency on drugs control as a specialized body dealing with issues of counteraction to illicit trafficking of drugs, psychotropic agents and precursor substances.

693. Resources. Financing will be provided from the state budgetary resources, grant funds stipulated by the Agreement on the *Millennium Challenge Account* assistance within the scope of the Threshold Millennium Challenge Corporation Program signed on March 14, 2008 between the Kyrgyz Republic and the USA, and donor aid.

694. The Agreement on the *Millennium Challenge Account* assistance within the scope of the Threshold Millennium Challenge Corporation Program at its completion date as on June 30, 2010 it is stipulated that the grant-based resources will be allocated (technical, consulting and material) in the amount of 4 million US dollars for:

- (i) *the reform of the internal affairs system in the amount of 5,3 million US dollars;*
- (ii) *the Office of General Prosecutor for the component «Reforming of the criminal proceedings system» for training of public prosecutors in the sphere of criminal process.*

695. **Expected results.** Reform of law enforcement bodies should promote:

- (i) *improvement of efficiency of law enforcement bodies' operations in performance of assigned to them tasks;*
- (ii) *achievement of the qualitative level of due course of duty by law enforcement officers;*
- (iii) *creation of conditions for providing openness of law enforcement bodies' operations to the civil society;*
- (iv) *improvement of efficiency of personnel selection in the system of law enforcement bodies;*
- (v) *reduction in the corrupt practices in the system of law enforcement bodies;*
- (vi) *strengthening of trust of the population to system of law enforcement bodies.*

6.3. Quality of life improvement

696. Problems of human and social development take the central place in the agenda of the public policy of the Kyrgyz Republic. They include opportunities for decent employment and education, health protection of the population, protection of its vulnerable groups of population, and active

participation of citizens in cultural life. All these objectives promote improvement of well-being, poverty reduction and fully conform to the Millennium Development Goals (MDG) developed by the international community. Thus, the MDG form the development strategy framework of Kyrgyzstan for 2008-2011.

697. In this section, social policy aimed directly at the achievement of human and social development goals is considered. Its products are human capital (i.e. educated, healthy and civilized population) and social capital (i.e. united society based on mutual assistance), accumulation of which is both a mandatory condition for, 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 CDS in the social sphere is to accumulate human and social capital.

698. The social sector refers to the major state priorities supported by the fact that roughly half of the total public spending goes on this sector development; this share is close to a limit of budgetary potential of the state. Therefore, as a necessary precondition for the social sphere sustainable development comes out major improvement of efficiency in use of these means. The actions specified in this Strategy, in many respects are directed on return efficiency (better quality of education and public health care, greater social security, broader access to culture achievements, etc.) on each Som of social expenses.

6.3.1. Education which is in demand of the society

699. **Overall assessment of the current situation.** Kyrgyzstan has an advanced system of the comprehensive and vocational education, called to play a key role in development of the country and to prepare children and adults for life and activity in conditions of the information society, market economy and democracy. That fact testifies to value of the education system in modern Kyrgyzstan that education is the largest article of expenditures in the state budget. In the modern world social and economic development occurs rather dynamically, and it makes the education system face the necessity of the sector reforming, reorganization of the management system, content of education, and teaching methods.

700. The education system of the country includes preschool and school education, primary, secondary and higher education, additional, post-graduate and informal education. All these components of general education are characterized by their specifics and face various problems.

701. **Achievements and problems.** Last years essential changes took place in the education system allowing for increase the academic autonomy of educational institutions, to provide for diversity of educational establishments and variability of educational programs, development of public sector of education and diversification of sources of financing. Alongside with these positive shifts, the education system faces numerous problems; the most significant of them are:

- (i) *The most important task is reforming of the education sector workers labor remuneration system which for today has exhausted its resources and fails to meet modern requirements of the wages formation The most difficult thing in this respect is the issue of payment of arrears of premiums for length of teaching experience for 2003-2007;*
- (ii) *imperfection of the education system management; existing management system in education is inherited from the past, and it is excessively centralized and does not meet modern requirements;*
- (iii) *inefficient mechanisms of quality assurance of education; existing forms of control – as licensing and certification – do not provide the quality assurance; devaluation of graduation certificates and diplomas of certain schools and higher educational institutions;*
- (iv) *reduction of access of children to preschool education; decrease of the number of preschool establishments due to lack of financing has led to the fact that educational programs for children of younger age were considerably reduced, which had a negative impact on their subsequent education and development;*
- (v) *imperfection of curriculums as the result of which there is overload of pupils with educational tasks; in recent years the volume of information embedded in educational standards, curricula and programs increased that has led to excessive*

load on pupils and to lack of attention to development of students' skills critical to analysis and creative thinking;

- (vi) *the increasing gap in availability and quality of education between urban and rural areas, which becomes more apparent at the rural schools, insufficient supply of textbooks, limited access to mass media, shortage of the qualified teachers in main subjects;*
- (vii) *corrupt practices caused, besides other factors, by worsening of the material condition of educational institutions and labor remuneration of teachers which undermines trust of the population to the education system as a whole;*
- (viii) *discrepancy of the number, quality and profile of graduating specialists with the labor market requirements; from year to year the number of graduates of high schools and establishments of the system of primary and secondary vocational education, who did not find jobs that is connected both with lack of jobs, and with insufficient quality of vocational training of graduates.*

702. **Priorities.** Taking into account the constitutional guarantees on providing basic general education, the need of the national economy for qualified workers, having sufficient general education and ability to further training/retraining, limited budget resources, need for achievement of the Millennium Development Goals, providing for accessibility and improvement of quality of preschool and base.

703. **Goals and objectives.** The main goal of the CDS in the sphere of education is creation of an effective education system which will promote comprehensive human development of citizens of the country and supply of economy of Kyrgyzstan with qualified personnel. For the achievement of the CDS goals it is necessary to solve the following problems in the sphere of education:

- (i) *change of the management system and financing of education on the basis of transition to a result-oriented management system and wide use of market mechanisms;*
- (ii) *expansion of accessibility of school education for children of 6-7 years of age;*
- (iii) *increase of accessibility and quality of secondary education through creation of the Framework National Curriculum, improvement of programs of education, control of learning achievements, improvement of supply of the educational institutions with textbooks and teaching materials;*
- (iv) *improvement of the system of primary, secondary and higher education through bringing to conformity of the personnel training structure with requirements of the labor market and updating of educational standards and curriculums.*

704. **Measures of policy.** Resolution of the set for objectives in the sphere of education necessitates implementation of the following Measures of policy:

- (I) Change of the system of financing and management in education. The main measure in this respect should become increase of the state financing of secondary education. The increase in expenditures should be accompanied by change of the system of financing of educational institutions and transition to a per capita principle of funds distribution on the basis of the minimal standards of budgetary financing of educational institutions. Changes in the structure of financing will be made through increase up to the necessary level the articles of expenses on textbooks, educational equipment and other elements of maintenance of educational process. Possibilities will be considered which, on the one hand, will introduce the incentive system for the educational institutions showing the best achievements in education, and on the other hand, will use the mechanisms compensating actual inequality in financing of schools. During the development of this system experience will be used gained from various pilot projects implemented in the country at the present time. Preparatory work to introduction in 2011 the sector-wide approach (SWAp) program of support to education development will be carried out that will demand a basic change of approaches to the state education and improvement of coordination of the donor organizations' activities. Work on creation of conditions for development of the public – state management of education will be continued.
- (II) Expansion of accessibility of school education includes expansion of coverage by programs of preschool education of children of 6-7 years of age, in particular, introduction of 100-hour

preschool preparation/education in all comprehensive schools of the Kyrgyz Republic, improvement of the state program of preschool psychological-and-pedagogical preparation and development of its methodological support, supply with educational and methodological, game and developing materials of preschool establishments and elementary schools, improvement of professional skills of pedagogical workers of preschool establishments and teachers working in pre-school programs, the analysis of efficiency of alternative models and forms (including replaceable model, communal preschool organizations, programs of preschool training, etc.) preschool education, attraction of the public for identification of effective forms and models of preschool education, informing of the population on importance of early child development.

- (III) Improvement of the content of school education assumes transfer of the entire system on the principles of the results-oriented education, through development of state standards of school education – Framework National Curriculum and subject curriculums; reorientation of education towards a student-centered education and providing for his/her progress as a student and development as a person; development of textbooks and educational-methodological complexes on the basis of new curriculums, curriculums and plans in view of age specifics of students; development of information technologies in the system of school education with gradual connection of all schools of the country to the Internet, improvement of expertise (including gender expertise) and testing of educational manuals/textbooks on the basis of work of advisory councils. Multi-lingual education, as well as improvement of teaching Kyrgyz, Russian, English languages as well as languages of ethnic minorities (in schools where teaching is in an ethnic language) including change of content of education will lead to strengthening of educational capacity of a school, including in the issues of civic and multi-cultural education must play a particular role in increase of the opportunities for the youth in obtaining of further education.
- (IV) Refresher courses for teachers of educational institutions and increase in quality of their work need more tough control of studies process for pedagogical gradulators and those from related universities and vocational education institutions as well as improving the refresher system for teachers, taking measures to keep qualified teachers in educational institutions, and attracting young men to teacher's activity. Measures on promoting teacher's work prestige and gradual increase in their salaries with simultaneous introduction of external work quality control system will be taken. This, along with toughening of the control and timely suppression of revealed negative facts, should become one of the measures to reduce "informal" money requests from students.
- (V) Developing an independent assessment and control system at all the levels of primary and high school education for proper estimating knowledge of schoolchildren and graduates as well as of overall school performance. For this purpose, the unified national testing system will be replaced with a Unified State Examination.
- (VI) Providing support to children from socially unsecured groups and extending inclusive education. Here the planned activities include mid-morning snacks for children of elementary grades in high-mountainous and isolated areas of the country and supplying children from boarding schools with a school uniform at the expense of the national budget.
- (VII) Improving the financial and property base for educational process, especially in rural educational institutions, including updated textbooks and methodical study aids, supplying rural libraries of educational institutions with the Presidential set of reference materials, belles-lettres, and scientifically-informative literature, purchasing necessary educational equipment, computers and furniture, and cosmetic and major repairs of educational facilities.
- (VIII) Studying a labor market demand for qualified staff. It includes creating a system of analysis, monitoring and situation forecasting for the labor market that has to be based on interaction of state and non-governmental employment services and associations of employers. It in turn will demand distribution of the state order (budgetary jobs) according to priorities of country's economic development determined in this Strategy. Considering the tendency to significant external labor migration from the country as well as the long-term nature of this tendency, the demand study system should not be only oriented to internal but also to the main foreign labor markets for Kyrgyz citizens.

- (IX) Improvement of vocational education quality through better state standards, updating of curriculums on the basis of continuous dialogue with employers, improvement of the knowledge quality monitoring system, setting minimum costs for educational services, decreasing a number of distant students, more exact universities' profiles, introducing new criteria for licensing and certification of universities and other occupation educational institutions, and extending the university network participating in programs of Bologna process introduction and the implementation of the Presidential program '10 Top Managers' aimed at preparing top managers for power, processing, and other priority industries.
- (X) Increased flexibility of vocational education system, its ability to quickly response to changes in demand for various occupational profiles, introduction of modular training system, strengthening of finance and property base of these educational institutions, active cooperation with other educational institutions and potential employers, and developing mechanisms for public and private partnership.
- (XI) Development of a unified state policy on radical changes to retraining and refresher courses for universities' professors and teachers from primary and secondary vocational education institutions.
- (XII) More opportunities for vocational education for youth from socially disadvantaged groups to prevent their social marginalization.
- (XIII) Financial resources for vocational education system development should include funds from the state budget and private sector (payments for training staff upon employers' requests, payments by citizens for training). State financing will be based on introduced minimum standards for budgetary financing to be calculated per each student; it should mainly go to develop a financial and property base, to improve professional skills of teaching staff, and to support students from socially vulnerable groups.

705. **Programs and projects.** The following is planned for the area of education within the CDS:

- (i) *«Second Education Project». Duration 2006-2011. Partner: Asian Development Bank. Project amount – US \$15.5 million.*
- (ii) *Project «Access Improvement to basic education for children with special needs». Partner: Asian Development Bank. Project amount – US \$1 million.*
- (iii) *Project «Community-based early childhood development». Duration 2003-2009. Partner: Asian Development Bank. Project amount – 10.5 million.*
- (iv) *Project «Rural education». Duration 2007-2010. Partner: World Bank. Project amount – US \$15 million.*
- (v) *Project «Education quality and access development. Duration 2007-2010. Partner: UNDP. Project amount – US \$2 million.*
- (vi) *Program «Reading Child» (including compiling the Presidential Literature Set). Amount – 10 million soms from the National budget.*
- (vii) *Project «Vocational education and skills development». Duration 2006-2009. Partner: Asian Development Bank. Project amount – US \$13 million.*
- (viii) *Project «Support for professional labor market oriented retraining». Partner: German Society for Technical Cooperation.*
- (ix) *Project «Vocational education for homeless children. Partner: UNDP.*
- (x) *Project «Refresher Training for specialists and managers of three Central Asian Republics». Partner: Society for Assistance with International Development and Refresher Training. InVent Ltd.*
- (xi) *Project «Implementation of the Program “Introduction in Business and Labor Skills Modules (LSM)». Partner: International Labor Organization. For development of the education sector the resources of EU and Catalytic Fund (20 million US dollars) are used).*

706. **Resources.** Total funds for implementing all activities and projects in education sector for 2009-2011 amount to \$1538 million US dollars. The funds come from the national and local budgets as well as from donor organizations.

707. **Expected results.** Policy actions determined in this education development strategy are aimed at improving education quality, providing access to education for poor and vulnerable groups of population, and concentrating resources on priority areas of activities. As an outcome of the Strategy implementation, the following social and economic results are expected:

- (i) *extending access to pre-school education for children of 6-7 years old;*
- (ii) *increasing efficiency of implementing budget funds for education purposes and more non-governmental financing for educational projects at primary, high school and university levels as well as for additional, post-graduate and informal education;*
- (iii) *creating an effective system for assuring high quality of educational services at all the levels of educational system, attracting on a wide basis support from public organizations and state institutions and professional associations for ensuring educational quality;*
- (iv) *changes of contents of education and teaching methods that would allow the development of students' professional and personal competencies;*
- (v) *supplying the country's economy with required labor resources;*
- (vi) *extending job opportunities and professional self-actualization for youth;*
- (vii) *increasing educational system sustainability; securing and improving professional skills for pedagogical staff and strengthening a financial and property base for the educational system; developing different legal organizational forms for educational institutions.*

6.3.2. Accessible and quality health care

708. **Overall assessment of the current situation.** Health care system is assigned a key role in ensuring health; increase of life interval and improvement of well being of country citizens and achievement of the Millennium Development Goals (in particular, MDG-4, MDG-5, MDG-6). In the 1990s the national health care system like the rest of the economy of the country was found in a critical situation that led to worsening practically of all public health indicators. With the purpose of finding the way out of the situation the Government initiated and implemented the first round of reforms in 1996-2006 within the National Health Care Reform Program of the Kyrgyz Republic «Manas Taalimi» for 2006-2010 which was developed t of active cooperation of relevant ministries and agencies of the Kyrgyz Republic, the entire community of specialists dealing with health care and donor organizations.

709. **Achievements and problems** Health care is one of sectors of the economy of the Kyrgyz Republic that has undergone the most serious reforms. As a result of consistent and deep reform activities the so-called "Kyrgyz health model" was developed the key aspects of which aimed at retention of the state services delivery system based on principles of equity and solidarity. In the conditions of health scarce funding as important achievements restructuring of the health care services delivery system, introduction of the medical obligatory insurance and new financing arrangements, transfer of the clinical practice to a case-based medicine, and focus of services delivery on the needs of the population may be considered as important achievements. Accessibility of health care services was expanded: proportion of public funds spent on the poor increased, and unofficial payments are often replaced by official co-payment. Lately due to ongoing poverty reduction and reforms in the sector the health status of citizens have experienced a number of positive changes, in particular, the TB morbidity and mortality, measles were reduced as well as other vaccine controlled diseases, and brucellosis.

710. Along with the achievements up to date the health care system faces numerous difficulties. Mortality and morbidity for many diseases remains high, and maternity mortality rate increased at persistent high rates of infant and children's mortality. The most serious problems of the health care currently include:

- (i) *insufficient state funding of the health care system, in particular, funding of current expenses from the state budget (without PIP) reduced from 3.7% of GDP in 1990 to 2.0% in 2007;*

- (ii) *health care services became costly for many households due to high unofficial payments and high level of co-payment;*
- (iii) *quality of health care service delivery at all levels of the system;*
- (iv) *low efficiency of infectious and noninfectious preventive programs at the population level,*
- (v) *insufficient awareness of the society on issues of preventive health care and health protection and rights delivered to citizens at providing of primary health care services;*
- (vi) *incomplete potential of the health sector associated with poor material and technical and information support, inadequate knowledge and skills of health personnel, low incentives to quality improvement of health care;*
- (vii) *inadequate efficiency of activities on maternity and childhood protection relating to problems in the health sector as well as factors linked to poverty and unhealthy way of life; and*
- (viii) *underdeveloped market relations and competition in the health sector which also leads to worsening of services delivery quality.*

711. **Priorities.** The priority direction in the field of health care for the period 2009-2011 taking into account MDG-4, MDG-5, MDG-6 will become

- (i) *increasing of effectiveness of primary health care oriented at strengthening of FAPs capacity;*
- (ii) *optimization of the specialized care delivery and regulation of access to medical services, including high-tech kinds of medical aid;*
- (iii) *improvement of quality of services of public health services;*
- (iv) *orientation of public health services to prevention of infectious and noninfectious diseases, strengthening of the role of public health care, development of health culture with active involvement of each individual, communities, organizations, mass-media, local self-government bodies;*
- (v) *improvement of quality of graduate and postgraduate education and continuous training of medical staff;*
- (vi) *assistance to development of non-public sector of medical services delivery and establishment of public-private partnership;*
- (vii) *further strengthening of public health care financing arrangements through the Program of State Guarantees (PSG) and other programs, completion of the FOMI exclusion process from the structure of Ministry of Health;*
- (viii) *further enhancement of health management through improvement of policymaking mechanisms and strengthening of co-ordinating role of the Ministry of Health.*

712. **Objective.** The main objective of the public health care in the Kyrgyz Republic for 2009-2011 is to improve health condition of the population by means of establishment of responsible, effective, complex and integrated system of health care services delivery, increase in responsibility of each citizen, family, society, public administration and governance bodies for health of every individual and the society in overall.

713. **Tasks.** To achieve these objectives the following issues need to be addressed:

- (i) *increase of effectiveness and responsiveness of the health care system by means of developing of complex, integrated system of health care service delivery satisfying the needs of the population and society;*
- (ii) *relieving of financial burden on the population based on sustainable funding of the health care sector, fair distribution of resources aimed at improving of accessibility for the population, particularly for poor and vulnerable groups, to quality health care service, balanced state obligations within the frame of State Guarantees Program and other priority programs within the scope of minimal social standards;*
- (iii) *improvement of health care service quality based on further capacity building of health care sector based on effective human resource management, improvement of material and technical base of health care sector, further improvement of information and*

communication technologies, increased effectiveness of resource use and optimization of the health care organizations activity;

- (iv) *maintenance of effective inter-sectoral interaction at active participation of the population, nongovernmental and communal organizations, mass media, public administration and local self-government bodies.*

714. **Measures of policy.** Development of the health care system within the Strategy will be based on the National Health Care Reform Program of the Kyrgyz Republic «Manas Taalimi» for 2006-2010, and the National Health Care Reform Program of the Kyrgyz Republic «Manas Taalimi-2» for 2011-2015 which will be developed in 209-2010. Main principles of the health reform policy are as follows:

- (i) *continuity with the reform programs of the Kyrgyz Republic into account lessons learnt;*
- (ii) *complexity and consistency of measures undertaken within the reform agenda;*
- (iii) *orientation of the Strategy to poverty reduction, bridging the gap between rural and urban health care services in access to health care services;*
- (iv) *transparency in the process of decision-making, publicity and open participation of all citizens, society, public administration, local self-government bodies in relation to health protection and improvement;*
- (v) *conformity between the state obligations and financial maintenance of the public health care sector; and*
- (vi) *the sector-wide approach to reforming he public health care sector.*

715. Solving of the tasks in health care will be implemented through implementation of the following measures:

- (i) *strengthening of the role of public health care; it will be achieved through improvement of the statutory and legal framework (adoption of the Law on public health care and National Strategy on health improvement of the population of the Kyrgyz Republic for 2009-2015, revision of legal and regulatory bases in line with recommendations and rules of WTO, FAO and GSAC/GTAC) and financing arrangements in the of public health care (increase of spending share on public health care up to 7% in the structure of public expenditure on health by 2011), re-structuring of the public health care system, improvement of quality of services of regional, city centers of the state sanitary supervision and assignment to them of the role of public health care coordinators, establishment of relations with regional and rural health committees, health improvement and protection centers and local administrations through activities on health strengthening and protection, control of diseases and mobilization of communities, and improvement of basic health care services delivery such as supervision and laboratory services;*
- (ii) *strengthening of the primary health care system, completion of services delivery system re-structuring and further expansion of use of case-based medicine; creation of the favorable environment for development of market relations in the health care system, first of all, by formulation of policy of the Ministry of Health in the given direction; It will be included in the Concept identifying opportunities of the state health care organizations' activity in market conditions, questions of integration of the public and private sectors (transfer of certain health care facilities under operational management, economic activities, privatization); special attention will be paid to questions of services purchase by the Fund of Obligatory Medical Insurance (FOMI) from private health services providers, ensuring transparency of their activity; development of voluntary medical insurance, public health care services delivery to private companies on a contractual basis, expansion of a range of services provided to the population (medical social aid, domiciliary service delivery, disease-prevention service); licensing and accreditation arrangements (at gradual transition to obligatory accreditation of public and private health care organizations), monitoring of safety and quality of delivered medical services, feedback and continuity; proposals will developed on medical services' exemption from VAT irrespective of the ownership form of the entity providing these services;*

- (iii) *increase in public financing of health care services and bringing the health expenditure share in total expenditure of the state budget up to 13,6% by 2011; the legislative and statutory framework will be improved in the area of medical services delivery by organizations of various ownership forms within the SGB framework, improvement of purchase of primary health services and specialized medical services provided at out-patient and in-patient levels, strengthening of the role of contracts (agreements) at purchase of medical services, separation of the FOMI from the Ministry of Health;*
- (iv) *efficient human resource management and bridging over the manpower crisis, particularly in rural areas, which includes introduction of new functional duties and roles of health professionals in line with structural adjustments to the health care system; strengthening of capacity of health care organizations in human resource management; introduction of arrangements on medical workers' admission to practical activities based on registration and attestation; creation of the sustainable incentive system for the personnel, revision of «Deposit Doctor» Program mechanisms; change of the training system of health managers and medical nurses with higher education; strengthening of dialogue with local authorities and self-government on providing conditions for retention of young experts in locations, improvement of accreditation standards of educational institutions and programs through creation of the republican and regional accreditation centers;*
- (v) *implementation of further institutionalization of the public health care system through completion of reorganization of the Fund of Obligatory Medical Insurance and restructuring of the sanitary-and-epidemiologic service; expansion of autonomy of health care organizations and optimization of their activity; development and introduction of incentive mechanisms for improvement of health services quality and enhancement of management of health care organizations;*
- (vi) *provision of effective inter-sectoral interaction through increase of knowledge and active involvement of the population in activity on health protection and improvement through expansion of activity of rural health committees, establishment of partnership mutual relations with civil community, state bodies and local self-government, private medical organizations;*
- (vii) *introduction of a package of measures on maternity and childhood care and control of HIV/AIDS, TB, and other serious infectious diseases for achievement of MDG-4, MDG-5, MDG-6;*
- (viii) *the donor aid coordination in implementation of further health reforms and attraction of foreign direct investments into the health sector.*

716. **Programs and projects.** Major programs that will be implemented within the present Strategy framework will be the National Health Care Reform Program of the Kyrgyz Republic «Manas Taalimi» for 2006-2010 and proposed National Health Care Reform Program of the Kyrgyz Republic «Manas Taalimi-2» for 2011-2015. Such priority programs as «Maternity and childhood protection», «TB control and prevention of respiratory diseases», «Containment of HIV/AIDS prevalence» are supported by donor funding.

717. **Resources.** The amount of funding for all measures and projects in health sector for 2009-2011 totals 785 mln US dollars. Sources of finance will be funds of the republican budget, Bishkek local budget, funds of obligatory medical insurance, special means and co-payment, and funds of donor agencies. and republican budgets and donor organizations. Implementation of the National Health Care Reform Program of the Kyrgyz Republic «Manas Taalimi», the State Guarantees Programs and achievement of sectoral priority goals will be carried out within the medium-term budget framework that allows to raise efficiency of the health limited resources spending.

718. As the distinctive feature of the health reform implementation process at the present stage is application of the sector-wide approach (SWAp) as a new form of interaction of the Government of the Kyrgyz Republic and donors when the donor funds are channeled to support of the state health budget within the framework of standard budgetary procedures. Also, significant donor assistance is delivered in the form of parallel financing within the individual projects framework: KfW, Global Fund, GAVI, UNFPA, USAID, HOPE, ADB, IAEA.

719. **Expected results.** Implementation of the given Strategy will allow providing the guaranteed social standard in public health care and will lead to reduction in financial burden imposed on the population and improvement of state of health of the population.

6.3.3. Effective system of social protection and pension social insurance

720. **Overall assessment of the current situation.** The social protection system in the Kyrgyz Republic includes social payments (welfare payment to families with low income [unified monthly benefit (UMB)] and social allowance for disabled citizens without work experience), benefits for individual groups of population and social services provided to vulnerable categories of the population. In 2007, the total number of recipients of welfare payments exceeded 10% of the total population of the country. In addition, the state provides various types of benefits to about a quarter of the population, covering about a quarter of population. The recipients of social services are mostly people who live in boarding houses or who receive social services at home (about 11,000 persons). Today, about 111,4 thousand people with disabilities needing social assistance from the state live in the republic at present.

721. Main components of the state pension social insurance system make age, disability, survivor's pensions whose recipients amount to 10% of the population of the Kyrgyz Republic. In Kyrgyzstan the PAYG pension system based on a solidarity principle is in effect currently.

722. **Achievements and problems.** Lately the social protection and social insurance systems has become stronger in the institutional aspect and was able to eliminate delays with payments of pensions and social benefits, all payments are made only in cash, monetization of the significant part of benefits was carried out, as response to inflation pensions are indexed on a regular basis. At the same time, the system faces with a number of problems concerning:

- (i) *insufficient level of social benefits and pensions and their inadequate impact on improvement of living standards of life of recipients; in 2007 the average amount of UMB and social benefits made only 14,1% and 58,6% of the poverty line, respectively, the average pension made 28% from average wages that does not correspond to the international social assistance minimal standards; the low level of pensions and benefits may be explained by a great number of their recipients given limited resources of the state budget and Social Fund;*
- (ii) *inadequate targeting of the social assistance as very often its recipients are not poor people, particularly it is true for the system of privileges;*
- (iii) *poor quality and high cost of social services in boarding houses and other specialized institutions for children – orphans, elderly persons, people with limited physical ability;*
- (iv) *insufficient development of the social services system for vulnerable categories of the population delivered at the community-based level, therefore, many needy people, and particularly children from groups at risk, who need social benefits, remain without due support; there is a n acute shortage of expert, capable to render these services, there is lack of interest in their development of local authorities and local self-government bodies;*
- (v) *reduction of a number of payers of the insurance payments per one pensioner; this reduction is caused by the growing labor migration, the insignificant level of insurance contributions collected from peasants and self-employed, and the reduction in retirement age introduced in 2007 and, accordingly, increase in the number of pensioners; and as a result the ratio makes 1,8/1, and without taking into account peasants and self-employed individuals who pay insurance contributions at very low tariff rates, it makes 1,2/1; all this threatens financial sustainability of the pension system of the country;*
- (vi) *nonparticipation of labor migrants in the social insurance system and very low tariffs of insurance contributions for peasants and self-employed that not only reduces financial resources of the pension system, but also is fraught with the lowest future pension levels for these categories of workers.*

723. **Priorities.** A priority within the present Strategy framework for the period till 2010 will be provision of social protection to the needy layers of the population – disadvantaged, socially

vulnerable categories of children and families, people with limited physical ability, single and elderly citizens. In the sphere of pension social insurance the priorities will be increase of pension levels and strengthening of financial sustainability of the pension system in the medium and long-term outlook.

724. **Objective.** The objective of the Strategy in the sphere of social protection and pension social insurance will be provision of social guarantees and support to vulnerable categories of citizens who lack capacity to independent solution of social problems and need the state support.

725. **Tasks.** For achievement of the Strategy objective it is necessary to address the following tasks:

- (i) *increase in the size of state pensions and allowances;*
- (ii) *improvement of targeting of the state support;*
- (iii) *reforming and development of the system of social service;*
- (iv) *ensuring financial sustainability of the pension system that assumes improvement of insurance payments collection, optimization of insurance tariffs, improvement of insurance coverage of labor migrants, introduction of funded elements in the pension system.*

726. **Measures of policy.** In order to increase the size of the state social assistance at simultaneous improvement of its targeting and limiting of the number of recipients only to those who is unable to work and really need social support, the following measures are to be implemented:

- (i) *improvement of the methodology on the UMB entitlement determination and its amount;*
- (ii) *reforming of the existing system of privileges towards reduction of the number of their recipients and maintenance of benefits monetization;*
- (iii) *increase of benefits for citizens for funeral. It is planned to expand family support mechanisms which have family members with limited health capabilities.*

727. The reform system of social services delivery will be continued. It is planned to create an effective social service delivery network at the rayon level, aimed at creating of favorable conditions to disadvantaged families and citizens allowing to independently solve arising social problems and maintain social relations with the society in order to facilitate overcoming of social isolation. This system proposes implementation of the following measures of policy:

- (i) *further development and introduction of the social services delivered both by the state and nongovernmental organizations, in compliance with the Law of the Kyrgyz Republic «On the state social order»;*
- (ii) *creation of the system of social service delivered to vulnerable families and children, on the basis of the Code of the Kyrgyz Republic «On children» which assumes de-institutionalization (i.e. development and delivery of social services domiciliary with gradual refusal from the expensive system of boarding houses which do not provide due care) and decentralization of delivery of these services; creation of the system of bodies and services on providing services on protection of rights and legitimate interests of children; activization and creation of the support system for families with adopted children, tutorial, adoption and patronage families; interdepartmental coordination of national and state programs on protection of children; awareness and elucidative activities for the population on questions of protection of rights and position of children, increase of the family prestige;*
- (iii) *improvement of social workers' institution and strengthening of their capacity.*

728. In the sphere of social insurance the following measures will be undertaken:

- (i) *regular increase in the size of the base part of pensions to support it at 12% from average wages in the republic;*
- (ii) *indexation of the insurance part of pensions in proportion to inflation and growth of average wages;*
- (iii) *systematic reduction in tariffs of insurance contributions from employers and increase of tariffs of insurance contributions from workers;*

- (iv) *elimination of disproportions in insurance contributions payment and creation of equal conditions for all forms of entrepreneurial activity;*
- (v) *improvement of the legislation and administration in part of insurance payments collection;*
- (vi) *Improvement of social insurance of labor migrants through their involvement in the system of personified (individual) account and arrangement of payment of insurance contributions on a voluntary basis, settlement of migrants' insurance issues at the interstate level;*
- (vii) *introduction of contribution defined elements in the pension system that assumes development of corresponding statutory legal acts and mechanisms providing solution of issues of increasing sizes of pension benefits in Kyrgyzstan; maintenance of the pension fund financial sustainability in medium- and long-term outlooks; attraction of pension assets as investments in to the national economy; granting of tax deductions at tax assessment of individuals making insurance contributions to the voluntary system.*

729. **Programs and projects.** Within the CDS framework it is planned to implement the following projects in the social protection sphere:

- (i) *Program of support to sectoral policy in the sphere of social protection. The implementation period is 2007-2010. Partner: European Commission. The amount of budgetary support – 24 million euro.*
- (ii) *Project «Emergency support to the social protection system». The implementation period is 2008-2009. Partner: the World Bank. The amount – 5 million US dollars.*
- (iii) *Project «Health and social protection. A social protection component». The implementation period is 2009-2010. Partner: the World Bank. The amount – 2 million US dollars.*
- (iv) *Project «Inclusion of persons with the limited ability in the society». Partner: Japanese Agency of International Cooperation.*
- (v) *Project «Training / development of social work with children of «group at risk» in the Kyrgyz Republic for 2004-2009», “Increase of social benefits for poverty reduction among children”, “Reform of the childcare system in the Kyrgyz Republic for 2008-2010”. Partner: International Children's Emergency Fund (UNICEF.)*
- (vi) *Projects «Realization of rights of children with the limited ability in the Talas oblast», «Protection of rights of the child by the state structures in Bishkek and Osh oblast», «Prevention and rehabilitation of children living and working in streets of the Osh oblast». Partner: International NGO Every Child;*
- (vii) *Project «Decrease in poverty impact through strengthening of family». Partner: Fund «Save the Children» (Great Britain).*

730. **Resources.** Sources of financing of the Strategy implementation will be the republican and local budgets, and other funds not forbidden by the legislation of the Kyrgyz Republic.

