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Kyrgyz Republic—Recent Economic Developments

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INTERNATIONAL MONETARY FUND

KYRGYZ REPUBLIC

Recent Economic Developments

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Kyrgyz Republic: Basic Data

Social and demographic indicators

| | |
|--|-------------------|
| Area | 199,900 sq. km. |
| Population density (January 1, 1995) | 22.4 per sq. km. |
| Population (January 1, 1995) | 4.476 million |
| Rate of population growth (1994) | 0.3 percent |
| Life expectancy at birth (1991) | 68.8 years |
| Male | 64.6 years |
| Female | 72.7 years |
| Infant mortality rate | 31.5 per thousand |
| Hospital beds per 1,000 inhabitants (1993) | 10.7 |

| | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>Prel.</u> <u>1995</u> |
|---------------------------|----------------------------|-------------|-------------|-----------------------------|
| | <u>(Percentage change)</u> | | | |
| Real GDP | -19 | -16 | -27 | 1 |
| Consumer prices <u>1/</u> | 1,259 | 1,363 | 87 | 32 |
| Producer prices <u>1/</u> | 4,031 | 1,355 | 85 | 33 |
| Broad money | 428 | 180 | 124 | 76 |
| Currency | 563 | 345 | 167 | 94 |
| Deposits | 375 | 88 | 67 | 42 |

(In percent)

Origin of GDP

| | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> |
|-----------------------------|-------------|-------------|-------------|-------------|
| Agriculture | 37 | 39 | 38 | 40 |
| Industry | 32 | 25 | 20 | 16 |
| Construction | 4 | 5 | 3 | 7 |
| Transport and communication | 3 | 4 | 4 | 9 |
| Other | 24 | 27 | 35 | 28 |

(In percent of GDP)

| | | | | |
|-------------------------------|-------|-------|-------|-------|
| Government revenue and grants | 16.5 | 23.3 | 20.8 | 15.6 |
| Government expenditures | 33.9 | 36.8 | 28.6 | 28.1 |
| Overall balance | -17.4 | -13.5 | -7.7 | -12.5 |
| Exports | ... | 33.3 | 33.1 | 25.4 |
| Imports | ... | 49.8 | 44.7 | 41.9 |
| Current account balance | ... | -16.1 | -12.1 | -17.9 |

(In millions of soms)

| | | | | |
|-----|-----|-------|--------|--------|
| GDP | 765 | 5,720 | 12,019 | 17,369 |
|-----|-----|-------|--------|--------|

Sources: Data provided by the Kyrgyz authorities; and staff calculations.

1/ December-to-December.

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I. Introduction and Overview

The Kyrgyz Republic has been among the earliest and most active reforming countries of the Commonwealth of Independent States (CIS). It was the first country of the CIS to introduce its own currency in 1993, the first to agree to a Systemic Transformation Facility (STF) program and a stand-by arrangement, also in 1993, and the first to enter into a three-year Enhanced Structural Adjustment Facility arrangement in 1994.

The country's early reform efforts had to contend with quite difficult conditions. Trade and payments links had been disrupted, markets for specialized Kyrgyz production were lost, imported energy prices were increased toward world market levels, and sizeable transfers from the U.S.S.R. budget ceased. In this environment, output began a long and steep decline which amounted to 50 percent between 1991 and 1995. By late 1995, however, a broad-based recovery in output had started and official statistics indicated an increase in real GDP of about 2 percent per annum in the first quarter of 1996 relative to the same period in 1995. Following sharp increases in prices in 1993, the annual inflation rate declined from an average of 278 percent in 1994 to 43 percent in 1995 (Chart 1). However, inflation rose in early 1996, mostly as a result of increases in world market prices for imported grain and in electricity and heating tariffs.

Fiscal policies have aimed at compensating for the sizeable loss in external budget support since 1992. Nevertheless, the cash fiscal deficit increased from 7.7 percent of GDP in 1994 to 12.5 percent of GDP in 1995. The authorities encountered difficulties in raising revenues early in the year, but with the implementation of measures to strengthen tax collection, taxes were maintained at about 13.5 percent of GDP for the year as a whole. However, total budget revenues fell from 21 percent of GDP in 1994 to 16 percent of GDP in 1995, reflecting a sharp decline in central bank profit transfers and food grants. Expenditures remained at about 28 percent of GDP in 1995, after having been reduced from budgeted levels by about 2 1/2 percentage points of GDP. Sizeable budget payment arrears were incurred, but the Government was able to reduce the stock of its payment arrears by the equivalent of 0.8 percent of GDP in 1995.

The 1996 budget is consistent with a cash deficit target of 5.5 percent of GDP. Revenues are projected to increase by 2 percentage points to 18 percent of GDP as a result of the implementation of a new tax code (including a revised VAT), increases in some excise taxes, and a series of administrative improvements. Expenditures are projected to decline by 5 percentage points of GDP to 23 percent of GDP as a result of rationalization of expenditures in the health and education sectors, a tightening of the eligibility criteria for social transfers, and the suspension of a wage increase scheduled for September 1996.

