

Statement by the Staff Representative on the Kyrgyz Republic
December 3, 2012

1. This statement provides an update on recent developments since the issuance of the staff report. It does not alter the thrust of the staff appraisal.
2. On November 7, Centerra Gold Inc., the parent company of the Kumtor gold mining company, released lower projections for this year's gold production. If the new projections materialize, overall GDP growth would decline to 0 percent this year compared with 1 percent projected in the staff report. The revenue shortfall would be 0.1 percent of GDP. Staff has consulted with the Ministry of Finance which intends to cut non-priority expenditures to ensure that the end-December 2012 fiscal deficit target will be met.
3. On November 16, the office of the Prime Minister of the Russian Federation announced that Russia will provide a budget support grant to the Kyrgyz Republic toward the end of this year amounting to US\$25 million (0.4 percent of GDP). Under the program agreed with the authorities, the grant would be saved in the first instance, reducing the 2012 fiscal deficit while strengthening net international reserves. For 2013, these additional resources will be important in helping ensure that the government's priority expenditures can be readily financed.



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IMF Completes Third Review Under an ECF Arrangement with the Kyrgyz Republic, Approves US\$14.6 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the third review of Kyrgyz Republic's economic performance under the program supported by a three-year, SDR 66.6 million (about US\$102.3 million) Extended Credit Facility arrangement that was approved by the IMF's Executive Board on June 20, 2011 (Press Release No. 11/245). The Executive Board's decision enables the immediate disbursement of an amount equivalent to SDR 9.514 million (about US\$ 14.6 million) to the Kyrgyz Republic. This would bring total disbursements under the arrangement to SDR 38.056 million (about US\$58.5 million).

In completing the review, the Board approved the authorities' request for a downward modification of the quantitative performance criteria (QPC) on the general government overall deficit target and on the net international reserves held by the National Bank of the Kyrgyz Republic (NBKR) for end-December 2012, reflecting the external financing shortfalls with the subsequent modifications in the QPC on the NBKR's net domestic assets. Moreover, in light of the successful renegotiation of the borrowing terms on the second phase of the foreign-financed energy infrastructure project, the Board approved a modification of the debt limit by introducing a zero ceiling on contracting or guaranteeing of new nonconcessional external debt by the public sector.

Following the Executive Board's discussion, Mr. Min Zhu, Deputy Managing Director and Acting Chair, stated:

“Implementation of sound policies under the Fund-supported program has helped the Kyrgyz Republic to preserve macroeconomic stability. Growth this year has been adversely affected by the deferral of gold production to outer years. The Kyrgyz Republic also faces a number of challenges going forward, including from a potential further deterioration in the global economic environment and rising inflation due to pressures from higher food prices.”