731. **Expected results.** As a result of the CDS implementation it is expected to reach a better targeted state support of disadvantaged groups, and increase of average levels of the UMB, social benefits and pensions; development of the social services system at the local level, including, in particular, new services for children from groups at risk. As one of results of the pension reform can become increase in volume of financial resources for private and public investments.

6.3.4. Improvement of regulation of employment, labor relations and migration processes

732. **Overall assessment of the current situation.** The labor market in Kyrgyzstan is characterized by considerable unemployment²³, spread of informal and a underemployment²⁴,

²³ 8,3% in 2006

prevalence of employment in sphere of services (basically, trade) and agriculture. Thus, the level of wages in the country is one of the lowest in the CIS. Especially the rural youth faces the biggest difficulties in search of jobs; it causes their mass out-migration to cities, particularly, to Bishkek, and abroad. External labor migration became now an important phenomenon, hundred thousand Kyrgyz citizens find permanent or seasonal work in Russia, Kazakhstan and a number of other countries. Along with it participation of foreign citizens in the home labor grows as well.

733. Achievements and problems. The policy aimed at sustaining of labor market flexibility, and lack of barriers to international migration allowed for the major part of economically active population to find employment in the informal sector and abroad which has considerably slackened problems of unemployment and poverty in Kyrgyzstan. Wages of workers of budgetary sphere were increased. Amendments to the Labor Code were developed, aiming at further improvement of balance of rights and duties of employers and workers. At the same time the labor market faces with serious problems, among which there are:

- (i) *limited employment opportunities in the country, particularly in small cities and rural areas;*
- (ii) *low remuneration in many industries of economy, including insufficient salaries of workers of the budgetary organizations;*
- (iii) *insufficient level of social security and labor protection for employed in formal, and, in particular, informal sector;*
- (iv) *social and legal vulnerability of labor migrants in the countries of their employment;*
- (v) *outflow of qualified personnel abroad due to sizable disproportion payment level abroad and in Kyrgyzstan;*
- (vi) *insufficient regulation of inflow of external migrants in the country creates the additional supply at redundancy of the home labor market.*

734. Priorities of the Strategy in areas of employment and migration will be as follows:

- (i) *creation of legal and organizational conditions for employment growth inside the country;*
- (ii) *legal support of the Kyrgyz labor migrants.*

735. Objective. The Strategy objective in the sphere of labor and labor migration is promotion of realization of the constitutional right of citizens of the Kyrgyz Republic to labor.

736. Tasks. For achievement of the Strategy objective it is necessary to solve the following problems:

- (i) *promotion of employment growth in the country through improvement of the legislation and labor relations regulation system, measures of active policy in the labor market and development of partnerships between governmental institutions, trade unions and employers, job creation encouragement for the youth;*
- (ii) *improvement of knowledge of participants of the labor market about employment opportunities and conditions as inside the country, and abroad;*
- (iii) *strengthening of the protection system of labor rights, lives and health of the employed;*
- (iv) *pay rise to workers of budgetary sphere;*
- (v) *development of contractual and legal and institutional framework for promotion of labor activity of the Kyrgyz citizens abroad;*
- (vi) *regulation of labor in-migration from neighboring countries to Kyrgyzstan.*

737. Measures of policy. Solution of these problems assumes implementation of the following measures:

- (i) *active assistance to the unemployed in search of work by their referral to training in trades in demand, involvement in public works, easing access to microcredit programs;*

²⁴ In 2006 proportion of workers of enterprises, agencies and organizations made only 32% of total number of employed population; the remaining part carried out individual labor activity on own farmsteads and so on; 48% of rural population were part-time employed.

²⁴ In 2007 average monthly wages made 3990 Som.

- (ii) *coordination of activity of various structures and forms of employment promotion, including private employment agencies, youth labor exchanges, vacancy fairs and so forth;*
- (iii) *development of tripartite partnership between the state bodies, trade unions and employers;*
- (iv) *implementation of the State Action Program of social partners on elimination of the worst forms of child labor in the Kyrgyz Republic;*
- (v) *activization of youth professional counseling activities, creation of positive image of occupations demanded by the national economy;*
- (vi) *preparation and regular updating of the forecast of demand of economy of Kyrgyzstan for labor by basic industries, occupations and skill levels in cooperation with institutions of vocational training system;*
- (vii) *data collection and distribution on employment opportunities, terms and conditions for the Kyrgyz citizens abroad;*
- (viii) *assistance in development and restoration of occupational safety services in organizations and enterprises, irrespective of ownership forms; strengthening of control over performance of requirements of international standards and the national legislation of the Kyrgyz Republic in respect to protection of workers' rights to labor, life and health;*
- (ix) *regular increase of minimal wages;*
- (x) *reform of the remuneration system in the budgetary sphere directed on promotion of its flexibility and pay increase depending on the labor contribution and qualification of the worker; it should help to retain qualified employees and to prevent from their outflow abroad;*
- (xi) *conclusion of contracts with corresponding bodies of countries accepting labor migrants from Kyrgyzstan which provide protection of migrants' rights and facilitate obtaining of the legal status by them and normal employment opportunities;*
- (xii) *protection of rights of labor migrants abroad through activity of labor attaches at embassies and consulates of Kyrgyzstan in other countries;*
- (xiii) *regularizing of labor in-migration quotas to Kyrgyzstan.*

738. **Programs and projects.** Within the CDS framework it is planned to implement the following projects in the labor market:

- (i) *Program WIND «Improvement of work practices in development of local communities». Partner: ILO.*
- (ii) *Project «Strengthening of capacity of countries of Central Asia in struggle against the worst forms of child labor ». The realization period: 2005-2008. Partner: ILO.*
- (iii) *Project «Assistance to youth employment on the basis of integrated approach to realization of Programs on decent work in Azerbaijan and Kyrgyzstan». The realization period: 2007-2009. Partner: ILO.*
- (iv) *Project «Promotion of basic labor rights in Central Asia, in particular in sphere of elimination of forced labor and human trafficking». The realization period: 2009-2010. Partner: ILO. The amount – 2 million US dollars.*

739. **Resources.** Sources of financing of the Strategy implementation will be the republican and local budgets, and other funds not forbidden by the legislation of the Kyrgyz Republic.

740. **Expected results.** As a result of successful Strategy implementation will be decrease in the unemployment rate, wage raise of workers and improvement of their labor protection system, reduction in number of migrants who carry out labor activity abroad without appropriate legal status.

6.3.5. Sustainable and comprehensive cultural development

741. **General assessment of the current situation, achievements and problems.** In spite of the economic hardships, the country has mainly succeeded to retain its cultural potential and cultural originality and to keep the wide network of cultural institutions (theaters, museums, libraries, clubs, stadiums etc.) functioning. The country has more than 30 new public and private professional cultural groups. At the same time, the culture, sports, and physical training sectors currently face serious difficulties that are:

- (i) *incomplete legislation and imperfect institutional and organizational structure of cultural institutions, including those of physical training, to become adapting to the market economy requirements;*
- (ii) *less opportunities for citizens to access cultural valuables due to their poor conditions and untimely restoration and conservation of Kyrgyz historical and cultural monuments, not enough supply to and recovering losses for museums and libraries, decreasing club institutions, degradation of material and property basis of all without exclusion cultural units;*
- (iii) *reduction of healthy and sports facilities;*
- (iv) *insufficient creative activity in sphere of professional and amateur art, book publishing, weak updating of repertoire of theatrically-entertainment establishments and insufficient level of performance;*
- (v) *insufficient protection of intellectual property of creative workers that, in particular, reduces economic motivation to promote achievements of the Kyrgyz culture and art abroad;*
- (vi) *outflow of qualified personnel due to the lowest salaries among all the economic sectors and inefficient system of preparing human resources for the culture, physical training and sports sectors.*

742. **Priorities.** The key priority of the Strategy is the institutional strengthening of the culture that would assure preservation and reproduction of Kyrgyz cultural values.

743. **Goal.** The Strategy's goal is to preserve historical, cultural, and spiritual heritage of Kyrgyz people and to ensure steady and comprehensive development of the culture that would meet spiritual and physical requirements of people.

744. **Tasks.** The main culture related tasks that are to be fulfilled within the implementation of this Strategy are:

- (i) *improving related law provisions and institutional structures of culture, physical training and sports;*
- (ii) *preservation and development of the historical and cultural heritage;*
- (iii) *development of professional and amateur arts;*
- (iv) *development of human resources for the culture and art sectors;*
- (v) *improvement of facilities and equipment of organizations of culture, art, physical training, and sports.*

745. **Measures of policy.** The implementation of the tasks specified for the culture sector assumes the following measures of policy:

- (i) *making related legal provisions and institutional base of the culture, physical training and sports in conformity with requirements of the current day and international contracts the Kyrgyz Republic have concluded; determining minimum standards for rendered services;*
- (ii) *transferring of culture, physical training and sports institutions to new economic mechanisms that would allow their self-development and gradual replacement of budgetary donations to the above institutions with financing on a competitive basis through a system of state orders and grants; eliminating constraints to make these institutions able to provide paid and additional services; introduction of flexible forms for labor payments to raise salaries;*

- (iii) *strengthening the financial basis of the cultural policy by creating legal grounds for patronage of arts development and attracting private investments to the culture, art, physical training and sports sectors;*
- (iv) *improving the system of authors' fee;*
- (v) *decentralization of the system that controls the culture sector keeping herewith the regulating role of the State; carrying out a functional analysis of the sector, restructuring and optimizing the cultural institution network;*
- (vi) *inventory of history, culture and architect monuments for the purpose of defining degree of their deterioration and making necessary measures; maintaining units of cultural heritage in proper condition; toughening the law on protection of historical and cultural heritage;*
- (vii) *assuring safe storage of cultural values, including unique book editions, archival documents, movie and film stocks; insurance copying of especially valuable units kept in archives, libraries, and movie/ film stocks;*
- (viii) *arranging proper supplies to library, information and museum resources of Kyrgyzstan;*
- (ix) *creating social partnership between the State and cultural and art institutions; developing mechanisms to support non-governmental culture and art institutions;*
- (x) *setting up annual awards and competitions for the best works in the field of the literature, cultures and arts; providing addressed financial support and encouraging national cultural masters and talented and presented persons;*
- (xi) *Revival and culture development in rural areas, preservation of traditions of national holidays and festivals and traditional handicrafts;*
- (xii) *Assistance to development of creative unions and other public organizations uniting institutions and private persons involved in cultural activities and representatives of creative occupations;*
- (xiii) *carrying out information, explanatory and educational work to create patriotism among citizens, attract youth, children and other categories of the population to physical training, sports, participation in military-patriotic societies, and propagation of a healthy life style and family values;*
- (xiv) *target enrollment of talented youth from regions in cultural educational institutions;*
- (xv) *strengthening links and extending interaction between organizations cultural and educational institutions preparing staff for the cultural sector; ensuring a continuous education system in the culture and art sector;*
- (xvi) *increasing methodical security of cultural educational process; improving activities of refresher courses for cultural workers; introduction of innovative models and training techniques, modern technical and technological means;*
- (xvii) *elaborating a target program on carrying out major repairs of cultural facilities, their technical modernization and expansion; and*
- (xviii) *rendering organizational and material support to rural cultural institutions(clubs, libraries, museums etc.).*

746. **Resources.** Total financing of all the culture and art activities and projects for 2009-2011 makes US \$30 million and more than US \$3 million for physical training and sports. The sources are the national and local budgets.

747. **Expected results.** The implementation of the Strategy should result in strengthening of institutional and financial sustainability of cultural institutions, activation of the cultural and sports life in the country and to the improved conditions of the Kyrgyz cultural heritage.

6.4. Improvement of environmental quality

6.4.1. Maintenance of ecological safety

748. **Overall assessment of the current situation.** High-mountainous relief of an overwhelming part of the territory of the republic (96%) predetermines high vulnerability of ecosystems to natural and anthropogenic impacts. In this connection ecological sustainability along with social and economic and institutional aspects create a basis for progressive development of the country.

749. The conducted analyses of the atmospheric air condition shows that emissions of polluting substances only from the stationary sources making 34,5 thousand tons in 2005 have grown up to 37,9 thousand tons in 2007. As a result of transport operations annually in atmosphere of cities of the republic more than 15 thousand tons of toxic polluting substances are exhausted. The dust content of air exceeds by 10 times the maximum permissible concentration in the densely populated urbanized areas of the republic. 84% of farming facilities have the area of arable land less than 1 hectare. At such size of land tenure and separate farming organization of erosion-preventive works appears to be rather problematic. The land areas of agricultural purpose at the end of 2007 were reduced more than by 49% as against 1995. All this with account of change of climate reduces opportunities of food security maintenance.

750. The progressing urbanization of territories (lands of settlements at the end of 2007 versus 1995 increased by 85,5%) is accompanied by reduction of accessibility of newly built areas to the centralized systems of drinking water supply and adequate sanitation systems. In spite of the fact that in overall in the country the share of the population having access to pure potable water has grown in 2005- 2007 from 84,4% up to 89,8%, more than half-million people still lack access to safe sources of drinking water supply.

751. Performance of obligations under global ecological conventions to which party the Kyrgyz Republic is a signatory, promotes maintenance of ecological sustainability. Ecological sustainability, being a priority for the international donor community allows to involve financial resources for stabilization, prevention of degradation processes of natural resources, strengthening of life-support potential of the country as bases of improvement of quality of life and social and economic development.

752. **Achievements and problems.** One of the important achievements in the field of environmental protection and conservation is approval of the Ecological Safety Concept of the Kyrgyz Republic (PD KR № 506 as of 23.11.007) and a package of measures on its realization (OP KR №294 as of 13.06.08).

753. The draft Environmental Code was developed and submitted to the Jogorku Kenesh, the draft Law of the Kyrgyz Republic «On general technical regulation «On ecological safety» was developed, the draft Concept of the Kyrgyz Republic transfer to sustainable development till 2035 was prepared. Development of the second National Report on climate change is to be completed which shows pressing need of policy formulation on the country adaptation and various sectors of economy to conditions of changing climate.

754. With the purpose of preservation, reproduction of forest ecosystems the following is realized: the 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. In 2008 the National inventory of forests of the Kyrgyz Republic was launched being the first one in the CIS countries, the National Framework Program on sustainable land management till 2016 is implemented, etc.

755. For preservation of ecosystems moratoriums were declared in the country on cutting down of especially valuable tree species and fishing in the lakes Issyk-Kul, Son-Kul and other reservoirs of the republic. However, despite the taken measures, the issued Red Book of the Kyrgyz Republic shows increase in quantity of species of flora and fauna included in it.

756. The positive factor of maintenance of ecological sustainability is the notable tendency of increase in the areas of forest plantings promoting preservation of natural ecosystems, including biodiversity, water cycle, stabilization of climatic processes. The spring of 2008 the forestry enterprises of the country planted and seeded sylvula on the 3021 ha of land. The area of protected

natural territories expanded from 4,37% in 2002 up to 5,03% by 2007 that promotes strengthening of mitigation factors of the changing climate effects.

757. Concerted efforts of the state and international agencies, civil society of the country in the area of ecological education, and education for sustainable development promote better understanding of the importance of ecological sustainability for the country development processes and strategies.

758. Change of climate can nullify all efforts on improvement of life quality, in this connection development and implementation of the national plan on adaptation to climatic changes becomes an imperative need. Special concern cause forecasts on condition of glaciers of the republic. In the Kyrgyz Republic there are 8208 glaciers with total glaciation area of 8076,9 sq. km, with total volume of 494,7 cub. km. Presently, today the glaciation area has already decreased by 20%, there exists a real danger that by 2100 in the republic no glaciers will remain.

759. Pending is the issue of solid household waste disposal. The Government support is necessary in search of investments for construction of waste utilization factory in Bishkek.

760. **Priority:** Maintenance of ecological safety assumes development of the country allowing to provide sustainable economic growth on a long-term basis, not leading to degradation changes of natural environment.

761. **Objective.** Provision of the environmental safety as a basis of sustainable development of the republic.

762. **Tasks:**

- (i) *improvement of environmental policy and statutory and legal framework. For provision of ecological safety, achievement of sustainable development of the country and fulfillment of obligations under global ecological conventions;*
- (ii) *development and implementation of Measures of policy on the country adaptation to changing climatic conditions;*
- (iii) *improvement of efficiency of a Measures of policy on biodiversity preservation;*
- (iv) *development and implementation of Measures of policy on solid household waste management, including medical waste products.*

763. **Development prospects for 2009-2011. Measures of policy.** With the purpose of achievement of tasks in view policies and the measures directed on maintenance will be realized:

- (i) *integration of ecological requirements into sectoral policies;*
- (ii) *harmonization of the nature protection legislation with the international legislation and performance of obligations under ecological conventions;*
- (iii) *mitigation of consequences of climate change;*
- (iv) *biodiversity conservation;*
- (v) *development of solid household waste management system.*

764. **Programs and projects within the framework of the stated priorities.** For achievement of set tasks the following programs and projects will be implemented:

765. Within the scope of Task 1:

- (i) *harmonization of the national legislation with international law, integration of ecological requirements into sectoral policies;*
- (ii) *development and introduction of the special technical regulation aimed at provision of ecological safety;*
- (iii) *fulfillment of obligations under global ecological conventions.*

766. Within the scope of Task 2:

- (i) *development of the national action plan on adaptation to changing climate conditions and creation of system of the greenhouse gas emissions analysis and account.*

767. Within the scope of Task 3:

- (i) *development and implementation of the National Biodiversity Conservation Strategy;*

- (ii) *implementation of the UNDP/GEF Project «Strengthening of policy and normative and legal framework for solution of biodiversity conservation in fishery industry», directed on restoration of fish stocks in the lake Issyk Kul with preservation of precinctive ichthyofauna;*
- (iii) *implementation of the UNDP/GEF Project «Development of the Tien Shan ecosystems», aimed at: (a) reduction in greenhouse gas emissions through planting of forest sylvulas on lands of the State Forest Fund and beyond them and deposition of carbon dioxide in biomass, planted forestation, within the Pure Development Facility framework in accordance with Kyoto Protocol to the UN Framework Convention on climate change; (b) expansion of the protected natural territories area and strengthening of their capacity.*

768. Within the scope of Task 4:

- (i) *development of the Strategy on solid household waste management, implementation of the Strategy on solid household waste management, construction of waste recycling plant.*

769. **Resources.** In general, the financial requirement to address issues of ecological safety maintenance in the country for 2009-2011 makes 56,5 million US dollars.

770. **Expected results.** Within the framework of fulfillment of stated tasks the following results will be achieved:

- (i) *ecological requirements are integrated into sectoral policies of industrial and innovative development, development of the agricultural sector and food security, the national energy program till 2008-2010 and Strategy of the fuel and energy complex development till 2025, programs of development of secondary, professional and higher education;*
- (ii) *special technical regulation directed on maintenance of ecological safety are developed and introduced;*
- (iii) *national legislation meets requirements of the international nature protection conventions and agreements;*
- (iv) *policy of development of agricultural and fuel and energy complexes is reviewed with account of adaptation measures to changing climate conditions;*
- (v) *the registration system of greenhouse gas emissions is developed which allows to monitor content of greenhouse gases in atmosphere in the republic;*
- (vi) *the base for restoration of fish stocks in the lake Issyk Kul is created with the object of preservation enedemic ichthyofauna species;*
- (vii) *the area of sylvula plantings on lands of the State Forest Fund and outside these lands – was increased by 18150 ha;*
- (viii) *the area of protected natural territories was increased by 5,5%;*
- (ix) *investments are attracted and construction of waste recycling plant in Bishkek (2011) was launched;*
- (x) *the volume of utilized solid household waste products increased. The private sector is involved in the solid household waste management system.*

6.4.2. Provision of complex safety of the population and territory in the case of natural disasters and catastrophes

771. **Overall assessment of the current situation.** The territory of the Kyrgyz Republic is exposed to more than 20 dangerous natural processes and developments out of 70 known in the world. Earthquakes, landslides, mudflows and floods, snow avalanches, break-dangerous high altitude lakes, water logging present the highest threat to sustainable development, human lives, life support objects, and settlements.

772. In total there are not less than 14 thousand dangerous spots and zones of potential natural disaster and emergency situations which are distributed unevenly in Kyrgyzstan. Annually, based on the average statistical data, there occur more than 200 emergency situations of natural character, and

more than 1000 families are being resettled from the dangerous zones. 75% of the population of the republic live in 74 settlements which are located in zones of possible occurrence of earthquake centers the intensity of which exceed 9 points.

773. In Kyrgyzstan there are 92 objects where 250 million cub. m. of toxic and radioactive waste products are placed, of them on the balance of the state structures there are 36 tailing pits and 23 dumps, out of which 30 uranium and 6 toxic waste disposals with total volume 15,7 mln cub. m. of waste. Total area of storage of toxic waste products has increased from 41 in 1999 up to 48 in 2007, herewith, the area of placement has increased more than twice – from 189,3 ha up to 381,3 ha, respectively.

774. Lately in Kyrgyzstan, as well as all over the world, natural disasters tend to grow (2005 – 182 emergencies, 2006 – 185 emergencies, 2007 – 209 emergencies are registered, and over the first half-year of 2008 – 179 emergencies), it is connected for the most part to negative effects of global climate change. Natural and man-made emergencies become a serious obstacle for sustainable development of the country and poverty reduction among the population. In connection with growth of natural and man-made emergencies with each year a package of measures on their liquidation and prevention also grows and efficiency of their realization depends on preparedness of rescue services, their full and timely provision by human and material resources which are insufficient.

775. The public policy in the field of the population and territory protection from emergency situations should be directed on early measures providing their prevention and mitigation of damages, maximal possible use of available forces and resources of the state structures and local self-government bodies. Planning and implementation should be carried out with account of natural and economic characteristics of the region, hazard degree at providing efficiency and necessary adequacy.

776. **Achievements and problems.** Formation of the Uniform state system of the emergency prevention and mitigation was completed as a transition stage to formation of new state system of civil protection uniting tasks and functions of two protection systems. The given system will include authorities, forces and resources of the republican structures of executive authority, institutions of local government and organizations, irrespective of ownership forms and their powers include solution of issues in the field of protection of the population and territories from emergencies. The coordinating body is the Interdepartmental Commission on emergency prevention and mitigation chaired by the Prime Minister of the Kyrgyz Republic.

777. At the UNDP support the Coordination Group on emergency response in the Kyrgyz Republic was created directed on strengthening of cooperation and coordination in the field of response to emergency situations. At support of the World Bank in cities of Bishkek and Osh there were set up Crisis Situation Control Centers.

778. Significant strengthening of capacity of the Ministry of Emergencies of the Kyrgyz Republic was promoted by creation of two mobile engineering – mechanized groups equipped with engineering, automobile and special technical equipment necessary for carrying out of protective actions. Besides, in 2007 in 4 large cities rescue services were established. However, urgent is the issue of the technical condition of fire-prevention and rescue services as the most part of the equipment was made in 80-s of the last century.

779. 782. Annually with the purpose of efficiency improvement of preventive measures the “Monitoring, forecast and preparation for response on possible activation of hazardous processes and phenomena in the Kyrgyz Republic and frontier areas with states of the Central Asia” is prepared and issued. For the period 2005 – 1 half-year of 2008 protective and preventive actions were carried out on 230 objects, and on 134 objects of agricultural purpose.

780. The annual volume of allocated funds for carrying out of preventive actions in case of emergencies makes about 20 million US dollars. However these funds are mostly used on emergencies consequences liquidation that in turn negatively impact on realization of scheduled actions of preventive nature. Besides, there is urgency in making provisions for material reserve in case of emergency situations.

781. The International coordination group for coordination of actions of the Ministry of Emergencies of the Kyrgyz Republic, international organizations and donor countries on solution of problems in the area of Minkush settlement was set up.

782. Within the framework of the World Bank project the activity on tailings rehabilitation around the city of Majлуу-Suu is carried out, 5 systems for landslide processes monitoring and early warning in the most dangerous places at risk of landslides in Osh and Djalal-Abad-oblasts are established. With support of the Government of the Czech Republic in the tailing pit area near settlement of Ak-Tyuz the study was conducted of ecological conditions and liquidation of former ore concentrate warehouse of the Ak-Tyuz concentration plant.

783. For increase of efficiency of solution of questions of radioactive and toxic burial places there is a necessity for creation of the specialized state body on radioactive and chemical waste products treatment under the Government of the Kyrgyz Republic. By estimates, cost of only priority actions on maintenance of tailings safety makes more than 30 million US dollars.

784. **Priorities.**

- (i) *increase of efficiency of complex protection of population and territory system from disasters and catastrophes;*
- (ii) *maintenance of safe content of radioactive and toxic tailing pits.*

785. **Objectives and tasks.** The objective: provision of complex safety of the population and territory in the case of natural disasters in accordance with Khyogo Program of Actions for 2005-2015 for sustainable development of the country.

786. **Tasks:**

- (i) *integration of the Uniform state system of emergency prevention and mitigation and the state system of the civil defense in the state system into the Civil protection system of the Kyrgyz Republic;*
- (ii) *realization of prevention and mitigation programs for decrease of risk of natural disasters and man-made accidents;*
- (iii) *creation of the complex natural disaster monitoring and forecasting system on the basis of the latest technologies and remote reconnaissance methods;*
- (iv) *strengthening and improvement of public emergency services (fire-prevention, rescue, etc.);*
- (v) *bringing to safe condition of the suspended radioactive and toxic tailing pits.*

787. **Development prospects for 2009-2011. Measures of policy.** For achievement of the stated tasks the package of statutory and legal, organizational and technical measures will be developed directed on improvement of public policy in the field of protection of the population and territories against emergencies, their prevention and mitigation through development and realization of

- (i) *the National emergency response plan;*
- (ii) *Law of the Kyrgyz Republic «On civil protection»;*
- (iii) *Concepts of the state civil protection system development, etc.;*
- (iv) *activization of work with international organizations, including donor agencies, in search of partners and attraction of grant-based aid.*

788. **Programs and projects within the framework of the stated priorities.** Within the framework of the Country Development Strategy for achievement of stated tasks realization of the following projects and programs is stipulated:

789. Within the framework of Task 1:

- (i) *further improvement and development of the uniform network of crisis situation control centers with use of modern information technologies;*
- (ii) *strengthening of cooperation and coordination in the field of emergency response between the Government and international organizations within the UNDP project framework «Coordination group on emergency response in the Kyrgyz Republic» and involvement of local self-government bodies in natural disaster risk management within the UNDP project framework «Introduction of natural disaster risk management in decentralization process in Kyrgyzstan» .*

790. Within the framework of Task 2:

- (i) *development and realization of programs preventive, mitigation and design and survey works (construction of the objects providing protection of the population and territories, farmland from activization of natural processes);*
- (ii) *increase of overall performance of inspections and control over supervision of industrial safety and mine supervision;*
- (iii) *development and realization of the program on attraction of investments for realization of projects on rehabilitation and construction of bank protection embankments on the rivers of the Kyrgyz Republic.*

791. Within the framework of Task 3:

- (i) *creation of the system of complex monitoring and forecasting landslide processes on the basis of GIS technologies and remote reconnaissance in the Kyrgyz Republic;*
- (ii) *organization and development of the complex functioning monitoring network to observe hydrogeological and seismic movements of the earth's crust in the Kyrgyz Republic and in frontier areas of the Central Asian countries ;*
- (iii) *rehabilitation of meteorological stations and posts and further realization of the project « Swiss support of Hydrometeorological Services in the Aral sea basin(a final phase)».*

792. Within the framework of Task 4:

- (i) *strengthening of technical potential of fire-prevention and rescue services.*

793. Within the framework of Task 5:

- (i) *development and realization of emergency liquidation works on protective constructions of tailing pits and dumps;*
- (ii) *implementation of the World Bank project «Prevention of emergency situations» (Mailuu-Suu);*
- (iii) *holding of the international forum of donors on radioactive waste products (with support of UNDP in the Kyrgyz Republic);*
- (iv) *interaction with donor community and international organizations on search of investments and realization of projects on reclamation and rehabilitation of tailing pits and dumps (Minkush, Ak-Tyuz, Kan, Shekaftar, Sumsar, Orlovka, Kadji-Sai).*

794. Total amount of necessary financing of all actions and projects in sphere of the emergency prevention and liquidation for 2009-2011 will make about 213 million US dollars.

795. **Expected results.** Safety of the Kyrgyz Republic in emergency situations of natural and man-caused character, protection of environment against pollution, improvement of quality of systems of monitoring, forecasting and early warning of the population.