Notwithstanding the financing needs of the budget deficit, the growth of broad money fell from 125 percent in 1994 to 76 percent in 1995. This was accompanied by a significant reduction in the velocity of broad money-- by 24 percent over the year--as confidence in the Som was bolstered by the decline in inflation and a relatively stable nominal exchange rate.

However, confidence in the banking system suffered in 1995 and early 1996 as the solvency problems of several commercial banks became more evident, and the ratio of currency to broad money rose from 59 percent to 66 percent during the twelve months ending March 1996. In late 1995 the NBKR started a comprehensive restructuring of the financial system, supported by a World Bank IDA credit. As part of this program, the National Bank of the Kyrgyz Republic (NBKR) closed the Elbank (former Savings Bank) in March 1996 and announced the liquidation of Agroprombank in May.

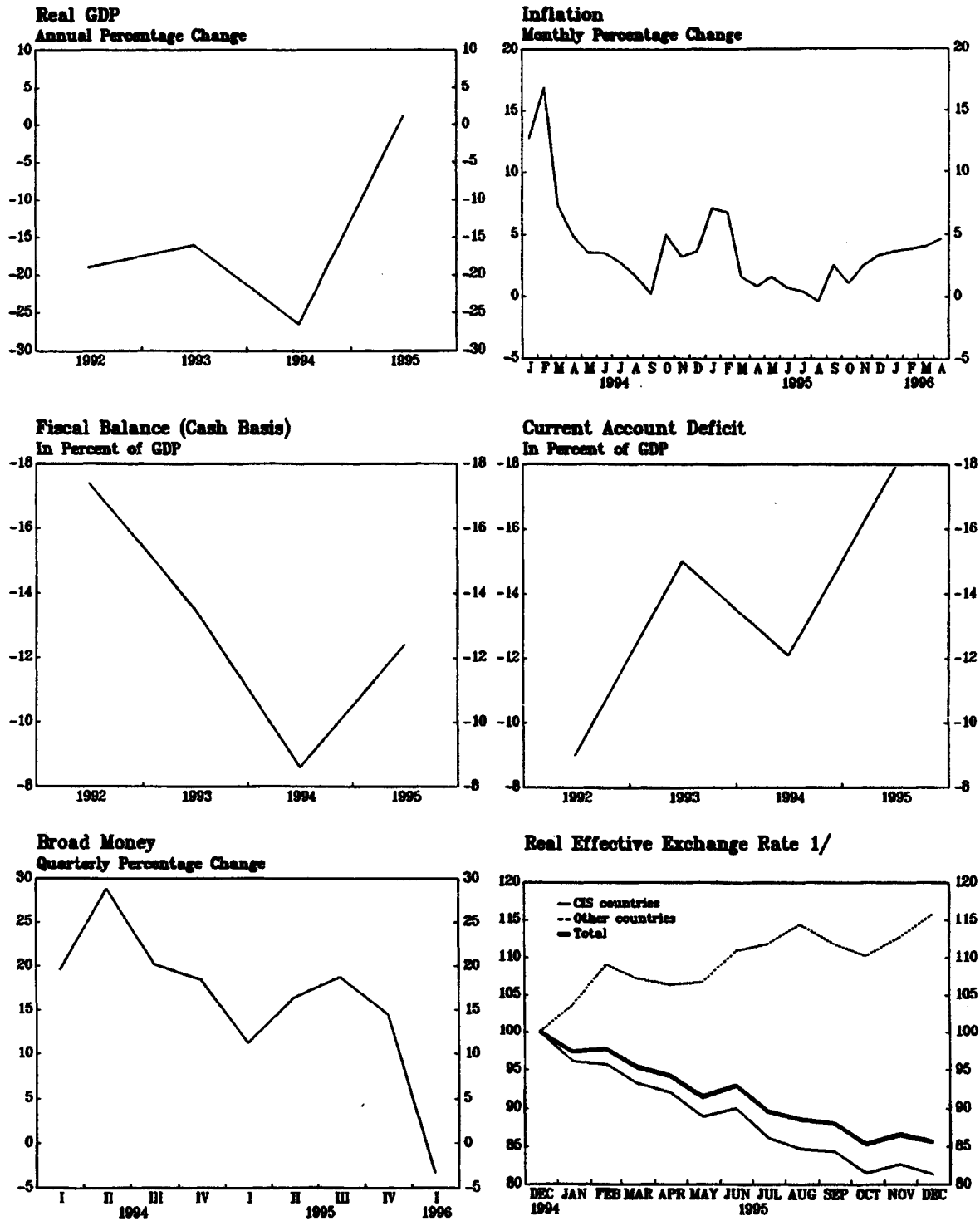
Exchange rate policy has kept the nominal exchange rate within a relatively narrow range. The Som moved from 10.7 per U.S. dollar at end-1994 to 11.4 per U.S. dollar at the end of the first quarter of 1996, fluctuating in the range of 10.4-11.4 during the period. In April 1996 the Som came under strong pressures, possibly as a result of the weaknesses of the banking system, including the closure of three small commercial banks, as well as seasonal factors. The Kyrgyz Republic continued the liberalization of its trade and exchange system by accepting the obligations of Article VIII in March 1995, and by eliminating the few remaining export taxes in February 1996.