VII. ROLE AND CONTRIBUTION OF REGIONS TO DEVELOPMENT

796. **Current status of regional development.** In 2005-2007, gross regional product (GRP) was growing in all regions. The highest annual GRP growth rates were observed in Jalalabat, Issyk-Kul oblasts and the city of Bishkek, and the lowest growth was observed in Naryn, Talas and Osh oblasts. The City of Bishkek, Issyk-Kul and Chui oblasts have provided for more than a half of the country's gross domestic product and the highest level of per-capita product. However, there is still considerable regional variance in poverty levels. The most difficult situation is observed in Batken oblast, where more than 55.0% of the population are poor; in Naryn and Talas oblasts poverty level is 50.0%. Practically in all oblasts, except for Talas and Jalalabat, rural poverty level is higher than urban poverty. Poverty in rural areas of Issyk-Kul, Osh and Batken oblasts was approximately 60.0%.

797. By development level and potential, country regions may now be classified, as follows: (i) comparatively well developed – Bishkek, Issyk-Kul, Chui, Jalalabat, Osh oblasts and the city of Osh; (ii) poorly developed – Naryn, Talas and Batken oblasts.

798. **Common issues of regional development.** The regions have now developed and approved strategies and development programs for 2009-2011 from the perspective of a New Economic Policy declared by the President of the Kyrgyz Republic in his address to the nation on January 10, 2008. However, this process is complicated with the absence of a uniform regional policy of the state that would have approved common priorities and principles of regional development. As a result, there is insufficient coordination of regional development at a national level; inter-regional cooperation is poorly developed; and incentives required for facilitation of successful regional performance are not developed.

799. Mechanisms of coordination and harmonization of the regional development strategy with sectoral strategies have not been developed so far. Various aspects of territorial planning activities are "dissipated" in the process of implementation of sectoral programs.

800. In addition, there is still no scientifically substantiated zoning of regions for the most efficient and planned allocation of productive forces. There is practically no competitive territorial cluster that would have allowed creating a supply chain at an integrated level for promotion of domestic products to foreign markets.

801. The matter of accurate differentiation of functions of the central and local executive authorities in regulation of social and economic development of the regions is still not fully addressed. In the course of implementation of the Decree of the President of the Kyrgyz Republic "On conceptual approaches to reorganization of the system of administrative and territorial arrangements in the Kyrgyz Republic" regarding abolition and reorganization of structures of the ministries and agencies at a regional level, 423 types of functions have been identified, of which 98 have been transferred to the central level, 33 – to oblast state administrations, 109 – on regional (city) level and 14 have been abolished. However, there are still inconsistencies in functional powers between central government authorities and regional administrations. In general, reform of administrative and territorial arrangements, as set forth in the Strategy of decentralization of the government, moves forward very slowly and constrains transformation in intergovernmental relations, hampers local government development, and restricts active overcoming of regional disproportions in social and economic area of regions at a regional level.

802. Today, the administrative and territorial arrangement of the country is still characterized by a four-stage government. Now there are 7 oblasts, 2 cities of the national significance, 40 rayons (districts) and oblast-subordinated towns, 11 cities of oblast significance and 12 cities of rayon significance as well as 459 ayil okmotus. The existing structure of the government makes it bulky and cumbersome, and gives no way of adequately addressing the existing state problems in a flexible and prompt manner. Besides, it is rather costly, since profitability of public expenditures for the maintenance of the existing structure of the government is very low.

803. Regions are often empowered without legal and regulatory vesting of these powers, which in turn prevents them from accomplishing urgent objectives of regional development.

804. There are still outstanding issues associated with administrative and territorial division between separate regions. This entails a series of problems associated with delimitation of the regions, influence areas and responsibilities. Moreover, legislation of the Kyrgyz Republic in separate areas of regional activities is extremely deficient. In particular, there are no mechanisms that would

take into account interests of regions at issuance of authorization documents for development of various deposits.

805. Human resources capacity not always stands up to the existing requirements, as well as the scope of duties performed. Proposed training and retraining courses for municipal servants not always correspond to the existing requirements. The reason is that there are almost no surveys in the area of professional education, and the gaps in the knowledge of municipal servants are not addressed properly.

806. The quality of regional government is not monitored at a system level, because there are no criteria of successful performance.

807. There is a need for differentiated approach to various territories. In addition, special emphasis should be placed on remote mountainous regions and areas of environmental threat. There is a need for special anti-crisis program of development of southern oblasts, especially in border areas.

808. The problems associated with borders and development of border areas now become increasingly more important. Special emphasis must be placed on improvement and capitalization of border areas through road construction and improvement of irrigation.

809. Transition to medium-term planning and preparation of a development strategy for each region have allowed better reflecting the outstanding problems, planning resources and ways of accomplishing the objectives by 2011. Goals and objectives of regional development strategies for 2008-2011 fully correspond with the national priorities as set forth in this Strategy. Moreover, by taking into account specific regional features, they supplement them with detailed action plans for this period, including launch of a series of investment projects in each region.

810. Well-balanced qualitative development of each rayon, town and ayil okmotu through launch of economically sound projects and clusters therefore becomes a strategic target of regional development for the nearest term.

811. **Main objectives** of regional development include:

- (I) **To develop and approve the Concept of regional development** for identification of main principles and elements of the regional state policy.
- (II) **To resolve the issue of creation of an efficient owner** that will be responsible for the destiny of regional development. There is a need for preparatory measures for capitalization of regions, which will be expressed in the growth of cost of assets vested in regions. Therefore, it is necessary to take inventory of assets of the regions and estimate their actual cost.
- (III) **To create “economic districts” and growth points.** Decree of the President of the Kyrgyz Republic “On conceptual approaches to reorganization of the system of administrative and territorial arrangements in the Kyrgyz Republic” provides for integration of administrative and territorial units. Economic bases of integrated administrative and territorial units will be developed through creation of economic districts to promote smooth integration of administrative and management units starting from 2011.
- (IV) **To create conditions for modernization of sectors of economy,** support and development of competitive economic clusters. Economic clusters should become a form of integration and support of small- and medium-scale enterprise.
- (V) **To create a human resources management system.** In the Kyrgyz Republic, there is now a long-felt need for re-identification of the mechanisms of distribution of human capital in the country and provide for the most efficient use thereof. Capitalization of human resources becomes one of the main components of regional development in the long term.
- (VI) **To create incentives for introduction of tools of strategic planning,** targeted program budgeting, and development of the mechanisms of private and public partnership. Accomplishment of the regional development objectives, implementation of regional development strategies and programs in 2009-2011 requires improvement of the government and increase of efficiency of the use of budgetary funds at a regional level as an indispensable condition.

- (VII) **To streamline and regularize intergovernmental relations.** With a view to encourage initiative of local authorities, increase their role and accountability in the development process, there is a need for further introduction of a three-level structure of intergovernmental relations by vesting territories with expanded functions associated with independent implementation of the development policy.
- (VIII) **To evaluate performance of local bodies.** Performance evaluation will be based on the following eight criteria:
- *quality of economic growth;*
 - *containment of the rise in prices on*
 - *growth of labor productivity;*
 - *job creation;*
 - *volume of the promoted direct investments;*
 - *growth of income of the population; and*
 - *increase in life expectancy.*
- (IX) **To build national register of investment projects.** When speaking of development, one may not restrict to branch or sectoral prioritization of projects only. Integrated comprehensive implementation of projects as a whole should address the issues of recovering entire regions and clusters of the country.
- (X) **To localize the Millennium Development Goals (MDGs) at a local level.** There is a need for efforts to localize the Millennium Development Goals at a level of regional development strategies.
- (XI) **To ensure sustainability of local budgets** through improvement of their administration and implementation of a flexible fiscal policy.

812. Regional development **priorities** for the period of 2009-2011. **Priorities of development of the city of Bishkek** include: (a) business tourism; (b) processing industry. As the national capital city, Bishkek becomes a "megalopolis" of the country's business life, which is a center of the largest banks, prestigious hotels, restaurants, markets, shopping centers, gambling industry and telecommunication services. The share of service sector in the gross regional product of the city of Bishkek is over 60%. 62% of all economically active population that are a part of the municipal economy are involved in this sector. By range of services, Bishkek ranks first in the country. More than a half of all domestic services (52%) are provided in Bishkek. Sustainable growth of services in the city of Bishkek was supported by increased domestic demand owing to faster growth of income of the population (by 1.5 times) as compared to the national average rates. In the long term, taking into account the status of the city and availability of corresponding infrastructure, "business tourism" will develop and create prerequisites for development of telecommunications, hotel services, information technology, financial intermediary services, intellectual services, etc. Traditional services (such as trade, personal services, transport services, etc.) will continue developing.

813. The city produces more than 45% of domestic food products; there are the largest enterprises that produce confectioneries, beverages, dairy products, tobacco products and beer, all of which are exported to other regions of the country and neighbor states. One of the key objectives will be promotion of direct investments for modernization of the existing enterprises with implementation of new technology and development of new projects that aim to expand the product mix.

814. **Chui oblast development priorities:** (a) agriculture, (b) processing industry, (c) gold mining.

815. Chui oblast is one of the largest agricultural producers, which has 32% of the country's irrigated arable land, makes the greatest contribution to the national agricultural production (30%), and is a major producer of sugar beet, grain, vegetables and fruits, milk. Agriculture, which is relatively well developed in comparison with the other regions, will develop as a branch that provides population with principal types of agricultural products and raw materials (processing enterprises are mostly concentrated in Chui oblast and Bishkek).

816. Food and processing sector products made of the processed local raw materials constitute 35.3% of all products of the domestic food-processing industry. The oblast is a major manufacturer of sugar, spirits, alcoholic beverages and liquors. Availability of a developed industrial base (for preprocessing of wool, leather and fur materials, marketing of a broad assortment of wool yarn,

manufacture of food products), attractive investment climate, developed infrastructure, traditional and stable commodity markets are all good prerequisites of development of processing industry in the region.

817. Commencement of operation of the Taldy-Bulak Levoberezhny deposit will contribute to development of domestic gold mining.

818. Rehabilitation of the Almaty – Kemin – Chyrpykty and Bishkek – Almaty (Georgievka), motor roads and inland roads is an important prerequisite for development of regional economy.

819. **Issyk-Kul oblast development priorities:** (a) tourism; (b) processing industry; (c) gold mining.

820. Possibility of promotion of tourists by posting information on web sites, participation in international tourist fairs, as well as the opening of new representative travel offices and new tourist areas for extreme and other types of tourism are all prospective directions of development of the tourist industry in the oblast. Reconstruction of the international Issyk-Kul Airport is a favorable prerequisite for development of tourism in the oblast. Resolution of the following large-scale infrastructural issues is of great importance for development of tourism and regional economy as a whole: (i) reconstruction of a highway around the Issyk-Kul Lake, (ii) construction and reconstruction of such motor roads as Karakol – Enilchek that leads to the People's Republic of China, and Tjup – Kegen that leads to Kazakhstan and Russia.

821. The food and processing industry in Issyk-Kul oblast is of significance for supply with major types of its products of health resorts and sanatoria, which is extremely important for improvement of the quality of tourist services in the oblast. The sector is represented by producers of dairy products, tinned fruits and vegetables, fruit and liquor products. As the region develops in terms of diversification of tourist services, demand for products of the processing industry will grow, as well. Moreover, products of processing enterprises of the oblast are supplied to the other regions of the country, as well as exported to other countries (Kazakhstan, some regions of Russia). In the long term, the region has a considerable potential of increase in the volume of export of fruit juices, jams.

822. **For Naryn oblast,** development prospects are based on promotion of: traditional (a) agriculture, (b) processing industry, (c) mining sector, and (d) tourism.

823. In 2007, the share of agriculture in the gross regional product of this oblast was nearly 65%. Availability of extensive alpine pastures and traditional skills of the population are prerequisites of development of sheep and yak breeding and increase in output of meat and wool produced for export to other regions. In addition, the oblast potentially has a possibility to produce seed potato.

824. Development of the food and processing industry is a key objective of the region, accomplishment of which will enable employment of population in the region, increase population incomes, and explore income-generation potential of local budgets. Increased output of agricultural products in the long term will create favorable prerequisites for development of a processing industry with use by the oblast of its own raw materials (food grain, potato, vegetables, meat, milk, wool, skins).

825. In the territory of the oblast, there is one of the largest deposits of brown coal, the Kara-Keche deposit, which produces more than 55% of the total volume of domestically extracted coal. The proposed construction of a thermal condensation power plant on this deposit will scale up capacity of the existing coal-mining enterprises.

826. **In Talas oblast, the priorities** of economic development include: (a) agriculture, (b) processing industry, and (c) mining.

827. In 2007, the share of agriculture in the gross regional product exceeded 75%. Agricultural products mostly include: grain, sugar beet, potato, vegetables, tobacco and oilseeds. Kidney beans are yet another promising crop, yields of which are mostly exported to Turkey. Increased output of agricultural products will provide for growth of the output of processing branches (dairy products, sugar, canned vegetables). Output growth and promotion of products in the markets of Kazakhstan and Russia will be driven substantially by construction of a trading house in Taraz, Dzhambyl oblast (Kazakhstan), as well as by rehabilitation of the Taraz – Talas – Suusamyr road.

828. Development of the Dzherui deposit will contribute to development of mining and creation of new jobs in the oblast, and will serve a prerequisite of development of social infrastructure and services.

829. **In Jalalabat oblast, development priorities include:** (a) power, (b) agriculture, (c) processing industry, (d) tourism.
830. Jalalabat oblast generates more than 90% of all domestically produced electricity (cascade of Toktogul HPPs). The proposed construction of a cascade of Kamarata HPPs will create new jobs, facilitate growth of the population incomes, and give a spur to development of the service sector.
831. The oblast is one of the basic manufacturers of agricultural products in the country (its share exceeds 15%), where 77% of the population live in rural areas. Traditionally, this area is an agricultural region that produces the majority of cotton (70%), considerable part of vegetables and fruits that are processed and exported abroad.
832. Developed agriculture is a prerequisite of the processing industry development in the region.
833. Long-term development of the processing industry is planned through advanced processing of cotton, vegetables, fruits, manufacture of canned vegetables and fruits, diversification of the list of goods made of ecologically pure products from Arslanbap relic fruit-and-nut woods (honey, nuts, wild-growing fruits).
834. Tourism is very promising area in the region thanks to its rich natural resources, availability of tourist complexes ("Arslanbap", "Asia Tracking", "Jalalabat" sanatorium, "Sary-Chelek" camp site and recreational area, etc.). There are ample opportunities for ecological tourism: Arslanbap relic fruit-and-nut woods, large forest "Kara-Alma", mountain lake Sary-Chelek, 15 wildlife preserve and protected areas. Pilgrimage is yet another intensively developing area of tourism in the oblast with such major attractions as the "Shah-Fazil" mausoleum, "Arslanbap-Ata", etc.
835. **In Batken oblast, the priorities include:** (a) agriculture, (b) processing industry.
836. For Batken oblast, where up to 74% of the population live in rural areas, agriculture is a dominating sector of economy (in 2007, its share in the gross regional product was 55%). The oblast produces tobacco, the best grades of grapes and fruits that are processed and further exported (wine, dried apricots, canned fruits, fermented tobacco). Moreover, the oblast has a potential for development of goat and yak farming. Development of new land areas through construction of Kara-Kyshtak-Boz and Sarkent-Too-Zhajloo channels is one of the agricultural development priorities in the oblast. The oblast has considerable production facilities and a capacity to produce fermented tobacco, grape wines, canned vegetables and fruits. Increased output of agricultural products will create prerequisites for development of the processing industry, creation of new enterprises.
837. Creation of transport communications, including completion of construction of the Kok-Talaa-Pulgon-Burgondu-Batken bypass road, as well as reconstruction of internal roads, are of great importance for development of economy of the region.
838. Sustainable operation of JSC the "Kadamjai Antimony Combine" and commencement of operations at the cement works in Kyzyl-Kija will contribute considerably to development of economy of the oblast.
839. **Development priorities of Osh oblast include:** (a) agriculture, (b) processing industry.
840. Osh oblast contributes 18.7% into the country's agricultural output. Its agricultural sector amounts to 59.7% in the gross regional product. 71.2% of all active population are occupied in agriculture.
841. This oblast is one of the largest manufacturers of export-oriented products, such as cotton, tobacco, fruits and vegetables. There are nine ginneries in the oblast, one large tobacco processing enterprise ("Osh-Djubek"), seven tobacco fermentation shops.
842. Manufacture of ecologically clean products (organic cotton), application of resource-saving technology (drip irrigation, etc.), launch of enterprises for advanced processing of agricultural products are very important for increase in the output of agricultural products.
843. In the processing industry, along with development of enterprises supplying food products for the population of Osh oblast, it is also proposed to construct and launch new facilities for manufacture of finished goods of the cotton, tobacco and fruit processing industries.
844. Rehabilitation of the Osh – Gulchah – Sarytash – Irkeshtam motor road, preparation of a feasibility study for construction of Osh – Kara-Suu – Jalalabat – Torugart railroad will create favorable prospects for the strengthening of trade and economic relations with China and Tajikistan, and will strengthen role of the region as a traffic center of the entire Central Asian Region.
845. **The priority of development in the city of Osh** is its processing industry.

846. Industry of the city of Osh is mostly represented by enterprises involved in processing of agricultural products. Unique domestic enterprise that produces silk fabrics (JSC "Osh-Zhibek") is located in the city; there are also large enterprises that are involved in the processing of raw cotton: JSC "Textilshik", LLC "Limatex", JSC "Osh-Tex".

847. Development of Osh as a southern capital and the largest city in the southern region creates prerequisites for development of the food-processing industry. In order to provide the population of Osh and Osh oblast with food products, development efforts will be focused on manufacturers of food products (dairy products, beverages, vegetable oil, bread and bakeries, pasta, etc.).

848. **Target indicators of regional development for 2011:**

Region	Share of GRP the in gross national product (%)	GRP growth rates (%)	GRP per capita (\$/person)	Average wages (AW), KGS	Ratio of region average wages to the country average wages
Bishkek	40,0	195	2699	12270	1,5
Issyk-Kul oblast	14,0	131	2153	7800	0,9
Chui oblast	19,9	131	1790	5720	0,7
Osh oblast	10,0	146	595	3793	0,5
Jalalabat oblast	10,0	147	614	5944	0,7
Osh	3,4	152	976	4564	0,5
Naryn oblast	4,5	138	654	11302	1,3
Talas oblast	5,0	122,7	1136	5300	0,6
Batken oblast	2,9	136	317	4761	0,6
Country as a whole	100	125,8	1564	8388	1,0

849. **Measures of policy.** For the **agricultural** sector:

- (i) *expansion of a commodity market for agricultural output;*
- (ii) *improvement of farmer lending conditions;*
- (iii) *intensive introduction of advanced technology in seed-growing and breeding business;*
- (iv) *development of private veterinary services; (specify; this rather concerns the livestock industry)*
- (v) *improvement of agrotechnical service;*
- (vi) *development of the market of mineral fertilizers, pesticides and agricultural machinery;*
(
- (vii) *increase of water security of irrigated areas;*
- (viii) *growth of demand for agricultural raw materials from processing enterprises; and*
- (ix) *enhancement of the extent of processing of agricultural raw materials.*

850. For development of the **mining and energy** sectors:

- (i) *modernization of the existing enterprises through implementation of new technology and launch of new enterprises;*
- (ii) *construction of new HPPs;*
- (iii) *construction and launch of mini-HPPs;*
- (iv) *simplification of the licensing and other administrative procedures at a local level; and*
- (v) *creation of favorable conditions for investors.*

851. Major measures for development of the **processing industry** of the regions will include:
- (i) *modernization of the existing enterprises through implementation of new technology;*
 - (ii) *launch of new enterprises, basically establishment of small-scale enterprises in rural areas;*
 - (iii) *diversification of the product mix; and*
 - (iv) *improved competitiveness of products.*

852. Following measures will aimed to promote **tourism** development:

- (i) *creation of transport infrastructure,*
- (ii) *development of information and telecommunication services,*
- (iii) *expansion of a network of banks, hotels,*
- (iv) *simplification of the visa regime,*
- (v) *completion of the process of privatization of resort and recreational facilities, and*
- (vi) *development of advertisements.*

853. National priorities at a regional level will be accomplished through implementation of large investment projects under the regional strategy and programs for 2008-2011. Annex 9.4 (Strategic investment projects by regions) describes the largest investment projects. 52 large investment projects of national importance have been selected from the total pool of proposed regional investment projects (1525).

Summary of investment projects proposed for commencement in 2009-2011 under the regional development strategy and programs

#	Region	Number of projects, including projects in the social area	Coverage (%) of the needs for financing
1	Batken oblast	114 (25 social)	10.4% (14% social)
2	Jalalabat oblast	497 (238 social)	79.6% (74.2% social)
3	Issyk-Kul oblast	178 (89 social)	88.5% (53% social)
4	Naryn oblast	106 (56 social)	83% (23% social)
5	Talas oblast	169 (70 social)	24.2% (39.5% social)
6	Osh oblast	105 (27 social)	94% (43% social)
7	Osh	61 (13 social)	98% (88% social)
8	Chui oblast	279 (62 social)	93% (44% social)
9	Bishkek	16 (4 social)	99% (100% social)
Total:		1 525 (527 social)	

Provision of resource for investment projects under the regional development strategy and programs for 2008-2011

Region	Financing required (million KGS)	Available financing (million KGS)	Financing gap (million KGS)
Chui oblast	7 774	7 217	557
Issyk-Kul oblast	31 389.3	27 779.7	3 609.5
Naryn oblast	59 795	59 093.7	701.3
Talas oblast	3 593.03	947.05	2 646
Jalalabat oblast	45 760	44 134	1 626
Osh oblast	16 672	15 658	1 014
Batken oblast	2 628.7	274.58	2 353.9
City of Osh	7 122.7	7 083.6	39
City of Bishkek	6 910	6 827.6	82.4
Total:	181 644.73	169 015.23	12 629.1

VIII. STRATEGY IMPLEMENTATION PROCESS

8.1. Process management

854. According to the Country Development Strategy, main development directions are based on **partnership of the government, society and business**. Therefore, monitoring of implementation of this Strategy will be based on the same principles. Decisions on allocation of resources and adjustment of programs will be made taking into account the findings of monitoring and evaluation of progress in implementation of the Strategy.

855. The proposed CDS is an administrative tool focused on all aspects of mutual relations between Strategy actors, as well as on the entire process of its implementation (resources, use of resources, outcomes, etc.). The Country Development Strategy is considered as a set of complex targeted programs, including regions, and local projects united by uniform conceptual approaches, common goals and resources, focused on achievement of a strategic goal for 2009-2011: **improvement of the quality of living through improved quality of economic growth, management and environment**.

856. Administration of the Country Development Strategy implementation process provides for:

- (i) *systematic analysis and evaluation of each program and project from the point of view of assistance in country development under the CDS;*
- (ii) *constant expert review of results of programs and projects under the CDS;*
- (iii) *justification for the required expenditures for implementation of programs and projects;*
- (iv) *identification of possible sources of financing; encouragement of investment projects;*
- (v) *creation of conditions required for implementation of programs and projects;*
- (vi) *selection and organization of implementing agencies;*
- (vii) *creation of necessary administrative (legal-and-regulatory and resource-and-personnel) framework for the Strategy;*
- (viii) *organization of gradual provision of resources for projects approved for implementation;*
- (ix) *organization of monitoring, identification of deviations from the declared objectives, analysis of the reasons, making necessary adjustments.*

857. Activities of all stakeholders of the Strategy will be coordinated by the National Board for Strategic Development of Kyrgyzstan chaired by the President of the Kyrgyz Republic.

858. The National Board is an advisory body providing coordination of concerted efforts of participants of dealing with problems outlined in important national strategic documents of the country. The National Board has the following strategic objectives:

- (i) *Providing of overall coordination and guidance of the strategic objectives implementation process of Kyrgyzstan's development;*
- (ii) *Ensuring of continuity, succession and integrity of the development strategy of Kyrgyzstan;*
- (iii) *Consolidation of society for goal achievement and achievement of Kyrgyzstan's development strategic objectives.*

859. Activities of the National Board will be supported by its working body – the Ministry of Economic Development and Trade of the Kyrgyz Republic under overall guidance of the Administrative Office of the President of the Kyrgyz Republic.

860. Legal support of goals and guidelines set forth in the Strategy will be the main task of the Jogorku Kenesh (Parliament) of the Kyrgyz Republic in the process of implementing the Strategy. Creation of a legal and regulatory framework, review and approval of state budget, systematization and increased efficiency of the legislation as a condition of implementation of priority directions of the policy of the state should become a contribution of the Jogorku Kenesh of the Kyrgyz Republic into successful implementation of activities set forth in the Strategy.

861. Mobilization of necessary financial resources from the budget, coordination of mobilization of borrowings, coordination of actions of central, branch and regional enforcement authorities, creation of institutional conditions for the private sector and civil society to participate in implementation of activities, as well as coordination of formulation and implementation of programs and projects under the Strategy will be the primary goals of enforcement authorities.

862. Improvement of the CDS-2 implementation management process is planned to be carried out through increase of efficiency of realization of sectoral, departmental and regional strategic documents developed on 2009-2011. The given process assumes strengthening of actions of the Government of the Kyrgyz Republic, aimed at funds spending performance evaluation within these strategic documents realization framework.

863. The Strategy implies active involvement of civil sector in its implementation. Collection, generalization and submission of the best initiatives of citizens as a result of active and permanent interaction with them should form the basis of their contribution to implementation of the Strategy. Civil society is involved into the process of formulation of social and other standards associated with essential needs of the population, and implementation of activities required to meet these needs, research and developments, as well as analyses associated with formulation of a scientific approach to the preparation of programs and projects under the Strategy. Monitoring of efficient and targeted use of resources, independent review of efficiency of implementation of the Strategy will be a key aspect of participation of civil society in implementation of the Strategy.

864. Since the moment of acquiring independence, the Kyrgyz Republic has received and still receives external assistance from various donors. The Country Development Strategy implies active involvement of the donor community in assisting the country in achievement of development objectives. International and donor organizations will make inestimable contribution by providing financial resources to the country for bridging the gap between its financial capacity and the required amount of financing of enterprises as envisaged by the Strategy. Current donor assistance is coordinated both between donors themselves, and through discussions with the Government of the Kyrgyz Republic. The policy and volume of this assistance are concentrated in the comprehensive donor-implemented Country Assistance Strategies. Donors are also expected to render assistance in the form of consultations and granting of intellectual support for implementation of reforms, technical assistance to build implementation capacity of enterprises under the Strategy, which is yet another indispensable condition of successful achievement of the goals.

865. One way or the other, the Strategy can be exposed to influence of intra- and inter-departmental inconsistencies and conflicts, because it is implemented by bureaucratic institutions. Therefore, actual need for now is a matter of implementing a PR-campaign for the document itself. Transparency in implementation of the CDS will be ensured through meaningful dialogue between process participants.

8.2. Monitoring and evaluation

866. Regular monitoring and evaluation of performance of particular measures and projects under the Country Development Strategy will be an efficient tool for monitoring the progress in its implementation, which will allow: (1) making preemptive decisions for adjustment the process of promotion of the CDS priorities; and (2) evaluating their impact on general development of the country as a whole.

867. A set (matrix) of indicators coordinated with all stakeholders is an integral component of the CDS document and a "core" of development and launch of an electronic monitoring and evaluation system structured according to directions, goals and objectives of the Strategy. Indicators of monitoring and evaluation of the CDS include both qualitative and quantitative characteristics. The system of monitoring and evaluation indicators is aimed to trace and measure:

- (i) *intermediate results of the Strategy with a set of outputs that characterize contribution of resources and implementation of the proposed activities;*
- (ii) *end results with a set of outcomes relative to the goals and objectives;*
- (iii) *influence of the Strategy on the country's development in the long term with a set of impact indicators reflecting consequences of implementation of the Strategy;*
- (iv) *national indicators reflecting the dynamics of development of the Kyrgyz Republic at a macroeconomic level.*

868. Each indicator will be supported by reliable and efficient system of statistical data and reporting. The National Statistics Committee will have a key role in support of these efforts, along with the Ministry of Economic Development and Trade, Ministry of Finance, line ministries, other agencies and departments. The status of national statistics is now characterized by a period of development of the international rules and standards of statistics, improvement of its organizational structure, as well as development of the advanced methods of software and hardware based gathering and processing of economic and social data. Statistics is assigned to do efficient and reliable monitoring of the national and government programs of economic and social development of the country, as well as corresponding international programs, implementation of which is supported by Kyrgyzstan that has made corresponding commitments. These include monitoring and evaluation of the Comprehensive Development Framework and the Millennium Development Goals (CDF/MDG), as well as a variety of other programs. Therefore, further strengthening of institutional capacity of state statistics in terms of effective provision of users at all levels with information, as well as achievement of transparency and reliability of statistics are obviously required. Special emphasis will be placed on improvement and expansion of a sample for annual monitoring of the standard of living of the population with a view to improve evaluation of poverty indicators both nationwide, and by regions.

869. The action plan (matrix of actions) and matrix of CDS monitoring indicators are interlinked because direct implementation of the plan and the Strategy's outcomes are traced via intermediate findings and outcomes of monitoring. Further consequences stemming from impact of the Strategy on long-term development of the country are traced with indicators of impact, the number of which (unlike intermediate indicators) will be limited (to twenty), including indicators of the Millennium Development Goals.

870. With a view to promote transparency of implementation of the CDS and division of responsibility for results of its achievement with the civil sector, the system of monitoring and evaluation is institutionally planned to be built by creation of at least two alternative information channels: (i) state (official) and (ii) non-governmental (external) channels that provide results of monitoring and evaluation of implementation of the Strategy by the interested civil sector groups. The Ministry of Economic Development and Trade of the Kyrgyz Republic has led the efforts aimed at construction and launch of the official state channel of the information system of monitoring and evaluation of the Strategy. Responsibility for the launch of a non-governmental channel (external monitoring) should be assumed by a non-governmental organization or a group of NGOs capable of recruiting independent national experts to do this task. Now there is a real need for non-governmental organizations to participate in an independent (alternative) evaluation of implementation of the CDS in such directions as:

- (i) *quality of government; corruption;*
- (ii) *social priorities;*
- (iii) *environmental safety;*
- (iv) *economic deregulation;*
- (v) *SME development.*

The Department for Economic and Social Policy in the Administration of the President of the Kyrgyz Republic is a coordinating body for commencement and development of a full-fledged system of monitoring and evaluation in the Kyrgyz Republic.

871. Monitoring based on alternative estimates is initiated for the first time under the CDS, which makes it different from all previous programs and the country strategies in the context of increased level of partnership with the civil sector.

872. Launch of a system of monitoring and evaluation implies tracing of results on a regular basis with direction of corresponding "flows" of information to the Ministry of Economic Development and Trade to gain comprehensive understanding of all indicators of monitoring and evaluation of the CDS on the basis of official reporting. Official channels, independent research, analysis and evaluations may be used as sources of information for external monitoring and evaluation by groups of independent experts. The policymakers will therefore have an option to choose data from official and informal sources of CDS monitoring.

873. Efficiency of the Strategy will be periodically evaluated based on the monitoring data. Progress will be analyzed in the course of such evaluation, bottlenecks and weaknesses will be identified in the course of implementing activities and projects under the Strategy. Operational decisions will be based

on the findings of this evaluation and will focus on selection of options, further steps in implementation of the CDS, reallocation and most efficient use of resources, improvement of coordination of efforts with the donor community, better satisfaction of expectations of the society.