After stagnating in 1994, external trade expanded rapidly in 1995. Overall, exports in U.S. dollars rose by 20 percent in 1995, while imports increased by 47 percent, partly as a result of imports related to the construction of a large foreign-financed gold mining project. The trade deficit more than doubled to US\$263 million in 1995 (16 percent of GDP), while the current account deficit (including grants) rose from US\$124 million in 1994 (12 percent of GDP) to US\$288 million (18 percent of GDP). Excluding imports and services related to the gold project, the current account deficit was US\$133 million in 1995 (8 percent of GDP), compared with US\$99 million in 1994 (10 percent of GDP). Borrowing by the Kyrgyz Republic on concessional terms increased sharply in 1995, but foreign direct investment (with the exception of the gold project) remained low. The overall balance of payments recorded a deficit of US\$29 million in 1995. The level of gross reserves fluctuated sharply, increasing from US\$94 million to US\$111 million in 1995 (from 2.1 to 2.4 months of imports, excluding imports related to the gold mining project).

Significant progress in privatization was achieved in 1995. Almost all of the enterprises included in the 1994-95 Privatization program had been offered at coupon auctions by the end of the year, and state shares were entirely divested from more than half of these enterprises. As part of the privatization process, the remaining state enterprises are in the process of divesting all social assets not related to productive activities, such as schools and health facilities. In early 1996, the Government approved the 1996-97 Privatization Program, which includes large enterprises operating in monopolistic markets as well as enterprises remaining from the earlier program. The privatization of the bread holding company is almost complete,

Chart 1

KYRGYZ REPUBLIC
Selected Economic Indicators



Sources: Kyrgyz authorities, and staff calculations.

1/ A decline means a depreciation.

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as the state still retains majority ownership in only six out of a total of 81 enterprises. Progress was also made in the restructuring of enterprises and in land reform. The diagnostic studies of all enterprises under the Enterprise Restructuring and Resolution Agency (ERRA) program were completed by the end of 1995. Based on these studies, the ERRA Board adopted decisions on the restructuring or liquidation of all enterprises in the program, and most enterprises are in the process of being restructured with the aim of selling them in auction. Land reform was accelerated through the break up of most state and collective farms, and the President issued a decree in November 1995 extending the land-use rights from 49 to 99 years. A land register is in the process of being established; a law which includes provisions for land to be used as collateral was submitted to Parliament in May 1996.

II. Real Economy and Systemic Reforms

1. Overall trends in output and aggregate demand

Fund staff estimates indicate that the economy entered into a period of output recovery in 1995. Although Goskomstat, the national statistical office, reported a decline in real GDP of about 6 percent in 1995, staff estimates, which apply more up-to-date weights to official data point to a positive real growth of 1 to 2 percent over the year. This turnaround in economic activity brings to an end five years of persistent declines. The staff estimates that agricultural output--which accounts for about 40 percent of GDP (Table 1)--grew by 4 percent in 1995 (based on updated weights). Construction activity was buoyed by investment in a new gold mining project, while private sector activity in trade and services expanded rapidly. Overall industrial output continued to fall in 1995; however, official data indicate that output started to increase in early 1996 partly because of increased activity in newly re-organized enterprises. Goskomstat reported an annualized 2 percent growth in real activity in the first quarter of 1996 compared with a similar period in 1995.

The recovery that started in 1995 was reflected in most components of aggregate demand. While public consumption remained almost unchanged in real terms, private consumption expanded along with the increase in agricultural production, and was reflected in increases in the purchase of consumer durables (Table 2). Exports rebounded, growing by about 15 percent in volume terms, for the most part due to strong performance in agricultural and light industry exports. Private investment also surged primarily due to construction work on the new foreign-financed gold mining project; however, there was little indication of a recovery in investment in other sectors of the formal economy as business confidence remained weak and financial intermediation limited.

The authorities estimate that a significant portion of output is not reflected in the official statistics. ^{1/} In an effort to quantify the extent of undercoverage, in 1995 the authorities completed a project aimed at estimating the relative size of the shadow economy which was put approximately 19 percent of GDP, of the latter 6 percent of GDP was included in the official GDP data starting with 1995. Official estimates of GDP-- which are based on disaggregated sectoral output data--suffer from deficiencies in data collection, most notably in the agricultural and industrial sectors. The most serious problems relate to misreporting by surveyed establishments; unclear treatment by enterprises of the VAT, inventories, bartered products, and settled or accumulated arrears; and the use of outdated 1983 base prices for the estimation of real growth of output in the agricultural sector. Moreover, undercoverage of the official data in most sectors has risen due to the growing shadow economy, particularly in the trade and services sector.