874. Main challenge for the launch of a full-fledged system of monitoring and evaluation is the country's institutional weakness. Available expert capacity in monitoring and evaluation can be characterized as rather low, since experts have fragmentary and discrete knowledge, and media are isolated. This challenge may not be addressed successfully without proper integration of all possible resources and further coordination of efforts. Donor organizations as sources of knowledge and experience in the area of monitoring and evaluation have a key role to play in this situation. The donor community can also have a key role in consolidation of possibilities in independent evaluation of efficiency of the Strategy. Experience of the UN agencies, ADB, World Bank, European Commission and other international organizations in evaluation of position of children and women, efficiency of the government, and a situation in the area of human rights, is an exclusively important component in the forthcoming efforts aimed at establishment and strengthening of institutions for monitoring and evaluation in the country.

875. Technical assistance provided for these purposes to the Government of the Kyrgyz Republic by the Asian Development Bank became a particular step in this direction. This assistance was provided through launch of two projects focused on construction of a state information system for monitoring and evaluation of the CDS, both at a national and regional level, within the framework of supporting the potential of formulation and implementation of the Country Development Strategy.

876. Following objectives have been accomplished under two projects:

- (i) *the matrix of CDS monitoring indicators (intermediate and final) for 2007-2010 (approved by the order #252 of the President of the Kyrgyz Republic of November 12, 2007) was prepared and approved;*
- (ii) *software for the state information system of CDS monitoring was developed in 2007;*
- (iii) *corresponding equipment was delivered and installed, including in the regions;*
- (iv) *a broad group of stakeholders was trained the basics of creating systems for monitoring and evaluation of development of a country and its regions.*

877. The established CDS monitoring information system allows analyzing and evaluating deviation of actual results for a certain period from intermediate and ultimate goals (target indicators), as set forth under the CDS, with a corresponding comment on reasons of such deviations. Information system of monitoring is a system based on modern web-oriented information technology. The system operates at the central level starting from February 25, 2008. The system is accessible and transparent both for a broad range of users, including civil society, and for the policymakers who makes decisions on update of the Strategy's goals and objectives in the process of its implementation. Special format of indicators is designed for policymakers, which allows them making quick assessments along "vectors" of progress and "points" of delay, and make corresponding decisions concerning further steps in promotion of the CDS priorities.

878. Introduction of the information system at the central level was finished in 2008. Virtually all central-level state structures are connected to this system. Public access to the system has been provided to all interested parties since April 30, 2008. At the end of 2008, state structures at a regional (oblast) level were connected to the system. Therefore, state structures assume responsibility, main obligations and functions for the maintenance of efficient performance of the information system for monitoring and evaluation of implementation of the CDS. This information system is based on the principles of responsibility of all parties connected thereto. Monitoring and evaluation are based on regular tracing of actual data collected from all state structures.

879. In general, the coordinated efforts of the government structures, civil sector and donor community are the keystone to success in creation and strengthening of an efficient system of monitoring and evaluation of the country's development

8.3. Provision of resource. Country Assistance Strategy.

880. For accomplishment of CAS objectives as set forth in the Country Development Strategy, financing will be mobilized from all available sources. Basically, these will be funds from the national state budget that will be integrated into the Strategy for implementation of specific measures and projects under designated priorities, as well as a state budget supported by international donor organizations under the Public Investment Program (PIP). Efficient implementation of the Strategy demands that the fiscal policy be strengthened, and its transparency be improved. Transition from item- to the program-based budgeting with mandatory evaluation of efficiency of expenditures of publicly-funded (budgetary) institutions will be carried out. Activities of departments and their financing will be closely coordinated with objectives of the Strategy. These objectives will be pursued during monitoring and evaluation of the Strategy, i.e. the amount of financing will be linked to the degree of accomplishment of the tasks proposed for achievement of objectives under the Strategy.

881. Program credits of international donor organizations aimed to cover budget deficit, as well as technical assistance will be yet another important source of finance.

882. Moreover, country development under the Strategy priorities will be supported by local budgets, as well as private investments, including direct foreign investments. Measures to improve access to resources of banks and microfinance institutions will be implemented in a consistent manner.

883. Appendices ("Evaluation of the Strategy resources" and "Action Plan") provide details about possibilities of financing the key four development directions:

- (i) improvement of the quality of economic growth;
- (ii) improvement of the government quality;
- (iii) improvement of the quality of life;
- (iv) improvement of the environmental quality. The plan also estimates the size of the missing financial resources, the "financing gap", to improve consistency and accelerate development of priorities in these directions.

884. A total of KGS 289.4 billion is required to finance activities, programs and projects under the Strategy for 2008-2011. The need for state budget financing is KGS 164.2 billion, while the need for financing from such sources as development budgets and private investments is KGS 125.2 billion. The confirmed financing of the CDS activities, programs and projects from the state budget will amount a total of KGS 193.9 billion. Donor community and private investors will provide a total of KGS 65.4 billion.

885. Estimated requirement for financing of *economic priorities* under the Strategy is KGS 163.2 billion. Capacity of the state budget and other sources of financing is KGS 83.3 billion; this covers 51.0 % of the total financial needs in this area. The other part of financial resources (KGS 79.9 billion) should be sought from international donor organizations and private investments. For promotion of direct investments into development of these priorities, the Strategy provides for the measures aimed at improvement of business environment and investment policy. Approval of a new version of the Tax Code will also create prerequisites for economic development of the country.

886. KGS 353.0 million is required to finance measures aimed at *improvement of efficiency of the government reforms* under the Strategy. The budget can finance KGS 95.0 million (26% of the need). The Government relies on assistance of international donor organizations in amount of KGS 258.0 million.

887. The state and donors are ready to provide KGS 106.2 billion for implementation of the measures and projects aimed at *human and social development*: this will cover 92.7% of the total need in this area (KGS 114.6 billion).

888. The country needs KGS 8.2 billion to ensure environmental sustainability (3.3% of the total needs of the Strategy). The state and donors can provide KGS 2.7 billion (32,6% of the need). The financing gap is therefore KGS 5.5 billion.

889. KGS 59.3 billion is allocated for the other public expenditures for 2008-2011 that are not included into the priority areas under the Strategy, including KGS 48.3 billion from the state budget and 10.9 billion – from credit resources granted by the Russian Federation.

890. The financing gap of the Country Development Strategy (CDS), taking into account activities that have not been included into the CDS' Action Plan, is KGS 95.5 billion. The lack of finance should be covered through promotion of direct private investments and allocation of additional financial resources from the state budget. The Government is concerned that the country cannot find adequate financial resources for accomplishment of the goals and objectives under the Strategy, and relies on support of international donor organizations in implementation of the Strategy priorities under their Joint Country Support Strategy (JCSS), which is closely linked to development objectives of the Government of the Kyrgyz Republic. JCSS partners have coordinated certain strategic targets and have distributed them among all groups of donor agencies, including the World Bank's program.

891. Activities of the JCSS program partners fall completely within the framework of the basic priority directions of the Country Development Strategy. The JCSS stipulates for the co-financing arrangements in those directions where suitable political structures are in place. Project assistance will be provided to build and strengthen institutional capacity, support of local community initiatives and assistance in making infrastructure investments. All of this project assistance, except for support provided through NGOs and UN agencies, will be accurately reflected in the budget.

892. It must be noted that the principle of containing accumulation of new debts remains the underlying principle of promoting external assistance. In other words, country development will be supported by international donors mostly through the system of program grants.

IX. APPENDICES

9.1. Macroeconomic indicators of CDS-2

Indicators	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Estimates	Forecast	Forecast	Forecast
GROSS NATIONAL PRODUCT							
Nominal gross national product (KGS billion)	100.9	113.8	139.7	180.9	218.9	259.3	304.3
Nominal gross national product (USD million)	2460.8	2849.6	3769.5	5025.0	5998.2	7105.4	8337.1
Real GDP growth rate (%)	99.8	103.1	108.2	107.7	107.4	108.3	108.1
Gross national product per capita (USD)	478.4	548.9	720.1	956.4	1136.2	1339.6	1564.3
Labor productivity (GDP growth rates as a percentage of employment growth rates)	97.1	102.2	105.4*	106.4	106.5	106.8	107.0
Energy intensiveness of economy	98,6	91,9	78,2				
Prices, wages and population income							
GDP deflator	107.1	109.4	113.5	120.2	112.6	109.4	108.6
Consumer Price Index (as a percentage of the previous year's December level)	104.9	105.1	120.1	120-122	112-115	110	Less than 110
Consumer Price Index (as a percentage of the previous year's level)	104.3	105.6	110.2	120-122	112-115	110	Less than 110
Exchange rate (KGS/USD)	41.0	40.1	37.3	36	36.5	36.5	36.5
Nominal average wages (USD)	63.7	81	115	143	172	201	233
Minimum consumer budget per capita of able-bodied population per month (KGS)	2092	2617	3083	4100	4715	5420	6240
Average salary/Minimum consumer budget of able-bodied population, %	122.8	124.9	129.4	127.3	134.8	138.8	139.8
Real rate of growth of monetary income of the population, %	111.9	112.4	105.3	104.9	106.0	108.2	108.1
National accounts (% of the gross national product)							
Gross national product in market prices	100	100	100	100	100	100	100
Net taxes on products	10.8	12.5	13.6	13.7	13.7	13.7	13.8
Consumption	102.1	113.1	118.9	114	110.2	106.3	103
Private consumption	84.5	95.2	101.1	98.8	96.5	93.6	91.3
State consumption	17.6	17.9	17.8	15.2	13.7	12.7	11.7
Gross savings	16.4	24.2	26.3	25.3	27.5	30.3	33.3
Public investments	4.2	3.9	4.2	4.2	3.7	4.5	4.2
Private investments	12.2	20.3	22.1	21.1	23.8	25.8	29.1
Export (goods and services)	38.3	41.7	44.7	51.3	59.5	61.1	65.5
Import (services and goods) (-)	56.8	79.0	89.9	90.6	97.3	97.7	101.8
Net export of goods and services	-18.5	-37.3	-45.2	-39.3	-37.7	-36.6	-36.3

Indicators	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Estimates	Forecast	Forecast	Forecast
Public finances (% of the gross national product)²⁵							
Total state budget	25.4	25.6	28	31.7	27.7	26.4	24.9
Gross revenues	20.2	22.6	26.4	29.6	26.2	25.3	24.3
Of which: tax revenues	16.3	17.6	19.0	21.5	19.8	19.9	20.1
General expenses	25.4	25.6	28.0	31.7	27.7	26.4	24.9
Of which: PIP (external)	3.8	3.4	2.7	3.0	3.4	3.9	3.4
Interest payments	0.8	0.8	0.6	0.5	0.5	0.4	0.4
Deficit (including PIP)	4.2	-3.0	-1.6	-2.0	-1.4	-1.1	-0.6
Deficit (including Social Fund)	-3.4	-1.9	0.2	-2.5	-1.7	-1.9	-0.7
Money and Credit							
M2X growth rates (end-of-period)	9.9	51.6	33.3	24	27	20-25	20-25
M2X velocity	4.8	4.5	4.0	4.0	4.0	4.0	4.0
Reserves in months of import	3.2	3.0	3.4	3.0	3.0	3.0	3.0
External sector							
Current account (USD million)	-38,4	-287,2	-228,3	-602,9	-546,3	-405,2	-387,4
Current account (% of the gross national product)	-1,6	-10,1	-6,0	-11,9	-9,8	-6,2	-5,1
Export of goods and services (USD million)	946,2	1284,7	2021,3	2917,0 ²⁶	2919,8	3395,5	3922,4
Export of goods and services – growth rates, %	100,3	135,8	157,3	144,3	100,1	116,3	115,5
Import of goods and services (USD million)	1398,8	2253,2	3217,7	4743,6 ²⁷	4923,7	5741,2	6641,5
Import of goods and services – growth rates, %	123,9	161,3	142,8	147,4	103,8	116,6	115,7
Debt and Debt Service							
External debt (% of the gross national product)	77.6	66.3	52.8	50.8	43.7	36.9	31.2
Debt/export service (Goods and services)	13.2	5.3	3.9	3.8	3.4	3.0	2.7
Debt service / Gross National Product	2.4	2.2	1.7	1.9	1.8	1.6	1.4
Social Indicators							
Size of the resident population (at the year-end, million people)	5.139	5.190	5.224	5.265	5.310	5.350	5.400
Level of general unemployment (% of economically active population)	8.1	8.3	8.2	7.7	7.2	6.8	6.5
Life expectancy at birth, years (both genders)	67.9	67.7	67.9	68.1	68.7	69.1	70.0
Men	64.2	63.5	63.7	63.9	64.8	65.5	67.0
Women	71.9	72.1	72.2	72.5	72.7	72.8	73.2

²⁵ Data for 2009-2011 are presented based on the Resolution of the Jogorku Kenesh of the Kyrgyz Republic as of December, 19, 2008 №841-IV «On passing the Law of the Kyrgyz Republic «On 2009 republican budget of the Kyrgyz Republic and 2010-2011 forecast budget». Data on public finance for 2008 are presented in accordance to the 2008 adjusted budget as no official data for 2008 is available.

²⁶ Preliminary estimates

²⁷ Preliminary estimates

9.2. COUNTRY DEVELOPMENT STRATEGY – ACTION PLAN (2009-2011)

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
V. Improved appeal of the development environment				
5.4. Foreign debt management strategy				
1.	To develop the Medium-Term Public Debt Management Strategy of the Kyrgyz Republic (2009-2011) for further improvement of the public debt management system and - achievement of debt stability.	Ministry of Finance	Q2 2009	Improvement of the public debt management system and achievement of debt stability
2.	To develop the Foreign Aid Attraction Strategy aimed at prioritization and increase of foreign aid effectiveness	Ministry of Economy and Trade, Ministry of Finance	Q2 2009	Tightening of control and improvement of spending efficiency of state loans and credits
5.4 Promotion of favorable investment climate and conditions for development of small- and medium-scale enterprise				
5.4.1. Legislation				
3.	To develop a draft Law of KR “On amendments to the Law of KR “On economic entities’ inspection procedure” with a view to improve the Law taking into account introduction of the risk system.	Ministry of Economy and Trade, state authorized supervisory authorities	Q3 2009	Regulation of the inspection procedure of economic entities
4.	To draft and pass a new Law “On licensing”	Ministry of Justice, Ministries and agencies Trade	Q4 2009	Simplification of licensing procedures
5.	To draft and pass a Law on public and private partnership (PPP)	Ministry of Economy and Trade	Q4 2009	Creation of new mechanisms for the financing of investments and implementation of investment projects
6.	To pass the redrafted Law “On state registration of legal entities, branches and representative offices of legal entities”	Ministry of Economy and Trade	Q4 2009	Simplification of business registration procedures
7.	Approval of a new version of Law of KR “On regulations of KR”	Ministry of Justice	Q4 2009	Streamlining the rule-making activity of the ministries

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
8.	To draft and approve a draft Law of KR on amendments to the Code of administrative responsibility of KR	Ministry of Economy and Trade, Civil Service Agency (as agreed)	Q4 2009	Strengthening the liability for infringement of the established procedure of delivery of authorization documents and implementation of a principle of the consent in case of infringement of the established terms
9.	Abolition of customs duties on imported equipment	Ministry of Economy and Trade, State Customs Committee	Q4 2009	Growth of investment inflow in the economy
5.4.2. Administration				
10.	Improvement and update of the CounterPro software	Ministry of Economy and Trade, state authorized supervisory authorities	Q4 2009	Creation of the automated system to share information on economic entities
11.	<ul style="list-style-type: none"> - To identify the structure of the Unified database based on the departmental databases - To develop regulations for data submission for the Unified database development and providing of stakeholders' access to its data. 	State Agency for, Social Fund, Ministry of Justice, National Statistical Committee, State Tax Committee, State Customs Committee, State Property Agency	Q2 2009	Development and introduction of the Unified information database of economic entities
5.4.3. Establishment of efficient institutional framework for promotion of investments				
12.	To conduct functional review of division of powers in implementation of investment policy among the ministries and state agencies, and implementation of recommendations	Ministry of Economy and Trade, Ministry of Finance	Q4 2009	Identification of clear functional duties of state bodies in formulation of investment policy and promotion of investments
13.	To create an Investment Promotion Agency taking into account current requirements of the existing investment market, study of the international best practices	Ministry of Economy and Trade	Q4 2009	Establishment of a body to facilitate promotion of investments

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
5.4.4. Country Competitiveness				
14.	To improve the procedures of making current tax payments taking into account the World Bank's "Doing Business" Guidelines	Ministry of Economy and Trade, State Tax Committee	Q4 2009	Reduction of tax procedures
15.	To develop and implement action plan for improvement of competitiveness index of the World Economic Forum	Ministry of Economy and Trade	Q4 2009	Improvement of the country's competitiveness
5.4.5. Business				
16.	Formulation of the "Government Program for Business Development in the Kyrgyz Republic for 2009-2011"	Ministry of Economy and Trade	Q4 2009	Improve stability of SME operations
17.	Improvement of technical regulation, including: formulation of procedures of assessing compliance of products and manufacturing processes to the ISO 9000 standard requirements, formulation of technical regulations establishing the minimum occupational safety requirements (for works to processes) and services	National Institute for Standards and Metrology (as agreed), Ministry of Economy and Trade	2009-2011	Improved quality of products (works, processes) and services; maintenance of a bona fide business principle
18.	Development of new types of bank lending	National Bank (as agreed), commercial banks (as agreed)	2009-2011	Accessibility to long-term credits
19.	Activation of the OJSC MCC "Business Development Fund" operations	OJSC MCC "Business Development Fund" operations (as agreed)	Q4 2009	Improvement of the SME financing
5.5. Financial Sector Development				
20.	To support stability of prices through a well-balanced monetary policy	National Bank (as agreed), Ministry of Finance, Ministry of Economy and Trade	2009-2011	Annual average inflation rate – up to 10% in 2011
21.	To ensure reduction of the budget deficit	Ministry of Finance	2009-2011	Budget deficit (including PIP) reduced to 0.6 % of the gross national product in 2011

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
5.5.1. Banking System Development				
22.	Further introduction of the deposit protection system in the Kyrgyz Republic	Agency for Protection of Deposits, Ministry of Finance, National Bank (as agreed)	2009- 2011	Protection of depositors' interests
23.	Creation of the Specialized Bank Refinancing Fund of the Kyrgyz Republic	National Bank (as agreed)	Q2 2009	Development of the effective lending mechanism for the real sector of economy
24.	Further development of the Financial Company on Support and Development of Credit Unions (FCSDCU)	National Bank (as agreed)	Q2 2009	Creation of enabling environment for lending expansion for the real sector of economy
25.	Improvement of the legal and regulatory framework of banking operations according to the Islamic principles of banking and financing	National Bank (as agreed)	2009-2011	Development of new lending methods
5.5.2. Stock Market Development				
26.	Introduction of new financial tools (mortgage securities, housing certificates, etc.) by approval of regulations	Financial Market Supervision and Regulation Service	Q4 2009	Capitalization of free assets for investment into economy, maintenance of growth of the investment portfolio.
27.	Development of proposals on issue of long-term securities to finance national priorities	Ministry of Finance, Financial Market Supervision and Regulation Service, State Property Committee	Q4 2009	Sustainable financing of national priorities and projects
28.	Formulation and promotion of new Laws of the Kyrgyz Republic "On National Financial Market Supervision and Regulation Service" and "On the securities' market"	Financial Market Supervision and Regulation Service	Q2 2009	Creation of favorable investment conditions and maintenance of economic safety for investors in the area of financial services
29.	Formulation and promotion of the Law of the Kyrgyz Republic "On Central Depository"	Financial Market Supervision and Regulation Service	Q4 2009	Maintenance of the uniform care system of state and corporate securities, as well as to registration of the rights to such securities

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
30.	Formulation and promotion of the regulation regulating corporatization of state-owned enterprises	State Property Committee, Financial Market Supervision and Regulation Service	Q4 2009	Promotion of the stock market capitalization
31.	Issue of bonds and shares of the companies with the state participation	State Property Committee, Financial Intelligence Service	Q4 2009	Attraction of additional investments
32.	Formulation and promotion of the Law of the Kyrgyz Republic "On nongovernmental pension savings funds in the Kyrgyz Republic"	Financial Market Supervision and Regulation Service	Q4 2009	Increased number of non-governmental pension funds (PPF), along with increase of their assets; promotion of depositors' material incentives at retirement
33.	Introduction of mechanisms of mandatory insurance of civil liability by approval of the following laws: "On vehicle insurance (third party liability insurance coverage)", "On guarantee fund", "On insurance of professional liability of tour operators and agents", "On mandatory insurance of tourists", "On insurance of professional liability of auditors"	Financial Market Supervision and Regulation Service, ministries and agencies concerned	2009-2011	Increased level of financing in the quasi-banking system and further development of insurance sector
5.6. Fiscal Reform				
5.6.1. Improvement of tax administration performance				
34.	Creation of the uniform information database on the state tax registration of legal entities and natural persons	Ministry of Justice, State Tax Committee, National Statistical Committee (as agreed), Social Fund (as agreed)	Q4 2009	Improvement of tax administration
35.	Development of a database of the State Tax Committee (STC) for transfer to universal declaration	State Tax Committee	Q4 2009	Development of a reliable database on natural persons
36.	Development of a database of property owners	State Tax Committee	Q4 2009	Improvement of tax administration
37.	Introduction of tax risk management mechanisms (TRMM)	State Tax Committee	Q4 2009	Improvement of tax administration

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
5.6.2. Improvement of tax legislation				
38.	Introduction of a new version of the Tax Code of the Kyrgyz Republic, including:	State Tax Committee	Q2 2009	Directly applicable law aimed to ensure sustainable replenishment of the budget and improvement of business conditions, creation of favorable conditions for economic activities of business entities, reduction of tax privileges, expansion of the tax basis, improvement of tax administration, improved performance of STC
	Launch of the information campaign for revenue rulings specified in the Tax Code		Q2 2009	
	Development and adoption of instructions in pursuance of the Tax Code		Q2 2009	
	Development of the tax accounts forms		Q2 2009	
5.6.3. Improvement and modernization of the Tax Service management system				
39.	Development of the Tax Service performance improvement action plan	State Tax Committee	Q2 2009	Improvement of the Tax Service performance
40.	Development of the ICT infrastructure nationwide with a view to establish the Kyrgyz Integrated Tax Information System (KITIS)	State Tax Committee	2009-2011	Automation and computerization of STC, improved tax administration and management performance
41.	Bringing KITIS to the national level	State Tax Committee	2009-2011	Automation and computerization STC, improved tax administration and management performance
5.6.4. Improvement and enhancement of efficiency of the Customs administration				
42.	Automation of customs service for e-submission and processing of export-import declarations and related operations	State Customs Committee	2009-2011	Accelerated customs clearance and customs supervision procedures
43.	To introduce the successive application mechanism of the customs bodies' predecision system	State Customs Committee	Q4 2009	Accelerated customs clearance and customs supervision procedures
5.6.5. Grey economy reduction				
44.	Formulation of the Action Plan on the grey economy legalization	Ministry of Economy and Trade	Q4 2009	Reduction of the grey economy scale
5.6.6. Improvement of the Competitive Environment				
45.	Enactment of the Law of the Kyrgyz Republic "On competition"	State Committee for Antitrust Policy	Q4 2009	Creation of conditions for development of competition, suppression of unfair competition and monopolistic practices

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
46.	Enactment of the Law of KR "On amendments to the Law of KR "On natural and legal monopolies in the Kyrgyz Republic"	State Committee for Antitrust Policy	Q4 2009	Effective regulation of monopolies, maintenance of transparency of their activity.
47.	Approval of a draft Law of KR "On amendments to the Code of administrative responsibility of the Kyrgyz Republic"	Ministry of Justice, State Committee for Antitrust Policy	Q3 2009	Decreased number of infringements of the antimonopoly law, including collusive practices of business entities, unreasonable increase of prices on goods (services), price collusion, as well as artificial creation of deficit, all of which result in infringement of the rights of consumers.
5.7. Policy towards gender equality				
48.	Revision of the National Action Plan for promotion of gender equality	Office of the Government of KR, Administrative Office of the President of KR	Q3 2009	Strengthening of the policy aimed at promotion of gender equality
49.	Strengthening institutional capacity of the national mechanism for promotion of gender equality	Office of the Government of KR, Administrative Office of the President of KR	Q4 2009	Creation of efficient institutional the mechanism for promotion of gender equality
VI. Development Directions and Priorities				
6.1. Improved quality of economic growth				
6.1.1. Energy sector				
50.	1) Develop general scheme of allocating generating facilities, as well as modes of consumption to level the schedule of loading the power supply system, and approve by the resolution of the Ministry of Industry and Energy;	Ministry of Industry and Energy, State Property Committee, JSC "Elektricheckiye Stantsii (Power Plants)" (as agreed)	Q3. 2009	Rational and efficient consumption of electric energy
	2) Develop "Operating instructions for Toktogul water basin" and approve by the resolution of the Ministry of Industry and Energy.		Q4. 2009	

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
51.	Put into operation additional generating facilities with a view to improve export-oriented capacity	Ministry of Industry and Energy, Government of KR, Jogorku Kenesh (Parliament) of KR, JSC "Elektrichekiye Stantsii (Power Plants)" (as agreed), State Property Committee	Q4 2009	Increased export capacity and improved export position in the regional market of electricity.
	To prepare feasibility study for construction of the Kambarata HPP-1 investment project (construction period – 8 years).		2010-2011	
	To provide for putting into operation of the first generating set of the Kambarata HPP-2 (construction period – 4 years).		Q1 2010	
52.	To prepare feasibility study for rehabilitation and modernization of the Bishkek thermal power plant, to conduct repair works annually	Ministry of Industry and Energy, JSC "Elektrichekiye Stantsii (Power Plants)" (as agreed)	2009-2011	Increased electricity and heat output
53.	To rehabilitate Uchkurgan HPP.	Ministry of Industry and Energy, JSC "Elektrichekiye Stantsii (Power Plants)" (as agreed)	Q4 2010	Incremental generation of electricity.
54.	To prepare feasibility study for the Kara-Keche state district power plant (total capacity not less than 600 megawatt). To create conditions for promotion of investments for construction. Resolution of the Board of the Ministry of Industry and Energy.	Ministry of Industry and Energy, "Energiya (Energy)" Kyrgyz Research and Development Center (as agreed), JSC "Elektrichekiye Stantsii (Power Plants)" (as agreed).	Q4 2009	Increase in the generating capacity in order to meet requirements of the Northern part of Kyrgyzstan

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
55.	To provide for construction of small HPPs with pure development facilities - Kirov HPP - Orto-Tokoi HPP - Papan HPP - Karasui HPP (Kara-Kul)	Small- and Medium-Scale Energies Development Directorate, Ministry of Industry and Energy (as agreed); JSC "Naryngydroenergostroy" (as agreed); JSC "Chakan-GES" (as agreed)	2011	Additional generating facilities put into operation
56.	To establish the small- and medium-scale energies design engineering institute	Government of KR, Ministry of Industry and Energy, Small- and Medium-Scale Energies Development Directorate	Q2 2010	Development of small- and medium-scale HPP projects
57.	Execution control of small HPPs owners privatization obligations; in case of impairment of obligations to provide for review of the privatization requirements in the established order by law	State Property Committee, Small- and Medium-Scale Energies Development Directorate, Ministry of Industry and Energy	Q2 2009	Stimulation of construction works and rehabilitation of small HPPs

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
58.	To rehabilitate and modernize distribution networks	Ministry of Industry and Energy, Ministry of Economy and Trade, State Property Committee, JSC "Severelectro" (as agreed), JSC "Vostokelectro" (as agreed), JSC "Oshelectro" (as agreed), and JSC "Jalalabatelectro" (as agreed).	2009-2011	Improved reliability, reduced accident rates, reduced losses.
59.	<p>Construction and putting in to operation of new high-voltage lines and substations with a view to increase transmission capacity and improve infrastructure for sustainable export of electricity.</p> <p>To hold investment tender and build a TL 500 kilovolt (Datkah) and reconstruct the HVL 220.</p> <p>To hold investment tender for construction of the HVL 500 (Datkah-Kemin)</p> <p>To hold investment tender for construction of the HVL 110 (Aigultashamat)</p>	Ministry of Industry and Energy, JSC "National Power Networks" (as agreed)	<p>2009-2011</p> <p>2009-2011</p> <p>Q3 2009</p> <p>Q2 2009</p>	Increased number of transmitting facilities and strengthened power and economic safety.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
60.	To develop general plans of heat supply for Bishkek and Osh taking into account decentralization of heat supply systems, installation of thermal meters for consumers and municipal boiler-houses. Approve by the resolution of the board of the Ministry of Industry and Energy.	City halls and Architecture Departments of cities Bishkek and Osh, Ministry of Industry and Energy, JSC "Bishkekteploset" (as agreed), Public Utility Company "Kyrgyzjilcommunsojuz" (as agreed), Public Utility Company "Bishkekteploenergo" (as agreed)	Q4 2010	Improved heat supply, reduced of losses
61.	To provide for development of Kara-Keche deposit with involvement of investments, or maintain the output of coal in the mining sector at the level of 2008	Ministry of Industry and Energy; SoE "Komur" State Committee for Geology	2008-2011	Extraction of 1479 thousand tons (annual average output: 493 thousand tons)
62.	Promote investments for construction of the second gas pipeline; rehabilitate gas mains	JSC "Kyrgyzgas" (as agreed), joint venture "KyrKazGas" (as agreed), Ministry of Industry and Energy	2011	Improved gas supply