2. Sectoral developments

a. Agriculture

Overall agricultural output (using 1993 prices for weights) grew by an estimated 4 percent in 1995 in real terms, reversing the steady decline that had been experienced since 1990. The reforms in the agricultural sector that have taken place since 1992 contributed to the improvement in output performance. ^{2/} By end-1995, almost all state farms had almost been converted to joint-stock farms (Tables 3 and 4). The only state farms remaining by late 1995 were located in the Chui region, where market reforms had yet to gain acceptance.

The increase in agricultural output was accompanied by significant variations in output growth rates across crops. Wheat, vegetables, and potatoes, registered sharp increases of 11, 20, and 39 percent, respectively, while the output of tobacco, barley, and wool fell sharply (Table 5). The change in the composition of output was related primarily to adjustments in the cropping patterns. While land under cultivation fell marginally by 4 percent in 1995, areas sown with barley, tobacco, and silage crops fell by 27, 55 and 38 percent, whereas areas devoted to wheat, cotton, potatoes, and vegetables increased by 9, 26, 28, and 44 percent, respectively. These changes mainly resulted from developments in relative prices and the emergence of private trading activity in cotton, wool, and vegetables. A network of private traders who paid cash for cotton emerged, and farmers in the Issy-Kul region found reliable markets in Almaty for their fruits and vegetables.

^{1/} See Appendix IV of the last Recent Economic Developments report (SM/95/55, 3/17/95) for a detailed description of statistical issues.

^{2/} See section on structural developments for a description of progress in agricultural reform.

Yields for most crops stabilized or increased in 1995, halting the continued decline since 1990 (Table 6). However, average yields remained poor. Fertilizer use remained low, due to the absence of an adequate and timely supply of mineral fertilizers, and inadequate knowledge of their use. In addition, the quality of seeds used by farmers was also quite poor; weather conditions, albeit better than in 1994, were also unfavorable throughout 1995.

b. Industry and construction

Overall industrial output fell in 1995. In the course of the year, however, production stabilized and registered a turnaround towards the end of the year. This improvement was in part due to the completion of the restructuring of enterprises under the World Bank's Privatization and Enterprise Sector Adjustment Credit (PESAC) program, and the impetus from agro-based industries.

Initial problems in securing consultants early in the year hindered progress towards the reorganization under the PESAC of the large state-owned enterprises. Once these were overcome, reorganization accelerated and production started in some cases. However, these enterprises had mixed operational results as they competed against perhaps more competitive participants. For example, the traditionally dominant cotton and wool processing industries were not able to compete effectively with Chinese importers who participated directly in local markets offering cash on delivery. However, most agricultural processing enterprises recorded increased activity associated with the expansion in agricultural output, except for enterprises in the livestock sub-sector, e.g. milk processing and processing of animal feed (Tables 7 and 8).

The turnaround in industrial activity also benefitted from the re-establishment of trade links with other countries in the CIS. In particular, significant growth in exports of alcoholic beverages to Russia was recorded in 1995. Trading links with other countries such as China, India, Islamic Republic of Iran, Pakistan, and Turkey were fostered through visits by official delegations from these countries or representatives of their business communities.

Construction activity surged in 1995, mostly as the result of investment in the new gold mining project. Of the US\$155 million invested in the Kumtor Gold project in 1995 (about 10 percent of GDP), an estimated US\$25 million covered local costs, most of which related to civil works, buildings and infrastructure.

c. Trade and transportation

The trade and transportation sector expanded in 1995, boosted by the increase in agricultural output. Moreover, the operations of "shuttle" merchants importing consumer products from Turkey, India, the United Arab Emirates, and other countries continued to flourish. In the Osh and

Djalalabad regions, trade in cotton, including imports from Uzbekistan for subsequent re-export to China, emerged as a major operation. Activity in retail trade--not completely captured in official estimates--also expanded rapidly, mostly as a result of the high degree of openness of the external trade system and increased private consumption.

3. Price developments

Inflation continued to slow in 1995. The average rate of inflation, as measured by the consumer price index (CPI), declined from 278 percent in 1994 to 43 percent in 1995. As measured by the wholesale price index (WPI), the average rate of inflation fell from 229 percent in 1994 to 43 percent in 1995 (Table 9).

Inflation rates for all commodity sub-groups declined in 1995. Monthly inflation rates continued to show wide variations stemming from the large weight of food items such as fruits and vegetables in the CPI (63 percent). In January 1995, the monthly inflation rate surged to 7.1 percent, for the most part due to a fourfold increase in rents in the Djalalabad region and significant increases in water rates in other parts of the Republic. In February, increases in the prices of flour and bread resulted in a 6.8 percent increase in the CPI. Monthly inflation declined in the middle of the year with the fall in monetary growth rates and seasonal declines in food prices. However, toward the end of the year and early 1996, inflation increased sharply, in part due to a significant surge in liquidity at the end of 1995. There were also large jumps in the prices of flour and bread at the beginning of 1996, reflecting increases in wheat import prices as stocks from humanitarian food grants were exhausted in April 1996. Electricity tariffs and heating charges were raised by 50 percent. Despite the strength of these factors, the CPI increased only by 31 percent over the year ending in April 1996. 1/

4. Wages and employment

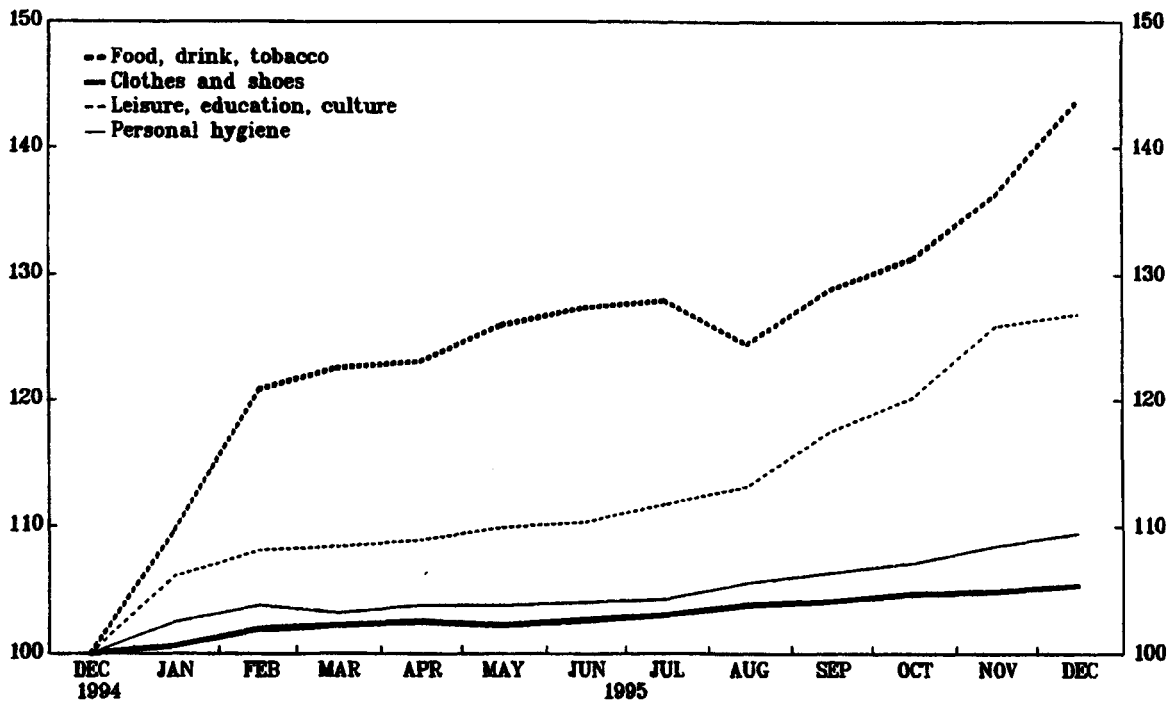
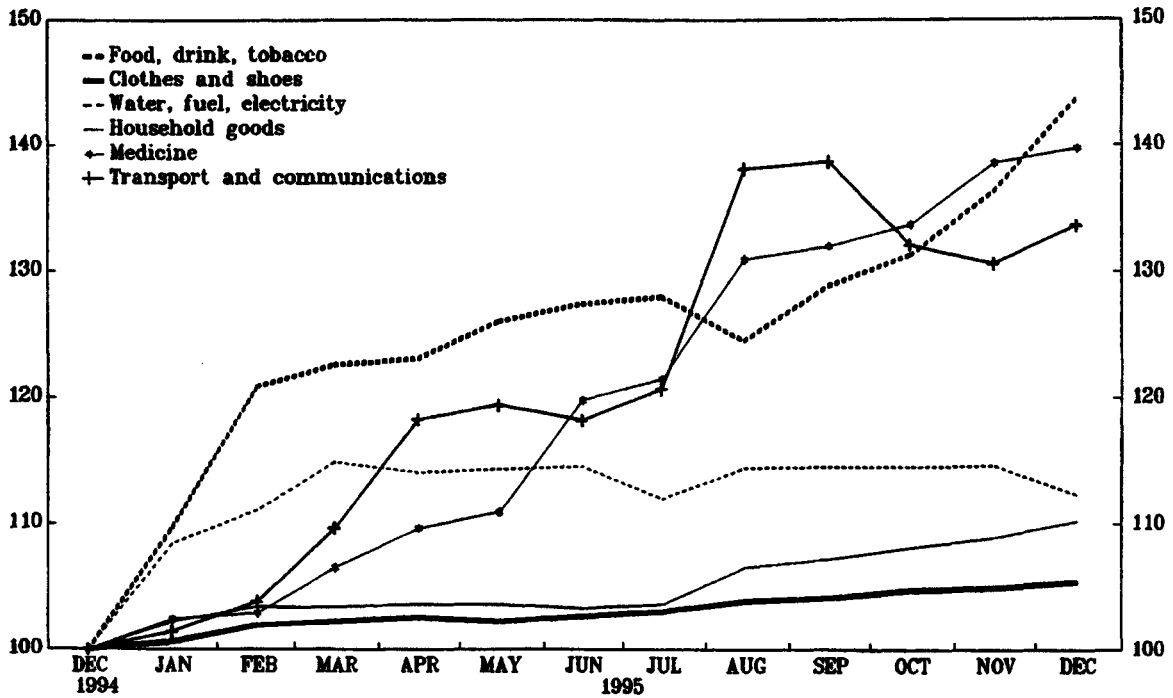
a. Wages