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
63.	To support development of oil and gas industry by the instrumentality of promotion of direct investments.	Ministry of Industry and Energy, JSC "Gazprom" (as agreed); JSC "Kyrgyzneftegas" (as agreed).	2009-2011	237 thous. tons of oil; 51 million m ³ of gas
			Q4 2009	75 thous. tons of oil; 17 million million m ³ of gas
			2010	80 thous. tons of oil; 17 million m ³ of gas
			2011	82 thous. tons of oil; 17 million m ³ of gas
64.	To conduct geophysical research and geological survey for oil and gas in Batken oblast.	Ministry of Industry and Energy, JSC "Kyrgyzneftegas" (as agreed); JSC "Batkenneftegas" (as agreed); LLC "Chjunnen Oil-Prospecting Company" (as agreed)	2009	Survey of prospective horizons for oil and gas
65.	To develop and introduce rules of access to networks and sales of electricity generated from alternative energy sources, along with the financing mechanisms. Resolution of the board of the Ministry of Industry and Energy.	Ministry of Industry and Energy, State Committee for Antitrust Policy, Government of KR	Q4 2009	Diversification of energy sources. Creation of conditions for access to networks and marketing of electricity by new subjects in the market of renewable energy sources.
66.	To develop the program for decreasing the power-intensiveness of the gross national product by 13%. In order to achieve this goal, elaborate energy saving subprograms for sectors of economy. To approve by the regulation of the Government.	All ministries, State Committees and administrative departments, Government. of KR	Q4 2009	Effective and rational use of the electricity.
67.	Concession or privatization of the existing distribution companies.	State Property Committee, Ministry of Industry and Energy, Government of KR, Jogorku Kenesh of KR.	2009-2010	Budget revenues from concession or privatization proceeds. Improved corporate and financial administration of companies, and reliability of energy supply.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.1.2. Mining Sector				
Improvement of the legal and regulatory framework				
68.	To finalize formulation of a new version of the Law "On subsurface".	State Geology Agency, Committee for Power and Subsurface Use of the Jogorku Kenesh of KR	Q2 2009	Legal and regulatory framework harmonized with the market system
69.	Amendments to the laws regulating subsurface use (laws "On oil and gas", "On coal", "On concessions and concession enterprises" in the Kyrgyz Republic, "On agreements on division of products at a subsoil use", "Conservation of mineral resources", etc.)	State Geology Agency, Professional NGOs (as agreed), Committee for Power and Subsurface Use of the Jogorku Kenesh of KR	Q2 2009	Elimination of inconsistencies in legislation.
70.	To draft subordinate legislation (Regulation on licensing, Regulation on competition and auctions, Regulation on information resources, etc.)	State Geology Agency, Professional NGOs (as agreed)	Q2 2009	Improvement of the legal and regulatory framework.
71.	To develop the direct-action Mining Code governing all subsoil use-related issues	State Geology Agency, Professional NGOs (as agreed)	Q4 2011	Streamlining of the legal and regulatory framework.
Improvement of the sector management structure				
72.	To establish a unified extractive industries' management body	Office of the Government of the Kyrgyz Republic	Q2 2009	The industry management streamlining and effectiveness increase
Strengthening of mining companies' obligations				
73.	To provide for regular reporting and publication of data on income and other receipts under the Extractive Industries Transparency Initiative (EITI).	The EITI Secretariat, Ministry of Finance, National Statistical Committee (as agreed), State Geology Agency	2009-2011	Increased transparency of activities of mining companies. Prevention of corruption

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
74.	To oblige mining companies to create reserve funds for liquidation of excavations and reclamation of land.	State Forestry and Environmental Protection Agency, State Geology Agency	Q2 2009	Strengthening of guarantees of subsurface users in restoration of environment.
75.	To introduce sanctions for evasion from transfer of geological information to the Information Center	State Geology Agency	Q2 2009	Replenishment of the state fund of geological information
Improvement of geological infrastructure				
76.	To oblige official bodies that have digital infrastructure maps to transfer their copies to the State Agency for Geology and Mineral Resources	GosRegister of KR, Institute of water research and hydropower engineering of the National Academy of Science (as agreed), JSC "Elektricheskiye Stantsii (Power Plants)" (as agreed), State Forestry and Environmental Protection Agency	Q4 2009	Simplification of access for mining companies to infrastructural information.
77.	To establish the Geological Information Center as a part of the subsurface use authority	State Geology Agency, Government of KR	Q2 2009	Strengthening of responsibility for safety and replenishment of geological information.
78.	To create a digital database (archive) of geological information (partially filled).	State Geology Agency, Government of KR	2009-2011	Maintenance of safety of geological funds
79.	To organize professional training of mining specialists, deficit of which is now faced by the industry	State Institutions for Vocational Education	2009-2011	Reduced deficit of mining staff. Well-organized professional training that is satisfactory for mining companies.
80.	To accelerate the process of digitizing graphic information for storing on electronic media and creation of digital databases.	State Geology Agency	2009-2011	Adaptation of information for computer-based processing and application of distant methods of searching deposits.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
The Mining Sector Development Program				
81.	To put into operation enterprises for development of mineral deposits, including:	State Geology Agency, Government of KR .		Increased extraction of gold
	Dzherui deposit;	JSC "Dzherui-Altyn" (as agreed), State Geology Agency, Government of KR	Q2 2010	Increased extraction of gold.
	Taldybulak Levoberezhny deposit;	LLC "Altynken" (as agreed), State Geology Agency	2010 – 2011	Increased extraction of gold.
	Andash deposit;	LLC "Andash" (as agreed), "Mining Company" (as agreed), State Geology Agency	Q4 2009	Increased extraction of gold.
	Bozymchak, Ishtamberdy, Kurutegerek deposits.	State Geology Agency, Government of KR	2009-2011	Increased extraction of gold and copper.
82.	To put in operation enterprises for development of tin and tungsten deposits ("Trudovoje" and "Kensu").	State Geology Agency, mineral developers (licensed subsurface users) (as agreed)	Q3 2009	Increased extraction of tin and tungsten.
83.	To continue development of "Kumtor", "Makmal", "Soltonsary", "Terek" and "Terekkan" gold deposits.	JSC "Kumtor Gold Company" (as agreed), JSC "Kyrgyzaltyn" (as agreed)	2009-2011	Maintenance of sustainable operations of enterprises.
84.	To complete construction of cement plants in the town Kyzylkija, Aravan and Naukat rayons	Ministry of Industry and Energy, JSC "Southern Kyrgyz Cement" (as agreed)	Q2 2009	Increased output of cement.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
85.	To double the output of construction materials in line with the dynamics of domestic demand	Small- and medium-scale enterprises for extraction and processing of nonmetal raw materials (as agreed), State Geology Agency	Q4 2009	Annual increase in the output of construction materials (by at least 15% per year).
86.	To increase production of coal to 1-1.5 million tons; oil – to 100 thousand tons; and gas – to 50 million cubic meters (under the program of the Ministry of Industry and Energy)	Ministry of Industry and Energy, coal-, oil- and gas-extracting enterprises (as agreed)	2009-2011	Reduced power-intensiveness of the country.
87.	To stabilize production of mercury and fluorspar (fluorite)	JSC “Khaidarkansky Mercury Combine” (as agreed), State Geology Agency	2009-2011	Restoration of necessary deposit reserves. Sustainable operation of the enterprise in the future
88.	To stabilize production of antimony at a level of at least 2.0 thousand tons per year	JSC “Kadamjaisky Antimony Combine” (as agreed), State Geology Agency	2009-2011	Launch of the enterprise. Adequate supply of raw materials and finance. Sustainable operation of enterprise in the future
89.	To increase the volumes of extraction and bottling of mineral and table water by 5 % a year	Mineral water bottling enterprises (as agreed), Ministry of Industry and Energy, State Geology Agency.	2009-2011	Satisfaction of internal demand and improved export capacity.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Privatization of mining enterprises				
90.	To privatize state-owned enterprises in line with the Privatization Program of the State Property Committee	State Property Committee	2011	Deregulation of economy. Replenishment of the state budget from privatization.
91.	To privatize commercial divisions of the State Agency for Geology and Mineral Resources in line with the Privatization Program of the State Property Committee	State Property Committee, State Geology Agency	2009-2011	Deregulation of economy. Cancellation of preferences and grants
92.	To prepare JSC "Kyrgyzaltyn" for primary entry to the AIM (alternative investment market)	State Property Committee	Q4 2010	Privatization, capitalization of assets
Other activities				
93.	To provide for distribution of a part of royalties directly to local administrations.	Ministry of Finance	Q2 2009	Increased interest of local communities in the presence of mining companies.
94.	To provide for regular raising of public awareness in local communities concerning the findings of environmental monitoring of mining projects	State Forestry and Environmental Protection Agency, State Geology Agency	2009-2011	Improvement of a system of environmental monitoring and education of the population.
95.	To develop and approve a system of payments for the use of archival information and GIS.	State Geology Agency	Q2 2009	Improved information support
96.	With a view to encourage import substitution, develop a mechanism for encouragement of the use of domestically extracted mineral raw materials.	State Geology Agency, Ministry of Industry and Energy	Q2 2009	Growth in the quantity of the developed deposits, promotion of supporting facilities.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.1.3. Development of agriculture and processing industry				
Creation of conditions for agricultural activities				
97.	To draft and submit for consideration to the Government of KR draft Laws of KR: On agriculture development; On procurement and supply of agricultural commodities, raw materials and food products for state needs; On specific features of insurance in the area of crop production; On establishment of tariffs on water supply services; On livestock breeding and farming; On pastures; On veterinary medicine.	Ministry of Agriculture, Water Resources and Processing Industry (MAWRPI)	Q2 2009 Q2 2009 Q2 2009 Q2 2009 Q2 2009 Q2 2009 Q2 2009	Better coordination of branches of the agricultural and industrial complex; regulation of production relationships, creation of general conditions for agricultural activities.
98.	Ongoing efforts to promote investments into the agricultural and industrial complex in the area of PIP with a view to address the issues in irrigation and land reclamation, development of farms and enterprises in the food and processing industry	MAWRPI, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Economy and Trade	2009-2011	General conditions for development of the agricultural and industrial complex will be created
99.	To launch tractor-assembly lines in cooperation with the Minsk Tractor Factory and the Government of the People's Republic of China	MAWRPI, State-owned enterprise (SOE) "Kyrgyzresursy"	Q4 2009	Load per tractor will reduce in the course of field work; improved "know-how" in crop production
100.	To buy agricultural machinery on an annual basis using NBKR savings on revolving funds of grants provided by the Governments of Japan and the People's Republic of China	MAWRPI	2009-2011	Load per tractor will reduce in the course of field work; improved "know-how" in crop production
101.	To develop consistently the system of market information and marketing to provide agricultural producers with information about market conditions	MAWRPI, World Bank (as agreed)	2009-2011	Improved quality and increased of information and marketing services rendered to agricultural commodity producers.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
102.	To develop rural advisory services in the areas of agrotechnology, zootechnics, marketing, etc.	MAWRPI, World Bank (as agreed)	2009-2011	Better access of agricultural commodity producers and rural agribusinesses to consulting services and training that will let them improve their professional skills.
103.	To prepare legal and regulatory documents for creation of favorable conditions for unimpeded cooperation of business entities	MAWRPI	2009	Agricultural commodity producers and the processing enterprises will be more concerned with cooperation; increased number of large commodity producers
104.	To submit proposal to the Government of KR on write off bad debts of rural commodity producers under budget loans, foreign credits over the period of 1992-2007.	Ministry of Finance, MAWRPI	2011	Financial condition of rural commodity producers will improve
105.	To create the Integrated Real Estate Information System (IREIS) by further introduction of the automated registration system. Creation of a cadastral database, cadastral mapping.	GosRegister	2009-2011	New quality level of service delivery in the area of registration of the rights to real estate, land management, land register, land-surveying works and in the real estate market
106.	To carry out the national land fund audit	GosRegister, MAWRPI, Government of KR	2011	Prerequisites will be developed for efficient use of farmlands and agricultural holdings
Crop production development activities				
107.	To implement measures on providing incentives for rural manufacturers of food wheat grain: - establishment of the JSC "Agroprodcorporation"; - Allocation of funds for procurement of 18.5 thousand tons of wheat grain from domestic commodity producers; - Implementation of grain intervention in the domestic market	Government of KR , MAWRPI	2009-2011	Assurance of grain safety of the country, since output of wheat will increase from 0.8 million tons to 1.0 million tons. Income of rural commodity producers will improve; there will be a possibility of grain market regulation, accumulation of resources for financing.
108.	To develop and submit for consideration to the Government of KR an arrangement for subsidizing of the costs of rural commodity producers associated with purchase of fuel, mineral fertilizers and pesticides	MAWRPI	Q2 2009	The cost of manufacture of domestic products will reduce

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
109.	To ensure implementation of the "Development of wheat seed-growing for 2008-2010" Program. Annually allocate from the budget KGS 88.3 million for accomplishment and development of this program	MAWRPI, Ministry of Finance	2009-2010	Rural commodity producers will have access to high-quality seeds; improved capacity and gross yields of grain.
110.	To draft and submit to the Government of KR Regulation "On subsidizing of the costs of seed-growing economy involved in production and marketing of elite and super elite crop seeds"	MAWRPI	Q3 2009	Production of higher reproduction seeds will increase; financial condition of seed-growing economy will improve
111.	To procure 120 tons of seeds of super elite and elite crops (best selection grades of spring barley) for each of the national seed-growing farms for cultivation in mountainous regions of the country	MAWRPI,	2009-2011	Area under crop in the mountain areas of the country will increase.
112.	To deliver 700 tons of Zhidrune lucerne (first generation) seeds from the Republic of Belarus under the intergovernmental agreement between the Kyrgyz Republic and Belarus	MAWRPI, Chui Oblast State Administration	2009-2011	Higher profitability of seed-growing farms in Chui oblast; there will be a possibility for creation of new co-operative farms to produce perennial grass seeds.
113.	To equip state seed-trial stations and grounds with small-sized machinery and modern laboratory equipment, fuel, mineral fertilizers, plant protection means	MAWRPI	2009-2011	State seed-trial grounds will be provided with a possibility to test seed quality and reproduce superior seed materials
Crop protection and chemicalization				
114.	To develop and submit to the Government of KR for consideration the targeted program for crop protection and chemicalization	MAWRPI	Q3 2009	Systemic protection of plants will be introduced and state support measures will be proposed
115.	Carrying out chemical protection activities against locusts and fall webworm moth	MAWRPI	2009-2011	Farmlands will be protected against pests
116.	Chemical treatment of grain crops heavily infested with wild oats	MAWRPI	2009-2011	Grain yields in these territories will increase by 4-5 ton/hectare
117.	Creation of 17 check points for plant quarantine	MAWRPI	2009-2011	Probability of bringing quarantine objects (diseases) into the territory of KR will be reduced considerably

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Water management development activities				
118.	Implementation of the Program of construction of 13 waterworks facilities and development of new irrigated areas in the Kyrgyz Republic for 2008-2010	MAWRPI	2009-2011	At disbursement of resources, 6114 hectares of new irrigated areas will be allocated; water supply for 8854 hectares of irrigated areas will be increased; and 298 hectares of irrigated areas will be completely reconstructed.
119.	To approve and implement the Program for development of the reclamation fund of the Kyrgyz Republic	MAWRPI, GosRegister, Government of KR , Oblast state administrations	2009-2011	Ameliorative condition of irrigated areas (38.1 thousand hectares) will be improved.
120.	To implement the World Bank's Water Management Improvement Project	MAWRPI, World Bank (as agreed)	2009-2011	Performance of irrigational systems in the territory of the republic will be improved along with improvement of irrigation
121.	To implement the World Bank's On-farm Irrigation Project.	MAWRPI, World Bank (as agreed)	2009-2011	Gross agricultural output from the irrigated project area (120 thousand hectares) will be increased through reliable irrigation water supply
Livestock industry and forage production development activities				
122.	To submit to the Government of KR for consideration and approval, and implement proposal on annual targeted state financial support with a view to increase the breeding livestock population	MAWRPI	Q3 2009	Conditions for preservation, improvement and reproduction of breeding genetic resources and parental breeder stocks will be created at state and private breeding farms.
123.	To draft and submit to the Government of KR Regulation "On subsidizing of the costs of livestock breeding farms involved in the production and marketing of breeding materials". To provide for implementation of this regulation	MAWRPI	2009-2011	Conditions for preservation, improvement and reproduction of breeding genetic resources and parental breeder stocks will be created at state and private breeding farms; the state will cover part of expenses for production of breeding materials.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
124.	To improve, on an ongoing basis, the breeding livestock base using the world and local genetic resources	MAWRPI	2009-2011	Productivity of cattle improves; farm expenses for stock keeping will be reduced; their profitability will increase.
125.	To organize and support efforts of stations for artificial insemination of livestock in each ayil-okmotu	MAWRPI, Oblast and oblast state administrations	2009-2011	Establishment of the basis for genetic improvement of livestock
126.	To encourage cooperation and establishment of associations of livestock breeders through prioritized supply of machinery, elaboration of measures on tax deferrals and benefits	MAWRPI	2009-2011	Relative density of thoroughbred animals will increase
127.	To implement the World Bank's Agricultural Investments and Services Project for improvement of pasture management	MAWRPI, ARIS	2009-2011	Pasture management system will be rationalized, inter alia, through delegation of the pasture management rights to rural communities, associations and federations of pasture users. Required infrastructure will be constructed and reconstructed.
128.	To construct and repair irrigation facilities (48 units), bridges (7), roads and droves (185 km); to protect 180 hectares of pastures	MAWRPI	2009-2011	Improved pasture infrastructure
Livestock epizootiology improvement activities				
129.	To implement the strategic plan for development of the national veterinary service, as approved by the Government of KR	MAWRPI	2009-2011	Veterinary service management will improve; development of private veterinary services will be facilitated.
130.	To organize and provide for operation of the virology diagnostic laboratory equipped with the modern equipment that enables testing at a molecular level	MAWRPI	2009-2011	Quick diagnostics and formulation of measures for prevention of foot-and-mouth disease, sheep-pox, rabies and avian flu
131.	Design and build a third-level biosafety laboratory financed by the Canadian Government	MAWRPI, Government of Canada (as agreed)	2011	Compliance with standard requirements for third-level biosafety laboratories

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
132.	Introduction in 2009 of a program of “Deposits for young veterinarians”. Allocation of resources	MAWRPI	2009-2011	Improved supply of veterinary experts in remote areas
133.	Implementation of the World Bank’s Avian Influenza Control and Human Pandemic Preparedness and Response Project	MAWRPI	2009-2011	Minimization of threat for people and poultry farming sector posed by highly pathogenic avian influenza (HPAI), and assistance in preparedness, control and treatment of pandemic flu
Agricultural science development activities				
134.	To reform the agricultural scientific research institutes and switch to project-based approach of introducing innovations and scientific technology	MAWRPI, Ministry of Education	Q4 2009	Improved efficiency of the use of budgetary funds allocated for financing of agricultural science. Agricultural science will work under contracts with rural commodity producers, which will allow improving overall performance of scientific research institutes.
135.	To develop biotechnology and gene engineering (establishment of modern laboratories, acquisition of equipment and devices, running tests, rehabilitation of laboratory facilities)	MAWRPI	2009-2011	New technology will be developed to allow improving efficiency of agriculture
136.	To develop technologies of cultivation of new high-yielding leguminous crops (kidney beans, peas, soya beans, chick peas, lentil etc.) in the conditions of Kyrgyzstan	MAWRPI	2009-2011	High-yielding leguminous crops that supply soil with nitrogen and help increase incomes of rural commodity producers will be included into crop rotation of farms
Fish farming development activities				
137.	Development of pond fish farming on a private basis, creation of associations of fish breeders	MAWRPI	2009-2011	The output of fish and fish products will increase
138.	Creation of reproduction and commercial fish-breeding farms on large natural and artificial reservoirs, as well as on the small reservoirs not covered by fish-farming	MAWRPI	2009-2011	Increased role of local authorities and LSGs, as well as citizens and public organizations in preservation and rational use of fish resources

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Agricultural processing activities				
139.	To provide methodology and regulatory assistance for creation of large specialized farms for production and processing of agricultural products: agroindustrial clusters	MAWRPI, Oblast and oblast state administrations	2009-2011	The volume of processing of agricultural products will increase
140.	To develop and take measures for mitigation and overcoming of the crisis in the spirit-and-alcohol industry of KR by suppression of contraband and illegal manufacture of spirit and alcohol	MAWRPI, State Tax Committee, State Customs Committee, Fiscal Police (as agreed), Gosalco, Ministry of Economy and Trade	2009-2011	Prevention of illegal traffic of spirits and alcoholic products, as well as of counterfeit production
141.	To develop a mechanism of subsidizing interest payable on commercial bank loans provided to enterprises in the food and processing sector	MAWRPI, National Bank (as agreed),	2009	This will allow promoting up to KGS 600 million in credits for procurement of raw materials directly from farmers, and will accelerate the process of modernization of the existing enterprises
142.	To promote private foreign and domestic investments (at least KGS 300.0 million) into modernization of the operating agricultural processing enterprises	MAWRPI, oblast and oblast state administrations, Ministry of Economy and Trade, Agribusiness Competitiveness and Center (as agreed)	2009-2011	Increased output of products made of local raw materials, as well as growth of the production volume
143.	To allocate land for sugar beet according to the existing capacity of domestic sugar plants; implement organizational arrangements with a view to increase supplies of raw sugar to the country	Oblast and oblast state administrations, MAWRPI	2009-2011	To increase annual output of sugar produced of sugar beet up to KGS 70.0 thousand tons at the least
144.	To promote establishment of small-scale plants for processing of agricultural products (at least 60 units) with contribution of businesses and processing enterprises	Local state administrations, MAWRPI	2009-2011	Creation of new jobs and increase in the volume of processed products

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Agricultural products marketing activities				
145.	Organization of a system of public procurement of agricultural and food products from rural commodity producers	Public Procurement Agency, Ministry of Defense, Ministry of Health, Ministry of Justice, Ministry of the Interior	2009-2011	The system of procurement of food products for needs of the state will improve
146.	To create in regional centers a wholesale network for marketing of agricultural products, as well as a brand commercial network of food and agricultural processing enterprises	MAWRPI, Oblast state administrations, local businesses (as agreed)	2009-2011	Export potential will improve; growth of output will be ensured; employment rates will increase
147.	To expand commodity markets of fruit, vegetable and meat products, fermented tobacco and potato	MAWRPI, Ministry of Economy and Trade, Ministry of Foreign Affairs, Oblast and oblast state administrations	2009-2011	Growth of output and sales of agricultural products will be ensured
148.	To legalize cattle slaughter; create slaughter and primary processing shops	MAWRPI, Oblast and oblast state administrations	2009-2011	Improved cattle slaughter registration and accounting. Maintenance of safety of meat for health of consumers. Increased volumes of processing of meat, manufacture of meat products, and exports
149.	To create a national stock system for marketing of agricultural products	Ministry of Economy and Trade, MAWRPI, Oblast and oblast state administrations, Agribusiness Competitiveness and Center (as agreed)	2011	Agricultural product information network will be extended, while sales of agricultural products will increase

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
150.	To organize in each oblast agricultural cooperatives to render supply services, as well as sale and purchase of agricultural products from rural commodity producers	MAWRPI, Oblast and oblast state administrations, Ministry of Economy and Trade, private entities (as agreed)	2011	Material resources of agricultural producers will be improved, along with the sales of their products
151.	Tracing of competitive environment in the markets; taking timely measures to prevent monopolization of the market and unfair competition	Committee for Antitrust Policy, MAWRPI, Ministry of Economy and Trade MAWRPI	2009-2011	Promotion of fair competition
152.	Development of a system of wholesale markets in large cities for promotion of agricultural products in foreign and domestic markets	Ministry of Economy and Trade, Oblast and oblast state administrations	2009-2011	Establishment of a marketing system and wholesale centers
153.	Organization of frontier trade in agricultural products at the borders with Kazakhstan, Uzbekistan and Tajikistan	MAWRPI, Oblast and oblast state administrations	2009-2011	Simplification of the process of marketing of agricultural products in foreign markets
Rural water supply activities				
154.	To develop and submit for consideration to the Government of KR the Program of clean drinking water supply for rural population	MAWRPI	2009	Improvement rural water supply (supply of rural households with drinking water)
155.	Implementation of the ADB's Community-based Infrastructural Services Project	MAWRPI	2009-2011	Improvement of living conditions and health of the population through rehabilitation of the existing rural infrastructure, as well as construction of new rural infrastructure. Creation of corresponding public organizations and delivery of necessary training

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
156.	To implement the World Bank's "Rural Water Supply and Sanitation project	MAWRPI	2009-2011	Access to safe drinking water will be ensured; sanitary and hygienic conditions in Issyk-Kul, Naryn and Talas oblasts will be improved
6.1.4. Construction				
157.	To improve the legal framework in the area of housing construction, including amendments to laws of the Kyrgyz Republic:			Creation of a consistent system of housing construction legislation
	"On individual housing construction"	State Construction Committee	2009	
	Code of administrative responsibility	State Construction Committee, Ministries and agencies	2009	
	"On fundamentals of technical regulation in the Kyrgyz Republic"	State Construction Committee	2009-2011	
158.	To draft the Housing Code	State Construction Committee, Ministry of Finance, GosRegister	2009	Creation of a consistent system of housing construction legislation
159.	To develop, approve and update the existing town-planning documentation for not less than 400 settlements of the republic	Oblast and oblast state administrations, Bishkek and Osh city halls, State Construction Committee	2009-2010	Development of the town-planning documentation: 2009 – for oblast and rayon administrative centers; 2010-2011 – for other settlements
160.	To simplify administrative procedures for coordination of projects and collection of permits	State Construction Committee	2009	Reduction of the terms of housing preparation and construction
161.	To provide for modernization and construction of capacities for domestic production of construction materials based on progressive and energy-saving technology	Ministry of Industry and Energy, State Construction Committee	2009-2011	Satisfaction of demand in the market of construction materials at the expense of internal resources and depreciation of housing construction.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
162.	To develop and introduce effective mechanisms of promoting private investments into housing construction; prepare a portfolio of investment projects.	Ministry of Economy and Trade, State Construction Committee,	2009	Increase in the volume of private investments
163.	To develop the legal and regulatory framework required for development of a system of long-term mortgage housing lending for the population, secondary market of mortgage credits and the market of mortgage securities, including: enactment of the Laws "On mortgage securities", "On housing certificates"	Financial Intelligence Service (as agreed), National Bank (as agreed)	2009-2011	Ensuring availability of housing through development of an efficient housing market
164.	To develop and implement activities aimed at reconstruction and construction of new sources of engineering infrastructure (power, heat, water, gas supply, etc.) with a view to meet needs of construction projects	Ministry of Industry and Energy, Oblast state administrations, City Halls of Bishkek and Osh, State Construction Committee	2009-2011	Expansion of the scope of housing construction
165.	To provide for construction and commissioning of houses and apartments	Oblast state administrations, Bishkek and Osh City Halls, State Construction Committee	2009-2011	Construction and commissioning of 3903 thousand square meters of housing space for the period of 2008-2011, including: 2008 – 800 thous. square meters; 2009 – 906 thous. square meters; 2010 – 1029 thous. square meters; 2011 – 1168 thous. square meters
166.	To carry out a comprehensive registration (issue of passports) of objects in the Kyrgyz Republic	State Construction Committee	2009-2011	Scheduling and establishing of financing priority of works based on the registration data on strengthening of the existing objects with the purpose of providing their seismic safety

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.1.5. Tourism Development				
“Kyrgyzstan is the home of Santa Claus” Brand Promotion Policy				
167.	To arrange for and conduct the 2 nd International winter festival titled “Kyrgyzstan is the home of Santa Claus”, as well as establish Santa Claus’ (Ajazata) post offices in the cities of Bishkek and Osh	State Agency for Tourism	Q1 2009- Q1 2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
168.	To prepare a package of advertizing materials for the “Kyrgyzstan is the home of Santa Claus” campaign: presentation brochures, booklets, posters, a series of post cards and stamps, souvenirs	State Agency for Tourism	2009 – 2010	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
169.	Organization of participation of the national stand of the Kyrgyz Republic (“Kyrgyzstan is the country of tourism”) in major international tourist exhibitions and fairs for presentation of the potential of the Kyrgyz Republic as a country of tourism.	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
170.	To provide for organization and implementation of annual Kyrgyz international tourist fair (BITF) in Bishkek	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
171.	To provide for organization and implementation of tourist fairs across the country (“Osh on the Great Silk Way”, Issyk-Kul, Jalalabat, Batken, Talas) (specify)	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
172.	To provide for organization and implementation of international festivals of folk arts and crafts, demonstration of customs and traditions of the Kyrgyz people, demonstration of national games (horse racing, etc.)	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
Advertisement and information support for promotion of Kyrgyzstan as a country of tourism				
173.	To provide for organization and implementation of information tours for representatives of foreign mass media, business community and tourist organizations. Arrangement for a PR campaign to promote tourist potential of KR	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
174.	To arrange for the production of printed advertizing materials to promote tourist potential of KR: catalogues of tourist routes, guidebooks, booklets, calendars, posters.	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
175.	To provide for organization and implementation of activities/events to celebrate the International Tourism Day	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
176.	To provide for production and translation of video materials about tourist potential of Kyrgyzstan on major TV-channels of the CIS and the world: ORT, RTR, BBC, National Geographic and Discovery in Russian, English, Chinese and Japanese languages.	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
177.	To open on the basis of Kyrgyz embassies and consulates information tourist centers of KR in the cities of Moscow, Yekaterinburg, Novosibirsk and Almaty. To provide for organization of outdoor advertizing of tourist potential of KR in central streets of these cities	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists
Tourism infrastructure development				
178.	To open tourist offices at the Manas Airport, railway station, Tamchi Airport. To arrange for 24x7 service for meeting of tourists during the holiday season	State Agency for Tourism	2009-2011	Information support for tourists
179.	To create the national service for registration and rescue of mountain tourists and provide conditions for reliable operation of such service	State Agency for Tourism	2009-2011	Measures to ensure safety of tourists
180.	To develop and support a tourist web portal with a following brand: "Kyrgyzstan is the country of tourism", with a search engine and a possibility of posting orders and booking tourist services online	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists, development of the private sector of tourist services
181.	To develop and support Tourist Information Centers (TIC) in rural areas	State Agency for Tourism	2009-2011	Information support for tourists

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
182.	To make a package of project documents, prepare feasibility study and provide for creation of tourist clusters and investment sites for construction of hotels, camping and other facilities with a view to improve roadside infrastructure.	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists, development of the private sector of tourist services
Improvement of the quality of tourist services				
183.	To arrange for an international seminar with participation of service providers ("Business to business") from Turkey, as well as representatives of small and medium travel agencies of KR in Antalya	State Agency for Tourism	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists, development of the private sector of tourist services
184.	Hold regular training seminars on tourism for the National Security Service (NSS), Ministry of the Interior, border guards and customs bodies	State Agency for Tourism	2009-2011	Introduction of a behavioral model of hospitality; training of highly skilled tourism workers
185.	On a permanent basis, train and improve qualification of personnel in the health resort, hotel and public catering sector in special educational centers for training and improvement of professional skills of tourist personnel (EC) in THE country regions	State Agency for Tourism	2009-2011	Improved quality of service in accordance with international standards
186.	Ongoing scientific and research aimed to study the tourist potential of KR; composition and publication of educational and methodology literature for both educational institutions and workers in the tourism sector. Involvement of scientists and experts in accomplishment of this task.	State Agency for Tourism	2009-2011	Expansion of a range of tourist services in the country. Formulation of the Master Plan till 2010 (general plan of development of tourism by various areas)

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.1.6. Trade and export facilitation				
187.	Introduction of a one-stop-shop (based on the “single window” approach) system in foreign trade	Ministry of Economy and Trade, State Customs Committee, GTZ (as agreed), USAID (as agreed), ADB (as agreed)	Q4 2010	Reduction of the costs and time of exporters/importers at registration of export/import operations
	2) Approval of a feasibility study for the project		Q2 2009	
	3) Creation of a one-stop shop		Q4 2010	
188.	Assistance in promotion of export products of the Kyrgyz manufacturers, taking into account commodity market of foreign states, where Kyrgyz abroad institutions and trade missions are accredited	Ministry of Economy and Trade, Ministry of Foreign Affairs	2009-2011	Expansion of commodity markets
189.	Creation of trade complexes and wholesale procurement markets in frontier regions	Oblast state administrations, Ministry of Economy and Trade, MAWRPI, State Customs Committee, Ministry of Health, Frontier guard service	2009	Increased bilateral trade with neighbor countries: Kazakhstan, Uzbekistan, Tajikistan, People’s Republic of China; creation of new jobs
	1) Preparation of a legal and regulatory framework		Q3 2009	
	2) Approval of a legal and regulatory framework		Q4 2009	
190.	Formulation and approval of the Trade Development Strategy for 2008-2014	Ministry of Economy and Trade, Interdepartmental Task Force (as agreed)		Development of foreign trade activities, coordination of foreign trade and promotion of exports.
	1) Formulation of a draft Strategy		Q1 2009	
	2) Approval of the Strategy		Q2 2009	
191.	To approve the Law of KR “On frontier trade”	Ministry of Economy and Trade		Growth of bilateral trade with neighbor countries, development of frontier trade
	1) Formulation of a draft Law		Q3 2009	
	2) enactment of the Law		Q4 2009	

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
192.	To approve the Law of KR "On amending and supplementing of the Law of the Kyrgyz Republic "On commodity exchange and exchange trade"	Ministry of Economy and Trade		Development of the sound physical distribution system.
	1) Formulation of a draft Law		Q2 2009	
	2) enactment of the Law		Q4 2009	
193.	Arrangement for fairs of Kyrgyz goods in the CIS and abroad, as well as the organization of international fairs in KR	Chamber of Industry and Commerce (as agreed)	2009-2011	Publicity and assistance in promotion of domestic goods in foreign markets according to the Plan of exhibit and fair activities
6.1.7. Transport infrastructure				
Road sector				
194.	To develop and approve the Strategy of incorporating road servicing enterprises (RSE).	Ministry of Transport and Communications	2009	Division of a political role and the road system management functions.
195.	To develop and accept a draft Law of KR "On toll roads"	Ministry of Transport and Communications	2009	Introduction of mechanisms for interaction of private businesses and the state.
196.	To develop and submit to the Government of KR for consideration a draft regulation of the Government of KR "On the Road Fund"	Ministry of Transport and Communications	Q1 2009	Improvement of a system of financing of highways
197.	To provide for and the maintenance of motorways and public road facilities	Ministry of Transport and Communications	2009-2011	Improved condition of the highway network; reduction of time required for transportation of cargoes and passengers on public roads; restoration of the road carpet (wearing layer) and prolongation of service life of hard-surface roads.
198.	To provide for repair and maintenance of the Bishkek-Osh motor road	Ministry of Transport and Communications	2009-2011	Maintenance of quality and prevention of the served roads from destruction.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
199.	To procure road construction equipment	Ministry of Transport and Communications	2009-2011	Timely and quality maintenance works. Faster emergency response.
200.	To provide for reconstruction of the Osh-Sarytash-Irkeshtam motor road: 2009 – 80 km; 2010 – 88 km; 2011 – 21.4 km.	Ministry of Transport and Communications	2009-2011	Access to dynamical emerging markets and countries for development of trade and economic relations with them; this will allow increasing transit traffic of cargo and passengers.
201.	To provide for rehabilitation of the Tjup-Kegen motor road	Ministry of Transport and Communications	2009-2011	Increased flow of tourists at the Issyk-Kul Lake (primarily, from the Eastern part of the Russian Federation and Kazakhstan); improved economic activity of local travel agencies; facilitation of business activities.
202.	To prepare a feasibility study and detailed project for rehabilitation of the motor road around the Issyk-Kul Lake	Ministry of Transport and Communications	2010	Preparation of a feasibility study for rehabilitation. Possibility of searching for financial resources for implementation of the project.
203.	To provide for rehabilitation of the Koktalaa-Pulgon-Burgandy motor road	Ministry of Transport and Communications	2009-2011	Construction of roads bypassing territories of the neighbor states for maintenance of transport independence, creation of a new international transport corridor PRC-Osh-Batken-Isphana-Tajikistan.
204.	To provide for rehabilitation of the Taraz-Talas-Suusamyr motor road (Phase I)	Ministry of Transport and Communications	2009	Improvement of road infrastructure with a view to improve the level of regional economic development by provision of access to markets and social services.
205.	To provide for rehabilitation of the Taraz-Talas-Suusamyr motor road (Phase II)	Ministry of Transport and Communications	2009-2011	Improvement of road infrastructure with a view to improve the level of regional economic development by provision of access to markets and social services.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
206.	To provide for rehabilitation of the Southern Transport Corridor	Ministry of Transport and Communications	2009-2011	Access to regional commodity markets, services and labor
207.	To provide for rehabilitation of the Bishkek-Naryn-Torugart motor road: 2009 – 40 km; 2010 – 100 km; 2011 – 150 km	Ministry of Transport and Communications	2009-2011	Improvement of infrastructure of local and international transportation of cargoes and passengers
208.	To provide for rehabilitation of the Osh-Batken-Isphana motor road: 2009 – 50 km; 2010 – 30 km; 2011 – 30 km.	Ministry of Transport and Communications	2009-2011	Improved access to the southwest regions of the country, and preservation of a key network of hard-surface motor roads.
209.	To implement the project of construction of a bypass road along Tortkul (or Toktogul) water reservoir	Ministry of Transport and Communications	2009	Maintenance of transport independence of the country.
210.	To implement the project of construction of a road Osh-Sarytash-Irkeshtam according to the following scheme: Resources instead of investments	Ministry of Transport and Communications	2009-2011	Improvement of automobile corridors for improvement of missing links in the corridor with a view to establish safe and free transportation corridor from the People's Republic of China through the Kyrgyz Republic and Central Asia to the rest of the world.
211.	To implement the project of construction of a road Osh-Sarytash-Irkeshtam (at a section from 123 to 190 km).	Ministry of Transport and Communications	2009-2011	Improvement of automobile corridors for improvement of missing links in the corridor with a view to establish safe and free transportation corridor from the People's Republic of China through the Kyrgyz Republic and Central Asia to the rest of the world.
212.	To implement the CAREC's Regional Transport Corridor Improvement Project	Ministry of Transport and Communications	2009-2011	Improved transit capacity of the country; improved possibility of access to regional commodity markets of goods and services.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Transport sector				
213.	To provide for modernization of the aeronavigation equipment	Ministry of Transport and Communications	2009-2011	Maintenance of flight safety; reduction of delays in international and local flights, as well as better service of transit aircrafts
214.	To elaborate feasibility study for construction of the China-Kyrgyzstan-Uzbekistan railroad	National Company "Kyrgyz Temir Zholu"	2009	Development of a railroad sector. Increased commodity traffic transported by railroad.
6.1.8. Communication and information				
215.	To provide for construction of an optic-fiber backbone communication network	Ministry of Transport and Communications, JSC "Kyrgyztelecom" (as agreed)	2009-2011	Creation of a highly technological network of data transmission that will form the basis for construction of the most advanced model of telecommunication system of the Kyrgyz Republic and transit lines: PRC-KR-RUZ, PRC-KR-RTj.
216.	To provide for installation of telephones in settlements that have not been covered so far	Ministry of Transport and Communications, JSC "Kyrgyztelecom" (as agreed)	2009-2011	Installation of telephones in all settlements across the country; digitization and development of the local communication infrastructure.
217.	To ensure full coverage of the country with TV and radio broadcasts	Ministry of Transport and Communications, JSC "Kyrgyztelecom" (as agreed)	2009-2011	Better access for population to information.
218.	To implement the National strategy "ICT for development of KR"	Ministry of Transport and Communications	2009-2011	Expansion of information and communication services offered to the population. Ensuring equal, affordable and high-quality access to information services.
219.	To provide for implementation of the program of development of the postal savings system of the Kyrgyz Republic	Ministry of Transport and Communications, SoE "Kyrgyzpochtasy"	2009-2011	Sustainable and efficient performance of the postal savings system.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
220.	To implement the "State program for transition to digital broadcasting in the Kyrgyz Republic".	Ministry of Transport and Communications	2009-2011	Provision of adequate frequency resources for broadcasting of public channels, improved quality of broadcasting, provision of a broader range of telecommunication services.
221.	To create a radio monitoring system in the Kyrgyz Republic	National Communications Agency (as agreed)	2009-2011	Maintenance of reliable broadcasting without mutual interference of radio-electronic equipment, both civil and special-purpose
6.1.9. Development of science and innovations				
222.	To increase a share of scientific and innovative technology and applied research	Ministry of Education, Government of KR	2009-2011	Participation of science and innovations in maintenance of economic and social growth will extend; contribution will be made to overcome (food and power) threats
223.	To pass the Law "On science and innovative activities"	Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic	Q2 2009	Performance of science and innovative development management in the country will be improved; responsible public authority will be identified.
224.	To approve the Regulation on Supreme Scientific and Technical Council at the Government of KR	Government of KR, Ministry of Education	Q2 2009	Reorientation of research to priority scientific areas. Practical application of international standards of management of scientific and innovative activities
225.	To approve the Regulation on Fund of Science	Ministry of Education, Government of KR	Q2 2009	Uniform administration of scientific and research projects; well-balanced financing of scientific and know-how projects
226.	To approve the Rules of organization of open competition for budget grants	Ministry of Education	Q3 2009	Transparent procedure of selecting the scientific and know-how projects

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
227.	To develop and approve the National program of development of the innovative system in KR	National Academy of Science (as agreed), sectoral research and development institutes (as agreed), Institutes of higher education (as agreed), Kyrgyzpatent	Q4 2009	Improved performance of science and innovations. Reorientation of scientific research and competitive innovations. Creation of scientific laboratories in the priority scientific areas. Increased growth of patenting of results of scientific and innovative research.
228.	To organize a republican system of scientific and technical innovations innovations and inventions	Ministry of Education, Kyrgyzpatent	Q4 2009	Simplification of access to domestic and international scientific and technical innovations.
229.	To pass the Law "On integration of science and education"	Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic, Ministry of Education	Q1 2010	Improved role of institutes of higher education in implementation of scientific and innovation projects
230.	To pass the Law "On innovative zones and industrial parks"	Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic, Ministry of Education, National Academy of Science (as agreed), sectoral research and development institutes (as agreed), Institutes of higher education (as agreed)	Q2 2010	Creation of industrial parks on the basis of a scientific research institute, institutes of higher education and academic institutes
231.	To approve the Concept of development of the National Certification Commission of KR	Ministry of Education, National Certification Commission (as agreed)	Q3 2010	Transition to the training of qualified and mobile specialists under master's and doctor's programs

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
232.	To pass the Law on integration of science and industry	Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic, Ministry of Education, National Academy of Science (as agreed), sectoral research and development institutes (as agreed), Institutes of higher education (as agreed)	Q1 2011	Development of the applied branches of science. Inflow of private investments into R&D. Increase in a share of domestic solutions acquired by state enterprises and businesses
6.2. Improvement of public administration				
6.2.1. Public administration reform				
Building capacity of the Jogorku Kenesh and its effective interaction with the Government				
233.	To develop a plan and program of training of the deputy corps (members of the Parliament) based on identification of gaps in their knowledge of lawmaking	Office of the Jogorku Kenesh (Parliament) (as agreed)	2010	Improved capacity of the deputy corps
234.	To strengthen capacity of the Office of the Jogorku Kenesh (Parliament) according to current needs	Office of the Jogorku Kenesh (Parliament) (as agreed)	Q4 2009	Introduction of a modern human resources management system
235.	To streamline the procedure of hearings of members of the Government and other state bodies in Jogorku Kenesh	Office of the Jogorku Kenesh (Parliament) (as agreed)	Q2 2009	Better planning of activities of the Jogorku Kenesh
236.	To improve coordination of Regulations of the Parliament and new Regulations on lawmaking activities of the Government	Office of the Jogorku Kenesh (Parliament) (as agreed), Office of the Government of the Kyrgyz Republic	Q2 2009	Strengthening the coordination of regulations in the Jogorku Kenesh and new lawmaking efforts of the Government

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Reform of organizational arrangements of the Government of the Kyrgyz Republic				
237.	To develop indicators of performance, profitability and efficiency of enforcement authorities	Ministry of Economy and Trade	Q4 2009	Approval of a technique for evaluation of performance of state bodies
238.	To develop standards of performance of state services	Office of the Government of the Kyrgyz Republic	Q4 2010	Formulation of the white-book (collection of official documents) for the Government of KR
239.	To approve the register of functions of enforcement authorities	Office of the Government of the Kyrgyz Republic	Q2 2009	Specification and streamlining of the list of state services provided by the Government
240.	To approve the Uniform methodology of functional analysis	Office of the Government of the Kyrgyz Republic	Q2 2009	Improvement of the methodology framework for analysis of performance of state bodies
241.	To delegate the function of independent functional analysis to one of the state bodies	Office of the Government of the Kyrgyz Republic	Q2 2009	Strictly independent functional analysis
Optimization of business processes of the Government of the Kyrgyz Republic				
242.	To create a unit in the Office of the Government of KR with a responsibility for coordination of the government reform	Office of the Government of the Kyrgyz Republic	2009	Availability of a center for coordination of the government reform
243.	To prepare a Project for introduction of new Regulations of the Government	Office of the Government of the Kyrgyz Republic	Q2 2009	Optimization of the decision-making procedures and improvement of their quality
244.	To draft standard administrative regulations	Office of the Government of the Kyrgyz Republic	Q4 2009	Introduction of uniform principles and formats of making regulations of enforcement authorities
245.	To prepare a pilot Project for workflow optimization	Office of the Government of the Kyrgyz Republic	Q2 2009	Formulation of an action plan for reduction of the period of processing of documents
246.	To approve principles and criteria of establishing organizational structures	Office of the Government of the Kyrgyz Republic	Q2 2009	Approval of basic conditions for establishment of organizational structures

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
247.	To approve new organizational structure of the Government	Office of the Government of the Kyrgyz Republic	Q2 2009	Harmonization of organizational structure of the Government with business processes of the Government and new Regulations of the Government
248.	To develop a Project for introduction of process-oriented approaches in the management system of enforcement authorities	Office of the Government of the Kyrgyz Republic	Q2 2009	Implementation of management diagnostics. Typification of all business processes and their orientation at successful support of implementation of strategic priorities
249.	To draft a Law "On strategic documents"	Ministry of Economy and Trade	Q4 2009	Approval of procedures, formats and standards of formulation of strategic documents
250.	To strengthen the capacity of the Coordination Center for strategic management	Ministry of Economy and Trade	Q4 2009	Improved skills in evaluation of quality of strategic documents. Introduction of training programs
251.	To establish the public Chamber	Office of the Government of the Kyrgyz Republic	Q2 2009	Broader involvement of the public in the important decision-making process for the country. Its structure should include representatives of public institutions, organizations of civil society, and business associations.
252.	To streamline activities of committees, councils and other advisory bodies	Office of the Government of the Kyrgyz Republic	Q2 2009	Reduction of the number of advisory bodies. Those which will show tangible results will continue their operations
253.	To introduce the national forecasting and preventative measures system	Ministry of Economy and Trade	Q3 2009	To make the Government pursue a preemptive tactic along with focus on continuity and consistency principles
254.	To develop a new anti-corrupt practices Strategy	National Agency for Corruption Control	Q3 2009	Summary of the previous Strategy implementation. Identification of new priorities. The Action Plan update.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
255.	To strengthen capacity of the Center for Coordination of lawmaking activities	Ministry of Justice	Q4 2009	Preparation of the Center for a larger scope of work. Strengthening of the automation and introduction of information technology. Improved quality of legal expertise of draft laws. Training of employees
256.	Introduction of a program-based financing system in conjunction with a system of enforcement authority performance indicators	Office of the Government of KR, Ministry of Finance, Ministry of Economy and Trade	2009-2011	Creation of a flexible system of financing of activities of state bodies on the basis of actual performance and responsibility of particular workers
257.	To develop an incentive mechanism for encouragement of state bodies to improve their budget plans	Ministry of Finance	Q4 2009	Strengthening of budget planning of the ministries and agencies
258.	To develop and approve Regulations on the process of formulation of annual and triennial forecast of the national budget of social and economic development	Ministry of Finance, Ministry of Economy and Trade	Q3 2009	Identification of the budgeting terms, procedures, formats, mechanisms and responsibilities
259.	To introduce information equipment at the Central Treasury and launch a system with connection of one of the regions	Ministry of Finance	Q4 2009	Pilot launch of a system for automation of Treasury operations
260.	To launch the automated system nationwide	Ministry of Finance	Q4 2010	Full automation of Treasury operations
261.	Introduction of mechanisms for improvement of cash management	Ministry of Finance	Q3 2009	To improve quality of cash management with a view to decrease inflation rates
262.	To streamline authorities of local governments and administrations	Office of the Government of KR	2011	Liquidation of duplication (based on the findings of functional analysis)
263.	To develop mechanisms of social and economic forecasting of revenues of local governments	Ministry of Finance	Q2 2009	Strengthening capacity of LSGs in forecasting of their revenues

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
264.	To approve a Package of measures for transition to the medium-term local budget framework	Ministry of Finance	Q2 2009	Accounting of results of planning of economic indicators at a local level for the three-year period
265.	To develop a package of measures for increase of transparency of implementation by central bodies of the mechanism of alignment of budgets of each LSG	Ministry of Finance	Q2 2009	Improved targeting of national assistance to the regions. Provision of incentives for regions to increase their revenues
266.	To develop a package of measures for expansion of the tax base of local governments	Ministry of Economy and Trade, Ministry of Finance, State Tax Committee, National Agency for Local Self-Government	Q4 2009	Creation of conditions for increased financial independence of LSGs
267.	To minimize the counter-financing flows between different budgetary levels	Ministry of Finance	Q4 2009	Improvement of the legal and regulatory frameworks of intergovernmental transfers
268.	To approve all necessary subordinate legislation, manuals, methodology guidelines and instructions for implementation of the Law "On internal audit"	Ministry of Finance	2009-2011	Practical implementation of the Law "On internal audit"
269.	To create internal audit functions in all state bodies	Office of the Government of KR	Q4 2009	Improved self-control over spending of public funds
270.	To develop indicators for evaluation of cost-effectiveness of state bodies	Ministry of Finance	Q2 2009	Introduction of uniform methods of for estimation of efficiency of public expenditures
271.	To develop a state audit development concept	Chamber of Accounts (as agreed)	Q2 2009	Formulation of principles and priorities of transition to modern methods of audit. Description of a future role of the Chamber of Accounts

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
272.	To prepare a plan of transfer of the Chamber of Accounts to audit of aggregate financial statements of the Government, as well as audit of financial statements of state-owned enterprises and other bodies	Chamber of Accounts (as agreed)	Q2 2009	Approval of the action plan for transition to the modern principles of audit
273.	To generate audit teams with a responsibility for planning, implementation of individual audits and preparation of reports	Chamber of Accounts (as agreed)	Q2 2009	Consolidation of various types of activities within one institution
274.	To classify all objects to be audited by the Chamber of Accounts	Chamber of Accounts (as agreed)	Q2 2009	Preparation of a list of state bodies to be audited
275.	To develop the criteria for the Chambers of Accounts to determine which of the state-owned enterprises must be audited, as well as which enterprises may be audited by private sector auditors	Chamber of Accounts (as agreed)	Q2 2009	Formulation of the principles of delegation of audit powers to private sector
276.	To develop a package of methodology techniques and instructions for financial and performance audit of the process of spending of the state budget	Chamber of Accounts (as agreed)	Q3 2009	Legal and regulatory support for implementation of the Law "On the Chamber of Accounts" at transition to modern principles of audit
277.	To establish an independent function of "quality assurance" within the Chamber of Accounts, with introduction of the methodology based on national standards of state audit	Chamber of Accounts (as agreed)	Q3 2009	Internal audit of activities of the Chamber of Accounts for compliance with the established quality standards
278.	To audit performance of the Chamber of Accounts by representatives of another supreme auditor	Chamber of Accounts (as agreed)	Once in 3 years by December 31	External audit of activities of the Chamber of Accounts for compliance with the established quality standards
279.	To reform the organizational structure of the Chamber of Accounts	Chamber of Accounts (as agreed)	Q2 2009	Structural adjustments based on the findings of review of organizational structure of supreme audit institutions in developed countries, as well as modern audit organizations

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
280.	To develop and approve audit manuals and instructions for employees according to the national standards of state audit	Chamber of Accounts (as agreed)	Q2 2009	Preparation of methodology guidelines for adoption of modern methods of audit of operations of state bodies
281.	To develop programs of training for workers of the Chamber of Accounts in use of audit manuals and instructions	Chamber of Accounts (as agreed)	Annually, by January 30	Improvement of professional auditing skills of employees of the Chamber of Accounts
282.	To prepare a plan of training seminars for state bodies to explain a new role of the Chamber of Accounts, as well as modern methods of audit	Chamber of Accounts (as agreed)	Annually, by January 30	Improvement of professional skills of employees of state bodies in the financial and administrative reporting area
283.	To develop a constructive procedure of interaction between the Chamber of Accounts and the Jogorku Kenesh	Chamber of Accounts (as agreed)	Q2 2009	Organization of regular meetings with the Committee for Budget and Finance of the Jogorku Kenesh
284.	To change a format of report to the Jogorku Kenesh with a view to comply with its reporting standards and improve mutual understanding	Chamber of Accounts (as agreed)	Q2 2009	Adjustment of a reporting format of the Chamber of Accounts according to requirements of the Jogorku Kenesh
285.	To eliminate duplication of activities with other supervisory and inspection state bodies	Chamber of Accounts (as agreed)	Q2 2009	Inventory of activity of supervisory and inspection state bodies. Harmonization of their performance
286.	To develop procedures and formats of reporting demanded from state bodies under the Law "On the Chamber of Accounts"	Chamber of Accounts (as agreed)	Q4 2009	Formulation of subordinate laws and instructions for the Law "On the Chamber of Accounts". Introduction of audit reports for state bodies
287.	To determine all laws and regulations that include clauses restricting the right of the Chamber of Accounts to full access to information required for the purposes of audit	Chamber of Accounts (as agreed)	Q4 2009	Formulation of proposals for amendment of such regulations.
288.	Strictly regulate interaction between the NBKR and the Government	National Bank (as agreed), Ministry of Finance	Q2 2009	Improved interaction in formation of the monetary policy

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
289.	To improve the organizational structure of the NBKR	National Bank (as agreed)	2009	To build activities of structural divisions of the NBKR so that to ensure reasonable combination of research, analysis and practice.
290.	To proposals for delegation of some functions to organizations that are not typical of central bank activities	National Bank (as agreed)	Q2 2009	Approaches to a transfer of functions of operators of the bulk clearing system, shared SWIFT unit, Integrated Interbank Processing Center (IIPC) will be developed, as well as the national institution for money collection
291.	To develop a package of additional measures for activation of introduction of bank cards in government system	National Bank (as agreed), the Government	Q2 2009	Ensure complete transition of all state bodies to use of bank cards in organization of the salary payment process
292.	To solve organizational and financial issues for launch of the Development Fund	Development Fund (as agreed)	Q2 2009	Identification of a suitable office building. Approval of the Board of Fund. Identification of sources of financing. Creation of the authorized capital stock. Recruitment of staff. Approval of the organizational structure
293.	To prepare a strategic development plan for the Development Fund	Development Fund (as agreed)	Q2 2009	Identification of priorities and mechanisms of development of the Fund. Approval of the action plan
294.	To solve organizational and financial issues for launch of the Agency for Protection of Deposits	Agency for Protection of Deposits (as agreed)	Q2 2009	Identification of a suitable office building. Identification of sources of financing. Creation of the authorized capital stock. Recruitment of staff. Approval of the organizational structure.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
295.	To prepare a strategic development plan for the Agency for Protection of Deposits	Agency for Protection of Deposits (as agreed)	Q2 2009	Identification of priorities and mechanisms of development of the Agency. Approval of the action plan
296.	To harmonize all necessary laws and regulations with the Law "On counteraction to the financing of terrorism and legalization (money laundering) of criminal incomes"	Financial Intelligence Service (as agreed)	Q2 2009	Administrative Code, Criminal Code, Law "On banks and banking activities", Law "On bank secrecy"
297.	To develop and approve a new version of the Law of KR "On state civil service of KR"	Civil Service Agency (as agreed)	Q4 2009	Strengthening of institutional measures for organization of the state civil service
298.	To prepare a civil service development strategy	Civil Service Agency (as agreed)	Q4 2009	Identification of civil service development directions, principles and mechanisms.
299.	To prepare a plan of development of the Testing Center	Civil Service Agency (as agreed)	Q2 2009	To develop a package of measures for improvement of the mechanism of competitive selection
300.	To develop a package of measures for strengthening of the institute of state secretaries of state bodies	Civil Service Agency (as agreed)	Q2 2009	To oblige state secretaries to deal with their immediate duties only. To suppress any attempts to liquidate an institution or hinder its activity
301.	To focus a system of training and retraining of personnel at the Presidential management Academy by orders of the Civil Service Agency	Civil Service Agency (as agreed)	Annually, by February 1	To ensure targeted and professional training of civil servants
302.	To develop a Package of measures for development of mechanisms of declaring income, control of expenses of civil servants, and strengthening measures of responsibility for default of income declaration obligations	Civil Service Agency (as agreed)	Q2 2009	To ensure transparency of income of civil servants

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
303.	To introduce modern systems of human resources management	Civil Service Agency (as agreed)	Q4 2009	Creation of the human resources information management system. Introduction of criteria for selection of managers of human resources in each state body. Introduction of a system of monitoring and evaluation of works of state bodies with their human resources.
304.	To differentiate functions and authorities of representative and executive LSG authorities, state oblast administrations and units of ministries and agencies	National Agency for local governments	2009 – 2011	Creation of an efficient, functionally balanced system of LSGs (based on the findings of functional analysis).
305.	To develop a procedure of communication with the Center for coordination of lawmaking activities of the Government	National Agency for local governments	Q2 2009	Analysis of sectoral laws for inconsistencies in their harmonization in compliance with the Constitution of KR and a new version of the Law of KR “On local government and local state administration”.
306.	To analyze regulatory impact of a new draft Tax Code on economic and financial decentralization	National Agency for local governments	Q2 2009	Strengthening of financial capacity of LSGs and maintenance of predictable and exclusively own sources of income from their activities
307.	To develop measures for evaluation of quality of municipal services rendered to the population	National Agency for local governments	2009 – 2011	Findings of research will help improve quality of the provided state and municipal services. Public opinion survey and institutionalization of research based on reporting cards for citizens
308.	To accomplish the process of transfer and acceptance of state objects into the municipal property and finalize state registration of the rights to municipal property, including the rights to municipal land, with local branches of the GosRegister	National Agency for local governments	Q4 2010	Streamlining of LSGs’ assets

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
309.	To develop a program for improvement of human resources management activities in LSGs	National Agency for local governments	Q2 2009	Identification of the staffing needs of LSGs; training, retraining, improvement of professional skills, competitive selection, appointment, certification, assignment of class ranks, rotation and reserve of human resources.
310.	To establish a network of public information centers with access to the Internet on the basis of each ayil-okmotu in the country	National Agency for local governments	Q4 2011	Acceleration of the process of introducing high ICT, transferring and processing data.
311.	To develop a Package of measures for strengthening of potential of local authorities for prevention of conflicts, consolidation of civil society and preventive development	National Agency for local governments	Q4 2009	Support of initiatives of local communities for elimination of the roots of conflicts. Assistance in establishment of a network of civil society institutes.
312.	To develop a Package of measures for promotion of activities of <i>jamaats</i> , LSGC and local mutual aid groups	National Agency for local governments	Q2 2009	Achievement of efficient self-government and poverty reduction
313.	To develop mechanisms providing for establishment of a system of financial, economic and other incentives for local communities that are subject to aggregation	National Agency for local governments	Q4 2009	Association of local communities
314.	To analyze expenses of local governments associated with the execution of their functions and powers, including delegated one, and determine the financing mechanisms	National Agency for local governments	Q3 2009	Streamlining the LSG's performance
315.	To analyze and evaluate land management efficiency (Fund for reallocation of agricultural products and pastures)	National Agency for local governments	Q2 2010	Technical assistance to LSGs in improvement of efficiency of land use.
316.	In cooperation with the JSC Ayil Bank, develop a package of measures for expansion of microfinancing and microcrediting institutions	National Agency for local governments	Q2 2009	Expansion of access to microcredits for the population
317.	To develop a pilot Project for systemic evaluation of the quality of management	Government of KR	Q2 2009	Formulation of Action Plan for introduction of standards and quality specifications, as well as independent audit of management

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
318.	To develop a Project for cultivation in the society of intolerance of corrupt practices, along with self-organization for struggle against corruption	National Anti-Corruption Agency (as agreed)	Q2 2009	Comprehensive mass-media coverage of anticorruption activities. Public hearings and consultations with civil society organizations. Increasing public confidence in the state. Creation of a system for monitoring of performance of state and municipal employees by the civil society
319.	To introduce amendments to laws: "Criminal Code, Code of Criminal Procedure, Law on struggle against corruption" (specify)	National Anti-Corruption Agency (as agreed)	Q2 2009	Elimination of inconsistencies
320.	To change the composition of the National Board for struggle against corruption	National Anti-Corruption Agency (as agreed)	Q2 2009	Renewal of composition of the National Board according to its operational regulations
321.	To co-ordinate efforts of the National Board for struggle against corruption under the Millennium Challenge Account program	National Anti-Corruption Agency (as agreed)	Q2 2009	Focusing of activities and resources
322.	To harmonize activities of the National Board for struggle against corruption with activities of other state bodies, powers of which also include such a function as struggle against corruption	National Anti-Corruption Agency (as agreed)	Q2 2009	Elimination of duplications. Systematization of interactions.
323.	To develop a Concept of development of Ombudsman activities in KR till 2013	Ombudsman (as agreed)	Q2 2009	Approval of a policy of improving performance of the Institute, and full-fledged exercise by the Ombudsman of his/her of constitutional powers
324.	To determine a list of laws and regulations on Ombudsman that must be adjusted in accordance with the existing legal relations and new economic conditions, and make necessary changes	Ombudsman (as agreed)	Q2 2009	Adjustment of the Kyrgyz legislation on human rights and liberties in accordance with the Constitution and related international standards