The yearly average wage rose by 193 percent in 1994 and by 67 percent in 1995. In the year ending March 1996, average wages increased by only 30 percent (Table 10). The adjustment in the minimum wage, to which government wages and pensions are tied, fell short of the increase in average wages in 1994 and 1995. The minimum wage was adjusted only once during 1995, by 10 percent in November, compared with a cumulative 112 percent increase in 1994.

1/ Chart 2 illustrates the movement in relative prices across all commodity group in 1994 and 1995.

CHART 2

KYRGYZ REPUBLIC
Disaggregated Consumer Price Indices, 1995
December 1994 = 100



Source: Goskomstat.

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Average real wages have declined continuously since 1990. However, the contraction in real wages may not be an accurate indicator for the development of living standards in the Kyrgyz Republic. Many workers receive additional income in the form of bonuses or income in kind, and many employees engage in unreported income generating activities. Nevertheless, recent official surveys suggest that poverty has become more widespread and income distribution much more uneven.

The distribution of wages across the sectors showed significant changes between 1992 and 1995. Wages in the agricultural sector fell from the economy-wide average to less than half the average in 1995, while the wages in the communication sectors rose from 1.1 percent to 1.6 percent of the economy-wide average. There was also a noticeable decrease in industrial wages, to 1.2 times the economy-wide average in 1995, compared with 1.6 in 1994 (Table 11). ^{1/}

b. Employment

Recorded employment fell by 8.4 percent in 1993, and by an additional 2.1 percent in 1994. This resulted in only marginal increases in both the number of workers officially registered as unemployed and of recipients of unemployment benefits, as most of the displaced workers exited the official labor market. In 1995, employment stabilized at about 1.6 million after a decline of 0.2 million between 1992 and 1995. A significant number of workers (6 percent of the labor force) were either on administrative leave or were working part-time pending the reorganization of their enterprises. About 42 percent of employment was in the agricultural sector in 1994 and 1995, industry accounted for another 15 percent, while the third largest employer was the education sector, accounting for 10-11 percent of employment (Table 12).

Although open unemployment has remained relatively low, unemployment rates have increased sharply. The number of workers officially classified as unemployed increased from 13,000 at end-1994 (0.8 percent of the labor force) to 50,000 at end-1995 (3 percent of the labor force). The number of recipients of unemployment benefits increased from 7,900 (0.5 percent of the labor force) in 1994 to 28,900 (1.7 percent of the labor force) in 1995, while applications for employment through the Government's employment agencies more than doubled to 98,200 (5.8 percent of the labor force) in 1995; placements through these agencies were almost unchanged at about 10,000. Moreover, as noted above, a significant number of those who have lost their jobs since 1992 are not officially classified as unemployed and have not claimed unemployment benefits. There is also ample evidence of disguised unemployment. A large number of employees work part-time or are on administrative leave, and there is anecdotal evidence of workers who, although officially employed, are idle and do not receive wage payments.

^{1/} Coverage of the data is limited, as there is no information provided on wage rates in the emerging sectors such as trade and services.

In an attempt to ameliorate of unemployment problems, government employment agencies have started small public works programs and provided limited support for unemployed workers seeking to start their own business.

5. Structural reforms

a. Privatization (1994-95 and 1996-97 privatization programs)

In recent years there has been considerable progress in the implementation of the privatization program for small-scale enterprises (Table 13). By the end of 1994, the Government had completed the privatization of almost all small shops and service outlets (defined as entities with less than 100 employees and numbering about 4,000 in total) through a series of cash auctions administered by the State Property Fund (SPF), to which the Government had already transferred all state-owned assets of a commercial nature. In November 1994, the Government initiated its privatization program for 1994-95, which covered 900 medium- and large-scale enterprises (defined as employing over 100 and 500 workers, respectively) in the commercial and industrial sectors. These enterprises were transformed into joint-stock companies and were to be privatized through a combination of coupon and cash auctions (mass privatization) and competitive bidding procedures.

A total of 836 enterprises included in the 1994-95 Privatization Program had passed through the coupon auction stage by the end of 1995; state shares were entirely divested from 434 enterprises. The SPF scheduled a total of 143 enterprises to be offered for coupon sale in the first six months of 1996, consisting of the 112 remaining from the 1994-95 program plus 31 enterprises included under the 1996-97 program that was adopted in January 1996. The 1996-97 Privatization Program, based on similar methods of divestiture as its predecessor, includes a coupon auction stage and a cash auction stage, but without a minimum selling price. The program comprises about 320 medium- and large-scale enterprises, and covers almost all of remaining state commercial enterprises, including the major utilities, mines (except gold) and printing industries. Most companies are to be sold through the mass privatization procedures of coupon and cash auctions.

As part of the privatization process, state-owned enterprises are in the process of divesting all social assets not related to productive activities, such as schools and medical facilities. In this regard, the Government completed in late 1995 the design of a national plan intended to assess the fiscal repercussions of such divestitures and limit disruptions in the delivery of social services.

b. Enterprise restructuring

The Government, with the cooperation of the World Bank, initiated an enterprise restructuring or liquidation plan for 27 heavily indebted enterprises and, to this end, the Enterprise Reform and Resolution Agency

(ERRA) was created in late 1994. ^{1/} Pending the completion of diagnostic studies to assess their viability, these enterprises were put on a "care and maintenance" program that sought to limit financial losses through reductions in their operations and placing their staff on administrative leave. Budgetary support was limited to (i) the payment of salaries to workers on administrative leave and the operation of essential social services; (ii) resources necessary for the downsizing and financial restructuring of potentially viable entities, and the liquidation of nonviable ones; (iii) severance payments to redundant workers; and (iv) the provision, on market terms, of working capital loans to allow for potentially viable entities to resume production and possibly generate a positive operating cash flow.

The diagnostic studies of all enterprises under the ERRA program were completed by the end of 1995. Based on the recommendations included in these studies, the ERRA Board adopted decisions on the restructuring or liquidation of all 27 enterprises. ERRA is expected to complete all the liquidation or restructuring plans of enterprises included in the program by the end of September 1996.

c. Agricultural reform

The Government has made considerable progress toward lessening state control over agricultural activity in recent years. The system of state orders was eliminated in 1993, prices for all agricultural commodities were liberalized in 1994, and export taxes on agricultural products were limited to hides and silk cocoons in June 1995 and were completely abolished by Presidential decree in late February 1996. Land ownership was facilitated in 1995 through the break up of most state and collective farms and the relaxation of regulations on the use of land.

On November 3, 1995, the President issued a decree extending the right to hold and use land from 49 to 99 years. Land leases can be sold, exchanged, or used as collateral for obtaining bank credits. However, land has to be used for agricultural purposes. Preparation of legislation to secure land rights through the issuance of titles and establishment of a unified land registration system is proceeding and is expected to be submitted to Parliament by end-1996. Also, a draft Law on Pledge which includes procedures for land to be used as collateral was submitted to Parliament in May 1996.

Privatization of the bread holding company (Kyrgyz Dan Azyk, KDA) is almost complete. Of the 81 entities which were part of KDA, 44 were medium- and large-scale and 37 were small-scale enterprises. All 37 small-scale

^{1/} Originally, there were 29 enterprises in this program. However, two of these enterprises were withdrawn from the program prior to the completion of viability studies. One of these was privatized while the other was restructured by its original managers without any assistance from ERRA.

enterprises have been privatized. The 44 medium- and large-scale enterprises have been transformed into joint-stock companies and over half (28) have majority private ownership. Plans are proceeding for the state to divest its remaining majority ownership in six enterprises (including two grain storage and milling enterprises), and its minority ownership in eight enterprises in 1996.

III. Monetary and Exchange Rate Policies and Financial Sector Developments

1. Institutional structure

The Kyrgyz Republic has taken several measures to develop the appropriate legal and institutional framework for the conduct of monetary policy since independence. New central bank and commercial bank laws were approved in 1992, a national currency (the Som) was introduced in May 1993 in the context of a fully liberalized foreign exchange regime, and a number of market-based policy instruments were introduced with technical assistance from several international institutions. The NBKR further strengthened the process of formulating and implementing monetary policy through the creation of a Monetary Management Committee charged with monitoring liquidity conditions. In late 1995, the NBKR started a comprehensive financial restructuring program supported by an IDA Financial Sector Adjustment Credit (FinSAC).

Besides the NBKR, the banking system consists of 18 commercial banks. The bulk of assets and liabilities of commercial banks are held by four large banks (Promstroibank, Agroprombank, AKB Kyrgyzstan, and the Savings Bank), all of which are successors of former specialized banks. As part of the restructuring of the financial system (see below), two of these banks were closed in 1996. Most of the smaller banks were created by state institutions or enterprises, and two banks were established with the participation of foreign capital. The bulk of the branch network belongs to the four large banks.