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
325.	To prepare a Project for strengthening of monitoring of compliance and prevention of infringements of the constitutional democratic human rights and liberties, and promote restitution of such rights and liberties	Ombudsman (as agreed)	Q2 2009	<p>Improvement of the mechanisms of prevention of any forms of discrimination and violence in respect of civil rights and liberties; Strengthening of control over compliance with/observance of:</p> <ul style="list-style-type: none"> • the laws on the rights and liberties of children and the youth; • the rights of persons in prisons or detention facilities; • the gender rights and liberties of individuals. <p>Observance of the rights of refugees, disabled, pensioners and other vulnerable categories of the population.</p> <p>Creation of representative offices of Ombudsman (<i>Akijkatchy</i>) in places of compact residence of Kyrgyz nationals abroad;</p> <p>Creation under Ombudsman of public bodies consisting of representatives of the civil sector, executive and legislative branches of the government</p>
6.2.2. Judicial reform				
326.	Functional review of the judicial system	The Supreme Court (as agreed), international organizations (as agreed)	Q2 2009	Optimization of structure of the judicial system.
327.	To prepare a draft law "On amendments to the Law "On main principles of the budgetary law" to provide for independent formulation by the judicial system of its budget.	The Supreme Court (as agreed), Judicial Council (as agreed)	Q2 2009	Legislative consolidation of a constitutional clause on independent budgeting in the judicial system by the judicial power.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
328.	To develop and approve the Regulations on a system of adequate and transparent disciplinary procedures for processing of complaints of citizens and legal entities about actions of judges.	Judicial Council (as agreed), international organizations (as agreed)	Q2 2009	This will ensure impartiality and transparency of trial of disciplinary cases (minor offences) of judges.
329.	To develop and approve the criteria of evaluation of results of interviewing applicants for judicial positions.	National Board of Justice (as agreed), international organizations (as agreed).	Q2 2009	To minimize or eliminate subjective factors at selection of applicants for replacement of judicial positions.
330.	To determine the format and terms of training of applicants for judicial positions, recruitment procedure and frequency of recruitment; approve the curriculum of training of applicants.	Judicial Council (as agreed), international organizations (as agreed).	Q2 2009	Participation in competitive selection of qualified candidates for replacement of vacant judicial positions in local courts.
331.	Gradual introduction of a system of judicial information and management	The Supreme Court (as agreed), Judicial Council (as agreed)	2009-2011	This will help ensure introduction of automatic distribution of cases by random sampling method open access for citizens to court decisions.
332.	Introduction of the institute of jurors.	The Supreme Court (as agreed), Government of KR	Within terms stipulated by the legislation	Involvement of the population into the process of legal proceedings and achievement of an open system of justice.
333.	To prepare a draft law "On court marshals".	The Supreme Court (as agreed)	2010	Proper execution of court decisions and personal safety of judges at trial of some categories of cases.
334.	To prepare a draft Law "On amending and supplementing the Law of the Kyrgyz Republic "On execution proceedings and the status of marshals in the Kyrgyz Republic ".	Court Department of KR (as agreed)	2010	Qualitative improvement of court decisions enforcement
335.	Introduction of a judicial assistant position	Government of KR , Supreme Court (as agreed)	2010	Optimization of performance of judges and acceleration of the terms of trial of cases.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.2.3. Reform of law enforcement bodies				
336.	Strengthening the function of supervision of compliance and legality of regulations issued by public authorities by enactment of a new version of the Law "On the Office of Public Prosecutor".	Public Prosecutor's Office (as agreed)	Q4 2009	Reduced number of infringements of laws by state bodies and business entities
337.	Preparation of a draft Law "On amendments to the Code of administrative responsibility"	Public Prosecutor's Office (as agreed)	Q2 2009	Improved responsibility of officials for ignoring statements of public prosecution response.
338.	Optimization of the structure of bodies of the Office of Public Prosecutor for appropriate maintenance of public prosecution.	Public Prosecutor's Office (as agreed)	2009	Improved quality of public prosecution in criminal legal proceedings
339.	Training of staff of law enforcement bodies new skills and techniques of anticorruption activities.	Public Prosecutor's Office (as agreed), Ministry of the Interior, Fiscal Police (as agreed)	2009	Improved efficiency of struggle against corruption
340.	To formulate and approve qualifying requirements for each category of positions, taking into account specific nature of work of each division.	Public Prosecutor's Office (as agreed), Ministry of the Interior, Fiscal Police (as agreed)	2010	Recruitment of professional staff and improvement of overall performance of bodies; elimination of a possibility of corruption.
341.	To develop a procedure of interaction with a civil society	Ministry of the Interior	2009	Transparent performance of bodies of the Office of Public Prosecutor and the Ministry of the Interior, along with improved public confidence in activities of these bodies.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
342.	To create a department in the Academy of the Ministry of the Interior for professional training in the area of struggle against illegal circulation of drugs and precursors.	Ministry of the Interior, Drug Enforcement Agency (as agreed), Academy of the Ministry of the Interior (as agreed)	2010	Professional training of DEA staff in the area of struggle against illegal circulation of drugs and precursors.
343.	To undertake measures for joining of the Financial Intelligence Service the Egmont group	Financial Intelligence Service (as agreed)	Q2 2009	Obtaining of access to the information on counteracting terrorism/money laundering
344.	Creation of an educational Center for training in counteracting terrorism/money laundering	Financial Intelligence Service (as agreed)	2009	Training of employees of law-enforcement, supervisory bodies, financial and non-financial sector in counteracting terrorism/money laundering
6.3. Improvement of the quality of life				
6.3.1. Education in demand				
Preschool education				
345.	To improve the legal and regulatory framework of operations of preschool educational institutions	Ministry of Education	Q4 2009	Law "On preschool education and care of children" is drafted and approved; Regulation on variable types and preschool education is drafted and approved.
346.	To get the public involved in identification of forms and models of organization of preschool educational institutions. To raise public awareness of importance of early development of children	Ministry of Education, local governments	Q2 2009	600 parents, LSG representatives, employees of preschool educational institutions are trained in early development of children
347.	To provide pilot preschool institutions and elementary schools with learning and methodology game and development materials	Ministry of Education	Q2 2009	Preschool institutions in Batken, Chui and Naryn oblasts are provided with books, toys, stock and educational guidance materials
348.	Additionally equip preschool educational institutions with necessary equipment and furniture under projects	Ministry of Education	Q2 2009	Preschool institutions in Batken, Chui and Naryn oblasts are provided with furniture, equipment and stock.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
349.	To introduce short-term programs of preschool education in all general schools in the Kyrgyz Republic	Ministry of Education, local governments	2009-2011	By 2011: coverage of 75% of the future first-graders with programs of preschool education; short-term programs of preschool education are introduced at 1583 schools
350.	To improve qualification of personnel in the education system, preschool institutions, elementary school teachers	Ministry of Education, Kyrgyz Academy of Education (as agreed), Institute for Advanced Training of Teachers (as agreed)	2009-2011	Improved capacity of educators in the preschool education area
351.	To support the existing network of preschool educational institutions	Local governments Ministry of Finance, Ministry of Education	2009-2011	Maintenance and support of a network of institutions within the scope of available resources based on annual indexation.
School education				
352.	To increase the coverage school-age children (including children with special needs) with general education programs	Ministry of Education	2009-2011	Training programs are prepared; percentage of children with various educational gaps, who resume their education, is increased; advisory services for psychological, medical and teaching assistance provided in seven regions of the country.
353.	To support the catering program at preschool institutions and elementary school	Ministry of Education	Q2 2009	Provision of 300 needy schools in Naryn, Batken and Chui oblasts with kitchen equipment and kitchen-ware.
354.	To improve material and technical supply of schools; create conditions for training of children with special needs	Ministry of Education	2009-2011	Schools of Batken, Naryn and Chui oblasts are provided with equipment and stock; existing schools are rehabilitated and new schools are built; increased number of children of school age with special requirements in the institutions of general education.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
355.	To review the contents of education based on the competence approach	Ministry of Education, Kyrgyz Academy of Education (as agreed)	2009-2011	Curricula for all subjects of elementary and secondary school are prepared and approved.
356.	To improve supply of textbooks and teaching materials for institutions of general education	Ministry of Education	2009-2011	New-generation textbooks (112 titles) are published
357.	To develop and introduce a "Reading Child" Program	Ministry of Education	2009-2011	670 thousand textbooks for first classes are published and delivered to schools; 61 thousand manuals for teachers of 1-4 grades are published and distributed; 10.3% of schoolchildren will be provided with new-generation textbooks
358.	To use new methods of diagnostics and control of results of the educational process	Ministry of Education	2009-2011	A system and a model of final and formative assessment of schoolchildren are established
359.	To modernize the system of improving professional skills of teachers	Ministry of Education	2009-2010	Teachers from pilot schools are trained to use inclusive teaching methods.
360.	To introduce a system of motivation and encouragement of teachers and schools that regularly improve educational attainment of their pupils	Ministry of Education	2009-2010	A system of incentives for reward of teachers' overall performance is developed and approved in institutions of general education in Issyk-Kul and Talas oblasts.
361.	To develop and introduce mechanisms of involvement of various public groups concerned in improvement of performance of the institutions of general education	Ministry of Education, local governments	2009-2011	Public understanding of school problems is improved
362.	Based on the pilot project in Chui and Batken oblasts to consider the need of replicating per capita financing pilot experience of institutions of general education across the country.	Ministry of Education, Ministry of Finance	2009-2011	Proposals regarding planning of local budget expenses on a per-capita financing basis are prepared and submitted to the Ministry of Finance KR for consideration and approval; starting from 2009, a model of per-capita financing will be gradually introduced in oblasts.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
363.	To develop a legal and regulatory framework for a new system of financing of education based on the minimum standards of training	Ministry of Education, Ministry of Finance	2009-2011	Proposals regarding planning of local budget expenses on a per-capita financing basis are prepared and submitted to the Ministry of Finance KR for consideration and approval; starting from 2009, a model of per-capita financing will be gradually introduced in oblasts.
Primary vocational training				
364.	To develop a system of vocational guidance and information support to popularize possibilities of vocational training	State Institutions for Vocational Education	2009-2011	Improved awareness of citizens and employers; promotion of positive public opinion about blue-collar trades
365.	To analyze the list of specialties taking into account current demand at the labor market, introduction of new skills and specialties	State Institutions for Vocational Education, State Migration Agency, Ministry of Industry and Energy, MAWRPI	2009-2011	Increased demand for graduates from institutes of initial vocational training (growth of employment), increased rates of school enrolment.
366.	To improve a system of improvement of professional skills of engineers and teachers/instructors	State Institutions for Vocational Education, vocational training institutions (as agreed)	2009-2011	Improved quality of elementary vocational training
367.	To develop and publish curricula, programs and textbooks according to the labor market requirements	State Institutions for Vocational Education, vocational training institutions (as agreed)	2009-2011	Improved quality of education
368.	To strengthen the material and technical basis of institutions in the system of elementary and secondary vocational training	State Institutions for Vocational Education, Ministry of Finance	2009-2011	Improved logistic support of the educational process; improved quality of education.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Secondary and higher professional education				
369.	To reallocate publicly-funded position in the area of secondary vocational training based on economic priorities	Ministry of Education, State Committee for Migration (forecast), ministries and agencies	2009-2011	Professional training structure in the system of secondary vocational education meets needs of the regions
370.	To provide for training of teachers for preschool and elementary school institutions in special institutions of secondary vocational education (within the framework of reallocation of publicly-funded positions)	Ministry of Education, ministries and agencies	2009-2011	By 2011: 100 publicly-funded students will be educated as teachers for work at institutions of preschool education and elementary schools.
371.	To update the composition of training and methodology councils with involvement of employers	Ministry of Education, training boards	Q4 2009	Updated composition of training and methodology councils of institutions of secondary vocational education
372.	To reconsider the Classifier of occupations and standard terms of training taking into account labor market requirements	Ministry of Education, Training boards (as agreed)	2009 – 2010	Updated specialties and standard terms of training
373.	To develop models of state educational standards on the basis of competence for the changed terms of education	Ministry of Education, Training boards (as agreed)	2009-2010	Approved models of state standards of education (SSE).
374.	To expand possibilities for practical training (internship/externship)	Institutions of secondary professional education (as agreed)	2009-2011	Increased number of students having passed successfully internship/externship.
375.	To improve efficiency of vocational guidance in the system of secondary vocational training	Ministry of Economy and Trade, institutions of secondary professional education (as agreed)	2009-2011	Increased number of entrants admitted to institutions of secondary professional education.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
376.	To prepare draft national structure of qualifications	State Institutions for Vocational Education, Ministry of Labor and Social Development, State Agency for Tourism, practical training enterprises	2009-2011	Interconnected and uniform system of vocational training is built.
377.	To regulate a plan of admission to publicly-funded and contract-based branches of institutes of higher education based on the national economic development priorities	Ministry of Education, State Committee for Migration (forecast), ministries and agencies	2009-2011	Higher rates of enrolment of students acquiring professional skills demanded by the priority branches of economy (engineering, technical, pedagogical).
378.	To reduce enrollment of correspondence student in institutes of higher education	Ministry of Education, Institutes of higher education (as agreed)	2009-2011	Gradual reduction of the number of correspondence students (down to the standard 20% of the total number of full-time students) in institutes of higher education.
379.	To establish the minimum threshold costs of educational services	Ministry of Education, State Agency for Antimonopoly Policy, Institutes of higher education (as agreed)	Q4 2009	The cost of education is increased, while enrolment of contract-based students is reduced.
380.	To develop the criteria of determining national and regional state institutes of higher education that are not subject to incorporation	Interdepartmental commission (approved by regulation of the Government of KR #71-p of March 4, 2008)	2009-2010	Draft regulations of the Government of the Kyrgyz Republic "On approval of criteria of identification of the list of state national and regional institutes of higher education" and "On approval of the list of national and regional institutes of higher education" are submitted for consideration and approval.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
381.	To introduce new criteria of licensing and certification of institutes of higher education	Ministry of Education, State Inspectorate for Licensing and Certification (as agreed)	2009-2011	Specialties in institutes of higher education that do not meet new licensing and certification requirements will be closed.
382.	To expand a network of quality assurance departments in institutes of higher education	Institutes of higher education (as agreed)	2009	System of internal quality assurance is strengthened.
383.	To finance improvement of professional skills of the teaching staff from special means of institutes of higher education	Institutes of higher education (as agreed), State Agency for Antimonopoly Policy	2009-2011	Increased number of professors from institutes of higher education having improved their qualification.
384.	To update the composition of training and methodology councils with involvement of employers	Ministry of Education, Training boards (as agreed)	Q4 2009	Updated composition of training and methodology councils with participation of employers (Interdepartmental expert council)
385.	To reconsider the Classifier of occupations and standard terms of training taking into account labor market requirements	Ministry of Education, Training boards (as agreed) Institutes of higher education (as agreed)	2009 – 2011	Updated terms of training of Bachelors and Masters, occupations and assigned professional skills
386.	To develop the GOS models and new generation draft based on competencies by occupations and specialties	Ministry of Education, Training boards (as agreed) Institutes of higher education (as agreed)	2009 – 2011	By 2011 85% of GOS are updated.
387.	To introduce amendments to the Law of the Kyrgyz Republic “On education”	Ministry of Education, Ministry of Justice	2009	The structure of levels of higher education is reformed based on the international requirements.
388.	To expand a network of institutes of higher education implementing principles of Bologna process	Ministry of Education, Institutes of higher education (as agreed)	2009-2011	Gradual transition of institutes of higher education to the two-level education in accordance with the international requirements

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Organization and management processes				
389.	To develop the Sector Policy and education development strategy for the period till 2020	Ministry of Education	Q2 2009	Sector policy and Education Development Strategy till 2020 are based on intersectoral interaction and sector-wide approach.
390.	To carry out comprehensive analysis of participation of donors with reflection of their financial contributions, areas of activity and outcomes, as well as potential areas of their involvement	Ministry of Education	Q2 2009	Coordination of donor organizations at a level of recommendations, by reallocation of intervention to the uncovered levels and problem zones.
391.	To carry out fiduciary review (financial management and procurement) of the sector of education, and build capacity in this area	Ministry of Education	Q2 2009	Public funds and external assistance are result-oriented; cash flow is streamlined and under control.
392.	To create permanent technical task groups for formulation of a policy on problem areas with involvement of representatives of NGOs, donors, educational institutions and regulatory bodies	Ministry of Education	2009 – 2010	Corresponding methods are developed and a mechanism of target-oriented strategic planning and management is introduced.
393.	To create educational districts (<i>aimaks</i>) in pilot regions with a view to promote intersectoral interaction at all levels of the system of education with local governments, civil society and business community	Ministry of Education, Local state administrations and local self-overnments	2009-2011	Conditions of intersectoral interaction in a pilot region are created; regional management capacity is built.
394.	To carry out institutional evaluation and develop the Strategy of development of capacity of the sector of education for introduction of the Program of a sector policy support	Ministry of Education,	2009	The capacity of the educational management system capable of accomplishing its objectives, overcoming risks and achieving results is built.
395.	To develop a system of monitoring and evaluation for the education sector	Ministry of Education, National Statistical Committee (as agreed)	2009-2010	A system of monitoring and evaluation of performance of the education system is up and running.
396.	To create an information management system of the education sector	Ministry of Education, National Statistical Committee (as agreed)	2009-2011	Information management system in the educational sector is up and running for the policy and strategic decision making.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.3.2. Accessible and high-quality public health services				
Sectoral policy reform				
397.	To accept a legal and regulatory framework of public health services	Ministry of Health, Ministry of Justice	Q2 2009	Strengthening of the public health sector
398.	To improve the financing of public health services	Ministry of Health	2009-2011	Share of public expenditures on health services in the overall structure of health expenditures will increase up to 7.0% by 2011
399.	To formulate a policy of the Ministry of Health of KR to create favorable conditions for development of market relations in the sector	Ministry of Health, private health providers (as agreed)	Q2 2009	Creation of the favorable environment for development of private medical practice, introduction of market elements into operation of state providers of health services.
400.	To increase a share of public expenditures on public health services up to 13.6% by 2011 in the overall structure of the public expenditures	Ministry of Finance, Ministry of Health	2009-2011	Better protection of the system of public health services from political and economic risks.
401.	To create a legal and regulatory framework for the division of the FOMI from the Ministry of Health of KR	Ministry of Health, FOMI	2009-2010	Independence of the FOMI
402.	To develop the program of further reform of public health services (Manas Taalimi-2)	Ministry of Health	2009-2010	Further institutionalization of public health services systems
403.	To introduce the methods of payment to health providers by results	Ministry of Health, FOMI	2009-2011	Improved quality of health services and increased efficiency of the use of resources
404.	To improve the mechanisms of management of activities of the health providers	Ministry of Health	2009-2011	Improved quality of health services
405.	To improve efficiency of intersectoral interaction and responsibility regulatory authorities	Ministry of Health, Local state administrations, local self-governments	2009-2011	Improved quality of health services

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
406.	To raise public awareness of health protection and promotion, as well as actively encourage public involvement by universal establishment of village health committees	Ministry of Health, Local state administrations, rural communities	2009-2011	Promotion of more responsible attitude of various population strata to their own health
407.	To implement actions for maternity and childhood protection and control of HIV/AIDS, tuberculosis and other dangerous infections for achievement of the Millennium Development Goals: MDG-4, MDG-5, MDG-6	Ministry of Health, Local state administrations, local governments	2009-2011	Decreased incidence of the most dangerous diseases and related mortality; reduced maternal and child mortality.
6.3.3. Efficient system of social protection and social insurance				
Social protection				
408.	To improve the needs assessment technique for entitlement to the uniform monthly benefit (UMB)	Ministry of Labor and Social Development, Ministry of Finance	2009-2011	Increased size of UMB and social benefit at reduction of the number of UMB beneficiaries through better targeting of such benefits.
409.	To monetize benefits	Ministry of Labor and Social Development, Ministry of Finance	2009-2011	Higher efficiency of administration of a system of benefits at reduction of the number of beneficiaries
410.	To implement the Law of KR "On state social order"	Ministry of Labor and Social Development, local governments	2009-2011	Expansion of the scope of services for vulnerable categories of the population at a local level
411.	To increase social benefits (for funeral) to active population	Ministry of Finance, Ministry of Labor and Social Development	2009-2011	Increased support of active population
412.	To introduce a system of foster families and alternative child care centers	Department for Protection of Children, Ministry of Finance	2009-2011	Support of the inherent right of a child to grow and be brought up in domestic surroundings.
413.	To create mass-media for children	Department for Protection of Children	2009-2011	Raising public awareness of a status of children in Kyrgyzstan, state policy, revealing of the issues faced by children, and searching for efficient solutions.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
414.	To reform the existing system of protecting children having violated the law	Department for Protection of Children, Ministry of the Interior, Ministry of Justice, Public Prosecutor's Office (as agreed)	2009-2011	Increased number of minors in a difficult vital situation, who have come through social rehabilitation; decreased homelessness rates; reduction of social orphanhood and illegal behavior of minors.
415.	To promote social integration of children with limited possibilities	State Committee for Physical Culture, Sports and Youth Affairs, Ministry of Labor and Social Development, Ministry of Health	2009-2011	Creation of a system of support of children with limited possibilities, including better access to education, employment, recreation and treatment.
416.	To create and develop a system of bodies and agencies for delivery of services for protection of the rights and legitimate interests of children, including family and children support departments and the commission for children	Department for Protection of Children, Local state administrations and local governments	2009-2011	Emergence of an efficient system to address the issues faced by vulnerable categories of households and children at an early stage, and prevent children from being placed in boarding schools.
Pension social insurance				
417.	To increase the primary and insured pension components on a regular basis	Social Fund (as agreed)	2009-2011	Increased pension amounts.
418.	To increase funeral benefits for pensioners	Social Fund (as agreed)	2009-2011	Increased amount of funeral benefits for pensioners.
419.	To prepare, introduce and develop the pension savings system in the Kyrgyz Republic	Social Fund (as agreed), Ministry of Labor and Social Development, Ministry of Finance, Financial Market Supervision and Regulation Service	2009-2011	Improved financial sustainability of the pension system in the long term; increased national savings.

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
420.	To provide for annual distribution to citizens of extracts from their personal insurance accounts	Social Fund (as agreed)	2009-2011	Improvement of a system of registration and accounting of the insured citizens
421.	To improve the legislation and administration in terms of collection of insurance payments, including systematic decrease in employers' insurance payment rates along with increase of workers' insurance payment rates	Social Fund (as agreed)	2009-2011	Increased amount of resources in the pension system; increased interest of employers and workers in timely and full insurance payments
422.	To improve social insurance of labor migrants	Social Fund (as agreed)	2009-2011	Increased amount of resources in the pension system; increased interest of employers and workers in timely and full insurance payments
6.3.4. Improvement of labor and migration process management				
423.	To submit proposals for a draft Law on minimum wage rates on an annual basis	Ministry of Labor and Social Development, Ministry of Finance	2009-2011	Gradual increase of the minimum wage
424.	To improve the system of remuneration of publicly-funded workers	Ministry of Labor and Social Development, working group (as agreed)	2009-2011	Introduction of more flexible forms of a payment in the budgetary area and increase of average wages for workers in budgetary organizations, as well as in private sector organizations
425.	To strengthen control over compliance with requirements of international standards and the national legislation of KR regarding protection of labor rights, life and health of workers	Ministry of Labor and Social Development	2009-2011	Improvement of a situation with labor safety at enterprises of all ownership patterns
426.	To implement the State program of actions of social partners in eradication of the worst forms of labor of minors	Ministries and the program implementing agencies	2009-2011	Eradication of the worst forms of labor of minors
427.	To strengthen the proactive employment assistance policy (vocational education, public works, micro-crediting)	State Committee for Migration, Local state administrations	2009-2011	Reduction of unemployment

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
428.	Job creation through domestic and foreign investments	State Committee for Migration, Local state administrations	2009-2011	Annual growth of employment rate of the population in the Kyrgyz Republic by 2%-3%
429.	To increase the number of active labor market participants	State Committee for Migration, Local state administrations	2009-2011	Annual growth (by 5,7%) of the unemployed involved in the labor market activities
430.	To introduce a system of labor attachés in countries of residence of Kyrgyz labor migrants for protection of their rights	State Committee for Migration	2009-2011	Increased in number of legal labor migrants through activity of labor attachés.
431.	To regulate inflow of foreign labor by establishment of quotas, etc.	State Committee for Migration	2009-2011	Domestic labor market is protected from inflow of common unskilled labor from abroad.
432.	To develop a draft Law on amending the Code of Administrative Responsibility of the Kyrgyz Republic (article 77) stipulating for administrative responsibility for illegal employment in the Kyrgyz Republic	State Committee for Migration	Q4 2009	Limitation of illegal labor force employment in the Kyrgyz Republic
433.	To prepare the draft Resolution of the Government on amendments to the draft Resolution of the Government of KR as of August 7, 2007 # 315 "On the Migration Fund under the State Committee for Migration and Employment"	State Committee for Migration	Q4 2009	Development of the social protection mechanism of the Kyrgyz citizens at their temporary employment abroad
434.	To develop a draft Law on amending the Criminal Code (Bulletin of the Jogorku Kenesh of the Kyrgyz Republic, 1998, #7, p.229)	State Committee for Migration	Q4 2009	Strengthening of responsibility for illegal employment abroad and attraction of foreign labor in the Kyrgyz Republic
435.	To prepare the draft Resolution of the Government on amendments to the draft Resolution of the Government of KR as of September 8, 2006 # 639 "On approval of the Regulation on the order of carrying out labor activity by foreign citizens and stateless individuals in the Kyrgyz Republic"	State Committee for Migration	Q4 2009	Standardization of procedures of employment of the Kyrgyz citizens abroad and attraction of foreign labor by introduction of quotas and other protective measures in the national labor market

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.3.5. Sustainable comprehensive development of culture				
Improvement of the legal and regulatory framework and institutional structures in the area of culture				
436.	To develop draft Laws of the Kyrgyz Republic: "On culture", "On publishing activities"	Ministry of Culture and Information	Q4 2009	Creation of optimal conditions for development of information and culture
437.	To amend the Law of KR "On licensing"	Ministry of Culture and Information	Q4 2009	Improvement of activity of institutions of culture and arts, printing houses
438.	To determine the minimum service quality standards	Ministry of Culture and Information	Q2 2009	Improved quality of services offered by institutions of culture and art
439.	To develop a regulation "On establishment of the Council for monumental art"	Ministry of Culture and Information	Q4 2010	Streamlining of the process of installing monuments in Bishkek and across the country
440.	To make amendments to the Law of KR "On protection and use of objects of historical and cultural heritage".	Ministry of Culture and Information	2009-2011	Improved of conditions of preservation of historical and cultural heritage
Preservation and development of historical and cultural heritage				
441.	To take inventory of objects of historical and cultural heritage	Ministry of Culture and Information	2009-2011	Evaluation of the extent of deterioration of the historical and cultural heritage, as well as approval of corresponding measures for the maintenance of proper condition thereof.
Development of professional and amateur art				
442.	To institute national award in the area of culture and arts (Rukh)	Ministry of Culture and Information, Ministry of Finance	2010 – 2011	Improvement of the level of artworks
443.	To hold international and national festivals, shows, contests	Ministry of Culture and Information	2009-2011	Integration of Kyrgyzstan into the world cultural domain; facilitation of activities in the area of arts
444.	To improve a system of gathering of authors' remunerations	State Patenting Service	2009-2011	Strengthening of financial incentives for creative activities

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Development of human resources capacity in culture and arts				
445.	To improve the basis the faculty for improvement of professional skills	Ministry of Culture and Information	2009-2011	Improvement of professional training and introduction of the best practices of the leading creative teams and educational institutions
446.	To analyze needs for human resources	Ministry of Culture and Information	Q4 2010	Strengthening of the human resources capacity; addressing a problem of deficit of qualified personnel
447.	To take part in the international festivals, contests, study tours	Ministry of Culture and Information, Ministry of Finance	2009-2011	Improved level of Kyrgyz art workers
Strengthening of the material and technical basis of culture and arts				
448.	To carry out general overhaul of national institutions of culture	Ministry of Culture and Information, Ministry of Finance	2009-2011	Creation of adequate conditions for efficient creative activities and organization of the educational process
449.	To equip club facilities with sound-and-light and music equipment	Ministry of Culture and Information	2009-2011	Creation of the best conditions for cultural recreation and leisure activities of the population
450.	To provide cultural institutions with equipment	Ministry of Culture and Information	2009-2011	Creation of the best conditions of access to cultural values by the population
451.	To provide periodicals for libraries	Ministry of Culture and Information	2009-2011	Provision of wide access to information and library resources; development of library funds
452.	To replenish the funds of national libraries and museums	Ministry of Culture and Information, Ministry of Finance	2009-2011	Provision of wide access to museum and library resources; development of museum and library funds

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
Development of physical training and sports				
453.	To create efficient management system of physical training and sports, including improvement of the legal and regulatory framework, establishment of regional coordination councils, formulation of regional programs, educational guidance materials and a system of indicators for development of physical training and sports (PT&S)	State Committee for Physical Training, Sports and Youth Policy	Q2 2009	Restoration of a system of vertical management of physical training and sports. Formulation of a new version of the Law of KR on PT&S
454.	To create sections and groups of general physical training, domiciliary clubs	State Committee for Physical Training, Sports and Youth Policy, local state administrations and local governments	2009-2011	Involvement of broad categories of the youth and population at large into physical training activities
455.	To reconstruct and rehabilitate basic sports constructions, including the Spartak Stadium, the Kozhomkul Palace of Sports, swimming pool and track and field arena of the Kyrgyz State Sports Academy, etc.; to procure necessary sports equipment	State Committee for Sports and Youth Policy, Ministry of Finance, Kyrgyz State Sports Academy (as agreed)	2009-2011	Conformity of sports constructions to the international standards
456.	To improve the material and technical basis and expand a network of children's sports schools	State Committee for Sports and Youth Policy, Ministry of Finance, Ministry of Education, local state administrations and local governments	2009-2011	Creation of the best conditions for training of young sportsmen
457.	To establish national Center for sports and medicine, as well as an international sports and rehabilitation station	State Committee for Sports and Youth Policy, Ministry of Finance, National Olympic Committee (as agreed), Kyrgyz State Sports Academy (as agreed)	Q4 2009	Creation of adequate conditions for training of the international-class sportsmen

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
458.	To open a higher school for trainers	State Committee for Sports and Youth Policy, Kyrgyz State Sports Academy (as agreed), sports federations (as agreed)	Q2 2009	Training of top-level trainers
459.	To deliver comprehensive public awareness campaigns for promotion and clarification of the matters related to healthy lifestyle and active public involvement (particularly, young people) in physical training and sports	State Committee for Sports and Youth Policy, Ministry of Health, Ministry of Culture and Information, Kyrgyz State Sports Academy (as agreed), local state administrations and local governments	2009-2011	Raising public awareness, promotion of interest in physical training and sports
Development of the youth policy				
460.	To create the uniform structure of bodies for youth policy in the regions, educational institutions, large-scale official bodies and enterprises	Department of Youth Policy, Ministry of Education, Local state administrations and local governments	2009-2011	Improved coordination of the youth policy
461.	To arrange for the transfer of vacant social and cultural objects to the books of youth committees at local state administrations and local governments	Department of Youth Policy	2009-2011	Strengthening of the logistic support of the bodies pursuing the youth policy
462.	To create and develop a system of youth organizations, to strengthen links with international youth organizations	Department of Youth Policy, Local state administrations and local governments, NGO (as agreed)	2009-2011	Expansion of the possibilities of demonstration of social activity of the youth

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
463.	To upgrade the existing legal and regulatory framework of youth policy, its conceptual and methodology development and supply with information	Department of Youth Policy, Ministry of Justice, Ministry of Health, Ministry of Labor and Social Development, Ministry of Foreign Affairs, Ministry of the Interior	2009-2011	Institutional strengthening of the youth policy
464.	To hold competitions among projects and programs in the area of civil, patriotic, spiritual and moral, environmental education of youth	Department of Youth Policy, Ministry of Education, Local state administrations and local governments	2009-2011	
6.4. Improvement of the quality of environment				
6.4.1. Environmental management				
465.	To harmonize the national legislation with international and develop special technical regulations on environmental management	State Forestry and Environmental Protection Agency	2009-2011	National legislation meets requirements of the international environmental law. Special environmental management requirements are established.
466.	To provide for compliance with obligations under global environmental conventions	State Forestry and Environmental Protection Agency	2009-2011	Implementation of pilot projects for performance of obligations under global environmental conventions
467.	To develop the National Action Plan for adaptation of the country to the change of climate	State Forestry and Environmental Protection Agency	2009-2010	Revision of the policy of development of the agricultural and fuel-and-energy complexes in view of the changing climate
468.	To create a system of registration, accounting and analysis of greenhouse gas emissions	State Forestry and Environmental Protection Agency	2009-2011	Creation of a system of analysis and registration of emissions of greenhouse gases

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
469.	To reduce greenhouse gas emissions by planting of wood cultures on the lands of the State Wood Fund and outside	State Forestry and Environmental Protection Agency	2009-2011	Planting of trees on the area of 16 950 hectares.
470.	To support restoration of fish reserves in the Issyk-Kul Lake with preservation of endemic fish fauna	State Forestry and Environmental Protection Agency	2009-2011	Preservation of biodiversity in the fish sector by approval of the mode of fishery management at the Issyk-Kul Lake
471.	To expand the area of special protected natural areas, strengthen their capacity	State Forestry and Environmental Protection Agency	2009-2011	Increase of the area of special protected natural areas to 5.5% of the total country area
472.	To develop Strategy on management of a firm household waste	National Agency for local governments, State Forestry and Environmental Protection Agency	2009-2010	Establishment of a solid waste management system with involvement of the private sector
473.	To implement the Strategy of management of a medical wastes	Ministry of Health, State Forestry and Environmental Protection Agency	2009-2010	Reduced volume of dangerous medical waste
474.	To construct a waste recycling factory	City Hall of Bishkek, State Forestry and Environmental Protection Agency	2009-2011	Increased volume of the recycled solid waste

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
6.4.2. Management of comprehensive protection of the population and territories from natural disasters and accidents				
475.	To improve and develop an integrated network of the Crisis Situation Control Center (Emergency Response) based on the use of modern information technology	Ministry of Emergency Situations	2009-2011	Real-time communication and collection of information from emergency areas for making prompt decisions for prevention and liquidation
476.	To strengthen cooperation and coordination in the area of emergency response between the Government and international organizations under the UNDP's "Coordinating Group for Emergency Response in the Kyrgyz Republic" Project	Ministry of Emergency Situations, National Agency for local governments, UNDP (as agreed), donor organizations (as agreed)	2009-2009	Improved efficiency of joint efforts of the Government of KR and international organizations in the area of emergency response
477.	To ensure involvement of local governments in management of disaster risks under the UNDP's "Integration of disaster risk management into decentralization process in Kyrgyzstan" Project	Ministry of Emergency Situations, UNDP (as agreed), National Agency for local governments	2009-2010	Strengthening of the disaster risk management capacity of LSGs
478.	To develop and implement programs of emergency prevention and response, as well as design and survey works	Ministry of Emergency Situations, (Department for Emergency Prevention and Response, Legal Unit of the Department for Emergency Prevention and Response, Agricultural Water Resources Protection Unit, Department for Protection of Population and Territories)	2009-2011	Protection of the population and territories against slope processes, floods, raising of the subsurface water level
479.	To improve performance of mining supervision and occupational safety inspections	Ministry of Emergency Situations, State Agency for Mining Supervision	2009-2011	Improvement of industrial safety at enterprises and dangerous industrial objects

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
480.	To develop and implement investment promotion programs for implementation of projects for rehabilitation of bank protection dams on the rivers of the Kyrgyz Republic	Ministry of Emergency Situations	2009-2011	Promotion of investments for implementation of projects for rehabilitation of bank protection dams on the rivers (rehabilitation of dams – 152.2 km.)
481.	To create a system of complex monitoring and forecasting of landslide processes based on GIS technology and remote exploration in territory of the Kyrgyz Republic	Ministry of Emergency Situations, National Academy of Science, Central Asian Earth Research Institute (as agreed), State Geodetic Agency (as agreed)	2009-2011	Creation of a system for monitoring, forecasting and early warning of landslides
482.	To create in a comprehensively operating network for monitoring of hydrological and seismic crust movements in the territory of the Kyrgyz Republic, as well as in the areas bordering neighbor Central Asian countries.	Central Asian Earth Research Institute (as agreed)	2009-2011	The existing system of estimation of seismic danger, forecasting and early warning of the population about earthquakes
483.	To rehabilitate meteorological stations/posts and finish implementation of the “Swiss support for Hydrometeorological Services in the basin of Aral Sea (final phase)” Project	Ministry of Emergency Situations (Kyrgyzhydromet)	2009-2011	Improvement of hydrometeorological observations and hydrological forecasts
484.	To strengthen the technical capacity of fire-prevention and search-and-rescue services	Ministry of Emergency Situations (HQ of the State Fire-Fighting Service, search-and-rescue services)	2009-2011	Increase of efficiency of fire-prevention and search-and-rescue services by equipment thereof with special devices, machinery and equipment
485.	To develop and implement projects for emergency response at protective works on mine tailings and rock dumps	Ministry of Emergency Situations (Department of Emergency Monitoring and Prevention, and Protection of Tailings)	2009-2011	Maintenance of geotechnical stability of tailings and rock dumps

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
486.	To implement the World Bank's Disaster Hazard Mitigation Project (in the town of Mailuusu)	Ministry of Emergency Situations (Disaster Hazard Mitigation Project of the World Bank)	2009	Minimization of impact of radionuclide from abandoned tailings and rock dumps in Majluusu on people livestock, river flora and fauna
487.	To hold an international donor forum on radioactive wastes (with assistance of the UNDP Country Office in the Kyrgyz Republic)	Government of KR , Ministry of Emergency Situations, UNDP (as agreed)	2009	Raising awareness of the international community concerning existing transboundary problems in the area of management of a radioactive waste in KR
488.	To cooperate with the donor community and international organizations, and seek investments for implementation of projects related to reclamation and rehabilitation of mine tailings and rock dumps	Government of KR, Ministry of Emergency Situations	2009-2011	Reclamation and rehabilitation of tailings and rock dumps (USD mln): Mailuusu – 10.3, Ak-Tjuz – 1.6, Sovietsky – 2.0, Shekaftar – 1.5, Minkush – 4.6, Sumsar – 5, Orlovka – 3.0, Kaji-Sai – 3.6
VII. Role and contribution of regions in development				
489.	To develop and approve the Regional Development Concept	Ministry of Economy and Trade, National Agency for local governments, local state administrations	Q3 2009	Development of bases of state regional policy
490.	To implement proposals for administrative and territorial reform	Administration of the President, Ministry of Economy and Trade, National Agency for local governments, local state administrations	Q4 2009	Implementation of the second stage of administrative and territorial reform
491.	To develop the principles of economic zoning; to map geographical demarcation of regions	Ministry of Economy and Trade, Local state administrations	Q4 2009	Establishment of the growing points, economic areas (districts)

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
492.	To harmonize zoning with cluster approaches to economic development	Ministry of Economy and Trade, Local state administrations	Q4 2009	Coordination with a zoning map and introduction of cluster approaches to economic development
493.	To introduce a technique for evaluation of regional performance	Ministry of Economy and Trade, Local state administrations	Q3 2009	Introduction of a system of indicators enabling evaluation of performance of the heads of local state administrations
494.	To switch to the program budgeting principle	Ministry of Finance, Ministry of Economy and Trade, Local state administrations	Q1 2011	Transition from the item- to program-based principle of budget spending. Strengthening of accountability of the heads of local state administrations for achievement of results
495.	To take inventory of regional assets	Local state administrations	Q3 2009	Determination of the actual cost of assets of regions for further capitalization of the regions
496.	To streamline functions of local administrations with those of Civil Defense Centers (CDC)	Ministry of Economy and Trade, National Agency for local governments, Local state administrations	Q2 2010	Elimination of duplication of functions; increased accountability of state bodies
497.	To prepare plans for modernization of enterprises	Local state administrations	Q4 2009	Increased productivity of manufactures
498.	To develop an incentive system (package, plan) and create favorable conditions for business development	Local state administrations	Q4 2009	Increase of productivity of manufacture
499.	To arrange for a system of registration and monitoring of migration flows	State Committee for Migration, Local state administrations	Q4 2009	Streamlining of migration flows

#	Action	Implementation Responsibility	Terms of implementation	Expected outcome
500.	To ensure implementation of the Program for development of Bishkek	City Hall of Bishkek	Q4 2011	Improved well-being of urban population, improved performance of municipal authorities
501.	To ensure implementation of the Program for development of Chui oblast	Chui oblast state administration	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
502.	To ensure implementation of the Program for development of Issyk-Kul oblast	Oblast state administration of Issyk-Kul oblast	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
503.	To ensure implementation of the Program for development of Naryn oblast	Oblast state administration of Naryn oblast	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
504.	To ensure implementation of the Program for development of Talas oblast	Oblast state administration of Talas oblast	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
505.	To ensure implementation of the Program for development of Jalalabat oblast	Oblast state administration of Jalalabat oblast	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
506.	To ensure implementation of the Program for development of Osh oblast	Oblast state administration of Osh oblast	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
507.	To ensure implementation of the Program for development of Batken oblast	Oblast state administration of Batken oblast	Q4 2011	Improved well-being of the population, economic and financial capacity of the region
508.	To ensure implementation of the Program for development of the city of Osh	City Hall of Osh	Q4 2011	Improved well-being of urban population, improved performance of municipal authorities

9.3 Estimates of resources for the Country Development Strategy for 2009-2011

#	Sector/branch	Requirements		Possibilities		Financing gap	
		Total		Total			
		KGS thous.	USD thous.	KGS thous.	USD thous.	KGS thous.	USD thous.
1	5. Improved appeal of the development environment						
	Sector total for 2009-2011	661 918,3	18 164,6	651 983,3	17 892,0	9 935,0	272,6
	Including financing from the state budget	15 458,2	424,2	14 808,2	406,4	650,0	17,8
	Including private investments, donor resources and additional budgetary financing	646 460,2	17 740,4	637 175,2	17 485,6	9 285,0	254,8
	6.1. Development directions and priorities						
2	6.1.1. Energy sector						
	Sector total for 2009-2011	88 042 098,3	2 401 837,5	57 924 502,4	1 576 971,2	30 117 595,9	824 866,3
	Including financing from the state budget	13 921 000,0	383 848,3	6 408 333,3	175 156,0	7 512 666,7	208 692,3
	Including private investments, donor resources and additional budgetary financing	74 121 098,3	2 017 989,2	51 516 169,1	1 401 815,2	22 604 929,2	616 173,9
3	6.1.2. Mining						
	Sector total for 2009-2011	58 350,7	1 602,1	–	–	58 350,7	1 602,1
	Including financing from the state budget	–	–	–	–	–	–
	Including private investments, donor resources and additional budgetary financing	58 350,7	1 602,1	–	–	58 350,7	1 602,1
4	6.1.3. Development of agriculture and processing industry						
	Sector total for 2009-2011	14 228 780,0	389 885,7	8 317 672,3	227 937,3	5 911 107,7	161 948,4
	Including financing from the state budget	8 720 605,9	238 926,7	5 132 601,3	140 624,9	3 588 004,6	98 301,8
	Including private investments, donor resources and additional budgetary financing	5 508 174,1	150 959,0	3 185 071,0	87 312,4	2 323 103,1	63 646,7
5	6.1.4. Construction						
	Sector total for 2009-2011	34 345 495,0	940 865,6	3 600 000,0	98 400,0	30 745 495,0	842 465,6
	Including financing from the state budget	3 744 495,0	102 365,6	3 600 000,0	98 400,0	144 495,0	3 965,6
	Including private investments, donor resources and additional budgetary financing	30 601 000,0	838 500,0	–	–	30 601 000,0	838 500,0

#	Sector/branch	Requirements		Possibilities		Financing gap	
		Total		Total		KGS thous.	USD thous.
		KGS thous.	USD thous.	KGS thous.	USD thous.		
6	6.1.5. Tourism development						
	Sector total for 2009-2011	265 785,0	7 281,8	102 981,8	2 817,6	162 803,2	4 464,2
	Including financing from the state budget	265 785,0	7 281,8	102 981,8	2 817,6	162 803,2	4 464,2
	Including private investments, donor resources and additional budgetary financing						
7	6.1.6. Trade and export facilitation						
	Sector total for 2009-2011	186 262,1	5 110,2	55 698,5	1 527,9	130 563,7	3 582,3
	Including financing from the state budget	166 001,5	4 553,1	35 437,9	970,8	130 563,7	3 582,3
	Including private investments, donor resources and additional budgetary financing	20 260,6	557,1	20 260,6	557,1	–	–
8	6.1.7. Transport infrastructure						
	Sector total for 2009-2011	13 298 968,2	363 245,3	12 249 868,2	337 152,1	1 049 100,0	26 093,2
	Including financing from the state budget	6 843 356,9	187 489,2	5 794 256,9	161 396,1	1 049 100,0	26 093,2
	Including private investments, donor resources and additional budgetary financing	6 455 611,3	175 756,1	6 455 611,3	175 756,1	–	–
9	6.1.8. Communication and information						
	Sector total for 2009-2011	2 471 682,5	67 525,2	1 027 375,6	28 120,7	1 444 306,9	39 404,5
	Including financing from the state budget	2 471 682,5	67 525,2	1 027 375,6	28 120,7	1 444 306,9	39 404,5
	Including private investments, donor resources and additional budgetary financing	–	–	–	–	–	–
	6.1.9. Development of innovative technologies						
10	Sector total for 2009-2011	12 772 500,0	349 453,0	1 055 900,0	29 048,1	11 716 600,0	320 404,9
	Including financing from the state budget	12 735 000,0	348 430,4	1 055 900,0	29 048,1	11 679 100,0	319 382,2
	Including private investments, donor resources and additional budgetary financing	37 500,0	1 022,6	–	–	37 500,0	1 022,6
12	6.2.4. Judicial reform						
	Sector total for 2009-2011	353 009,00	9 671,48	95 009,00	2 602,99	258 000,00	7 068,49
	Including financing from the state budget	303 009,00	8 301,62	45 009,00	1 233,12	258 000,00	7 068,49
	Including private investments, donor resources and additional budgetary financing	50 000,00	1 369,86	50 000,00	1 369,86		

#	Sector/branch	Requirements		Possibilities		Financing gap	
		Total		Total			
		KGS thous.	USD thous.	KGS thous.	USD thous.	KGS thous.	USD thous.
13	6.3.1. Education in demand						
	Sector total for 2009-2011	46 100 304,1	1 263 022,0	45 776 220,6	1 254 143,0	324 083,5	8 879,0
	Including financing from the state budget	45 776 220,6	1 254 143,0	45 776 220,6	1 254 143,0	–	–
	Including private investments, donor resources and additional budgetary financing	324 083,5	8 879,0	–	–	324 083,5	8 879,0
14	6.3.2. Accessible and high-quality public health services						
	Sector total for 2009-2011:	22 705 220,1	622 060,8	19 479 559,1	533 686,6	3 225 661,0	88 374,3
	Including financing from the state budget	19 698 335,0	539 680,4	16 472 674,0	451 306,1	3 225 661,0	88 374,3
	Including private investments, donor resources and additional budgetary financing	3 006 885,1	82 380,4	3 006 885,1	82 380,4	–	–
15	6.3.3. Efficient system of social protection and social insurance						
	Sector total for 2009-2011	44 383 750,0	1 215 993,1	39 578 150,0	1 099 379,2	4 805 600,0	116 614,0
	Including financing from the state budget	44 347 250,0	1 214 993,1	39 541 650,0	1 098 379,2	4 805 600,0	116 614,0
	Including private investments, donor resources and additional budgetary financing	36 500,0	1 000,0	36 500,0	1 000,0	–	–
	6.3.4. Improved management of labor and human resources						
16	Sector total for 2009-2011	577 841,0	15 831,3	519 848,0	14 242,4	57 993,0	1 588,8
	Including financing from the state budget	577 841,0	15 831,3	519 848,0	14 242,4	57 993,0	1 588,8
	Including private investments, donor resources and additional budgetary financing						
17	6.3.5. Sustainable comprehensive development of culture						
	Sector total for 2009-2011	796 528,0	21 822,7	796 528,0	21 822,7		
	Including financing from the state budget	796 528,0	21 822,7	796 528,0	21 822,7		
	Including private investments, donor resources and additional budgetary financing						
18	6.4.1. Environmental management						
	Sector total for 2009-2011	2 014 567,7	55 174,7	305 528,2	8 351,7	1 709 039,5	46 823,0
	Including financing from the state budget	1 104,5	30,0	1 104,5	30,0	–	–
	Including private investments, donor resources and additional budgetary financing	2 013 463,2	55 144,7	304 423,7	8 321,7	1 709 039,5	46 823,0

#	Sector/branch	Requirements		Possibilities		Financing gap	
		Total		Total			
		KGS thous.	USD thous.	KGS thous.	USD thous.	KGS thous.	USD thous.
19	6.4.2. Management of comprehensive protection of the population and territories from natural disasters and accidents						
	Sector total for 2009-2011	6 171 753,8	168 690,7	2 361 030,6	64 552,9	3 810 723,2	104 137,8
	Including financing from the state budget	3 869 069,8	105 622,8	2 147 066,7	58 710,2	1 722 003,1	46 912,6
	Including private investments, donor resources and additional budgetary financing	2 302 684,0	63 067,9	213 963,9	5 842,7	2 088 720,1	57 225,2
20	TOTAL: CDS PRIORITIES						
	Total for 2009-2011	289 434 813,8	7 917 237,7	193 897 855,5	5 318 648,4	95 536 958,2	2 598 589,4
	Including financing from the state budget	164 252 742,8	4 501 269,4	128 471 795,7	3 536 807,4	35 780 947,1	964 462,0
	Including private investments, donor resources and additional budgetary financing	125 182 070,9	3 415 968,3	65 426 059,9	1 781 841,0	59 756 011,1	1 634 127,3
21	Resources allocated for activities not included into the Action Plan of the CDS						
	Total for 2009-2011	59 283 704,3	1 630 913,5	59 283 704,3	1 630 913,5		
	Including financing from the state budget	48 378 704,3	1 330 913,5	48 378 704,3	1 330 913,5		
	Including private investments, donor resources and additional budgetary financing	10 905 000,0	300 000,0	10 905 000,0	300 000,0		
	TOTAL RESOURCES OF THE COUNTRY						
	Total for 2009-2011	348 718 518,1	9 548 151,2	253 181 559,9	6 949 561,8	95 536 958,2	2 598 589,4
	Including financing from the state budget	212 631 447,1	5 832 182,9	176 850 500,0	4 867 720,9	35 780 947,1	964 462,0
	Including private investments, donor resources and additional budgetary financing	136 087 070,9	3 715 968,3	76 331 059,9	2 081 841,0	59 756 011,1	1 634 127,3

9.4. STRATEGIC INVESTMENT PROJECTS BY REGIONS (2009-2011)

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
Naryn oblast (5 projects)						
1	Major rehabilitation and moderate repair of the Naryn-Bajetovo-Koshdovo road (220 km)	685	-	685	ILDMR #3, Ministry of Transport and Communications, Naryn Oblast State Administration	Development of industry branches, increase in the scope of transport sector
2	Development and extraction of coking coal, production of coke and byproducts in Minkush, Kokmoinok, Karakeche opencast mines	304110	304110	-	Naryn Oblast State Administration, Ispat Industries Limited	Annual increase in the production of coal to 2000.0 thousand tons
3	Major rehabilitation and moderate repair of Kochkorarminkush road (215 km)	2740	-	2740	ILDMR #3, Ministry of Transport and Communications, Naryn Oblast State Administration	Development of industry branches, increase in the scope of transport sector
4	Construction of HPP (200 megawatt) on Eki Naryn site	380137	380137	-	Naryn Oblast State Administration, Ispat Industries Limited	Increase in electricity generation (output). Improvement and increase in irrigation water supply. Total project amount is 18 500 000.0 thous. soms. The Project will close in 2012. The CDS includes amount of investments to be disbursed by 2011.
5	Construction of the terminal around the airport	7671	-	7671	Naryn Oblast State Administration, Businesses, FEZ "Naryn"	Improvement of economic situation in the region, increase in the volume of services for tourists
	Total: Naryn oblast	695342	684247	11096		
Issyk-Kul oblast (10 projects)						
6	Development of tin and tungsten deposits Trudovoje on Lesisty and Tashkoro sites, and Kensuu deposits	82192	82192	-	Aksujsky rayon state administration, LLC "Tjan-Shan-Olovo", LLC "Saryjaz mineral mining company"	Increase in the output and volume of exports, job creation (1300)

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
7	Development of the Togolok gold deposit. Promotion of investments for development of gold deposits Dzhangart, and tin deposits Uchkoshon	54795	54795	-	Jetyoguz rayon state administration	Increase in the output and volume of exports, job creation (500)
8	Construction of health resorts for tourist between the villages of Darkhan and Tosor	54795	54795	-	Jetyoguz rayon state administration	Increase in the volume of tourist services, job creation (300)
9	Construction of tourist health resorts in Issyk-Kul rayon	273973	273973	-	Business entities	Increase in the volume of tourist services
10	Reconstruction of the Issyk-Kul international airport (Issyk-Kul rayon)	56499	-	56499	JSC International Manas Airport	Increase in the volume of tourist services, job creation (30)
11	Construction of the national tourist Center "Aalam Ordo" in Tonsky ayil-okmotu	82192	82192	-	Tonsky rayon state administration, T.Kereksizov	Increase in the volume of tourist services
12	Rehabilitation of the interstate Karakol-Enilchek road	1883	1883	-	Industrial line department for motor roads (ILDMR) ILDMR # 4, Saryjaz mineral mining company	Improved traffic safety
13	Repair of the interstate Tjup-Kegen road (76 km)	27616	27616	-	ILDMR #4	Improved traffic safety, tourism development, development of frontier trade, poverty reduction
14	Maintenance of ecological balance	30000	30000	-	ADB, Issyk-Kul Oblast State Administration, rayon state administrations, City Administrations of Karakol and Balykchi, ayil-okmotu	Improvement of environmental conditions, preservation of the Issyk-Kul Lake
15	Prevention of degradation of fish fauna at the Issyk-Kul Lake	1370	1370	-	General management of the Issyk-Kul Biosphere Area	Prevention of degradation of fish fauna at the Issyk-Kul Lake
Total: Issyk-Kul oblast:		665313	608815	56499		

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
Talas oblast (5 projects)						
16	Construction of a market complex "Aishabibi-Chonkapka"	8767	8767	-	Oblast state administrations, SoE "Talas resources" and private businesses	Development of frontier trade
17	Oil refinery at FEZ "Maimak" (48.0 thousand tons per year)	625	625	-	FEZ "Maimak"	Refining 48.0 thousand tons per year
18	Construction of a small HPP in Kirovsky water basin	23507	-	23507	Ministry of Industry and Fuel Resources	
19	Investment in development of Dzherui deposit	30000	-	30000	"Kyrgyzaltyn", JSC "Dzherui-Altyn"	Creation of 750 new jobs, annual collections (USD 3.0 mln) to the regional development fund
20	Construction of Taraz-Talas-Suusamyр interstate motorway	2975	-	2975	Ministry of Transport and Communications, IDB	Improved motor service 38 km
	Total: Talas oblast:	65874	9392	56482		
Chui oblast (6 projects)						
21	Development and launch of the Nasonovsky gold deposit	9589	9589	-	LLC SRC "Solar Energy"	Creation of new jobs – 150, increase in the local budget
22	Construction and launch of aluminum factory	5479	5479	-	JSC "Kyrgyz power-and-metal company Kometco	Creation of new jobs – 550, increase in the local budget
23	Plant for assembling and repair of tractors made in China	1973	1973	-	LLC "Kyrgyzresursy"	Creation of 150 jobs, increase in budget revenues
24	Construction of a factory for processing of ore, metals and gold	25929	25929	-	LLC "Altynken"	Processing of ore and other metals, gold; creation of 250-300 jobs
25	Reconstruction and modernization of production departments (JSC "AKPSK")	30452	30452	-	JSC "AKPSK"	Increase in industrial output
26	Potato processing plant	29918	29918	-	Investors from South Korea; Kemin rayon state administration, Fortune Company	Creation of 250-360 jobs, processing of 30-40 thousand tons of potato
	Total: Chui oblast:	103340	103340	0		

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
Jalalabat oblast (8 projects)						
27	Construction of an ore dressing complex "LLC Kazakhmys Gold Kyrgyzstan"	119671	119671	-	Jalalabat Oblast State Administration, Alabuka rayon state administration, LLC "Kazakhmys Gold Kyrgyzstan"	500 jobs will be created; KGS 50.0 billion-worth industrial output will be additionally produced
28	Repair and launch of old oil wells of JSC "Kyrgyzneftegas"	16438	16438	-	Jalalabat Oblast State Administration, Nooken rayon state administration, JSC "Kyrgyzneftegas", "TEN-I" Company, "Jybekresursy"	Old oil wells at the "Mailuusuu Vostochny-5 Izbaskent" deposit will be repaired and put into operation. Oil extraction will increase
29	Construction of a gold processing plant "JSC Kichi Chaarat"	109589	109589	-	Jalalabat Oblast State Administration, Chatkalsky rayon state administration, LLC "Kichi Chaarat"	Incremental industrial output (KGS 216 billion), 700 new shop floor jobs created
30	Construction of a gold processing plant "JSC Chaarat ZAAV"	123288	123288	-	Jalalabat Oblast State Administration, Chatkalsky rayon state administration, JSC "Chaarat ZAAV"	Incremental industrial output (KGS 225 billion), 1200 new shop floor jobs created
31	Construction of a plant for production of construction materials of volostanite, "LLC Koba"	19726	19726	-	Jalalabat Oblast State Administration, Chatkalsky rayon state administration, "LLC Koba"	Incremental industrial output (KGS 25 billion), 450 new shop floor jobs created
32	Stabilization of production process at the SJSC "Crystal"	49863	49863	-	Jalalabat Oblast State Administration, City Hall of Tashkumyr, SJSC "Crystal", "Esterholding"	Startup of production of polycrystalline silicon (660 tons per year)
33	Construction of a plant for production of ferrosilicon at LLC "Ferro Alloys" Tashkumyr	67808	67808	-	Jalalabat Oblast State Administration, City Hall of Tashkumyr, LLC "Ferro Alloys"	Production of ferrosilicon (36.0 thousand tons per year). Creation of. 2000 new jobs
34	Modernization of equipment at the JSC "Mailuusuu EBP".	110578	110578	-	Jalalabat Oblast State Administration, City Hall of Mailuusuu, JSC "Mailuusuu EBP"	Production of 4.5 million CELL bulbs per year. Creation in 90 new jobs.
Total: Jalalabat oblast:		616962	616962	0		

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
Osh oblast (4 projects)						
35	“Kara-Kazyk” gold deposit development	98630	98630	-	Chonalajsky rayon state administration, LLC “Interbusiness”, People’s Republic of China.	Budget replenishment. Creation of new jobs.
36	Construction of a plant for production of metal rolling and ceramic tiles	9863	9863	-	Karasui rayon state administration	Metal-roll production. Creation of new jobs.
37	Completion of laying the asphaltic concrete pavement on the Osh-Gulcho section (70 km) under rehabilitation of the Osh-Sarytash-Irkeshtam motorway	60750	60750	-	ADB, “China Road and Bridge corporation” Company	Improvement of highway conditions
38	Development of a coal deposit and preparation for coal mining	79123	79123	-	Uzgensky rayon state administration, LLC “Ferro Alloys”	Supply of the population with coal; export. Creation of new jobs
Total: Osh oblast:		187995	187616	378		
Batken oblast (4 projects)						
39	Completion of construction of the South Kyrgyz cement works in Kyzylkija	98630	98630	-	Administration, City Hall of Kyzylkija	Increase in the volume of industrial output , supply of construction materials, job creation
40	Completion of construction of a Batken-Burgondu-Pulgon bypass road	8219	8219	-	Batkensky Oblast State Administration, ILDMR-7	Resolution of issues associated with the crossing enclaves. Cargo transportation increase, development of roadside infrastructure

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
41	Construction of a bypass road for Chorku enclave	12877	12877	-	Batkensky Oblast State Administration, ILDMR-7	Resolution of issues associated with the crossing enclaves. Cargo transportation increase, development of roadside infrastructure
42	Building the Aigultashamat PTL	12822	12822	-	Batkensky Oblast State Administration, Batkensky branch of JSC "Oshelectro"	Independence of power supply in Ljajjajsky rayon and the town of Suljukta, creation of conditions for the opening of new enterprises
Total: Batken oblast:		132548	132548	0		
City of Osh (5 projects)						
43	Establishment of a plant for cultivation of cotton and a fiber-processing and textile-manufacturing area	47488	47488	-	JSC "Textilschik" and LLC the "Osh International Logistics Center Datan"	Increase in output and job creation
44	Establishment of a timber plant, furniture factory and a plexiglas-manufacturing shop	5918	5918	-	JSC "Textilschik" and LLC the "Osh International Logistics Center Datan"	Increase in output and job creation
45	Construction of an international business Center in the territory of JSC "Textilschik"	14630	14630	-	JSC "Textilschik" and LLC the "Osh International Logistics Center Datan"	Development of business and job creation
46	Construction of Osh-Beijing Trade Center	14795	14795	-	LLC "Asked Corporation"	Creation of more than 300 new jobs
47	Rehabilitation of national roads within the city (12 km)	1425	1425	-	CCM of the City Hall of Osh	Maintenance of municipal infrastructure and environmental conditions
Total: city of Osh:		84255	84255	0		

№	Activity/project	Amount of financing			Implementation responsibilities	Expected outcomes
		Required	Available	Gap		
		USD thous.	USD thous.	USD thous.		
City of Bishkek (4 projects)						
48	“Modern Bishkek as the Center of trade and services” municipal project	33400	33400	-	City Hall of Bishkek	Promotion of new forms of commerce, improvement of quality and culture of service.
49	“Reconstruction, maintenance and construction of urban roads” municipal project	16800	16800	-	City Hall of Bishkek	Improved condition of municipal roads. Construction of new roads
50	“Urban passenger transport development” municipal project	19200	19200	-	City Hall of Bishkek	Increase in quantity of municipal passenger transport units
51	Project for introduction of modern waste collection methods and construction of a recycling plant	36900	35000	1900	City Hall of Bishkek	Improved quality of life of the urban population.
	Total: city of Bishkek	106300	104400	1900		
	Total: regions:	2657929	2531574	126355		

* Financial data in tables are based on the current US dollar exchange rate: 36.5 Kyrgyz soms/US dollar