2. Monetary and exchange rate developments in 1995 and the first quarter of 1996

Overall monetary growth rates declined in 1995. Base money growth slowed from 152 percent in 1994 to 92 percent in 1995, and broad money growth fell from 125 percent to 76 percent (Table 14). This was accompanied by a decline in velocity as confidence in the Som was reinforced by lower inflation rates and a stable exchange rate. Growth in credit to Government was the driving force behind the expansion of the monetary base, as NBKR credit to banks fell in nominal terms and net international reserves decreased during the year. ^{1/} However, confidence in the banking system

^{1/} However, seasonal movements in net international reserves did affect the growth of reserve money base, albeit temporarily.

deteriorated and currency in circulation grew at a faster pace than deposits. Commercial bank credit to the economy fell sharply in real terms as banks shied away from further lending given the already poor quality of their portfolios.

The growth of reserve and broad money were quite low in the first quarter. There was almost no change in NBKR credit to banks, and the increase in credit to the nongovernment sector represented mainly the accrual of overdue interest. ^{1/} Net credit to government increased sharply, but its effect on monetary growth rates was partially offset by a reduction in net international reserves. During the rest of the year, reserve and broad money expanded at significantly higher rates. The Government drew down its counterpart funds account at the NBKR (in the second quarter) and the NBKR extended sizeable new credits to the Government (third quarter); however, broad money velocity declined because of a seasonal rise in output. In the fourth quarter of 1995, higher-than-expected foreign disbursements were monetized and the NBKR experienced operating losses related to a reduction in interest income and expenses for building renovations. However, the expansion that occurred in late 1995 was reversed in the first quarter of 1996, as the NBKR limited credit to Government and increased its sales of foreign exchange in the auctions; reserve and broad money stocks stood at lower levels at end-March relative to end-1995. Despite the rising share of cash in broad money, the share of time deposits in total deposits increased in 1995 from 6 to 11 percent, perhaps reflecting the high real interest rate offered by commercial banks. Also, deposits denominated in foreign currency--mostly held by non-Government organizations (NGOs)--grew in relative importance from 21 to 24 percent of total deposits in 1995.

Nominal interest rates fell sharply in 1995. Credit auction rates decreased from about 100 percent per annum in January 1995 to 42 percent in late April 1996. Treasury bill rates fell even faster, and leveled off at around similar magnitudes as credit auction rates during the first quarter of 1996 (Chart 3). Commercial banks have had an incentive to resist declines in the auction rate since the remuneration of their required reserves is pegged to it. In real terms, however, interest rates did not decline significantly. Deposit and lending rates at commercial banks also experienced steep declines, while continuing to vary widely across banks. On average, three-month time deposit rates declined from 90 percent to 36 percent during 1995, while lending rates fell from 160 percent to 80 percent. Deposit rates ranged from 20 percent to 125 percent; the highest rates were being offered by the Elbank.

Exchange rate policy aimed at keeping the Som within a narrow band vis-a-vis the U.S. dollar, mostly by varying the amounts of foreign currency the NBKR sells in its twice-weekly auctions. The Som moved from 10.7 per

^{1/} The counterpart to the accumulation of overdue interest is included in the other-items-net category.

U.S. dollar in December 1994 to 11.2 in December 1995, and to 11.6 at the end April 1996 (Table 15). After appreciating during the first two months of 1995, the real effective exchange rate depreciated (by about 15 percent) during the rest of the year because of the nominal depreciation and lower inflation relative to the Kyrgyz Republic's major trading partners. Dollar wages in the Kyrgyz Republic continue to be very low compared to its major trade partners (Russia, Kazakstan, and Uzbekistan). ^{1/}

3. Interbank market developments

The interbank money market started to play a larger role in bank financing in 1995, although its growth was hindered by bank solvency problems. The average monthly volume of transactions reached som 15 million, from som 1 million in 1994, and the number of transactions per month rose to 10 from 2 in 1994. The volume of interbank credit consistently exceeded total NBKR net credit to banks (i.e., auctions, Lombard, and Emergency credits) in every month of 1995. Interest rates on these transactions showed a relatively constant premium over auction rates.

The market for treasury bills remained quite small, with the volume of bills outstanding as of end-1995 amounting to about som 20 million. A major obstacle to growth continues to be the availability of credit to the Government from the NBKR at an effective zero interest rate. Holdings of treasury bills by the nonbank sector are virtually zero as the dissemination of information to the public is nonexistent. As a result, the volume of treasury securities offered at each auction steadily declined throughout 1995 and into early 1996 (Table 16). The decline in the pool of securities available has hindered the development of a secondary market, thus limiting the scope for the NBKR to conduct open market operations.

The interbank foreign exchange market gained considerable strength during 1995, particularly in the last two quarters of the year as purchases reached a quarterly level of almost US\$10 million, compared with a level of around US\$2 million in the first quarter of 1995. However, the number of transactions remained small at around only 20 per month. The interbank market was quite thin compared with the amount of U.S. dollars auctioned by the NBKR (US\$135 million in 1995).

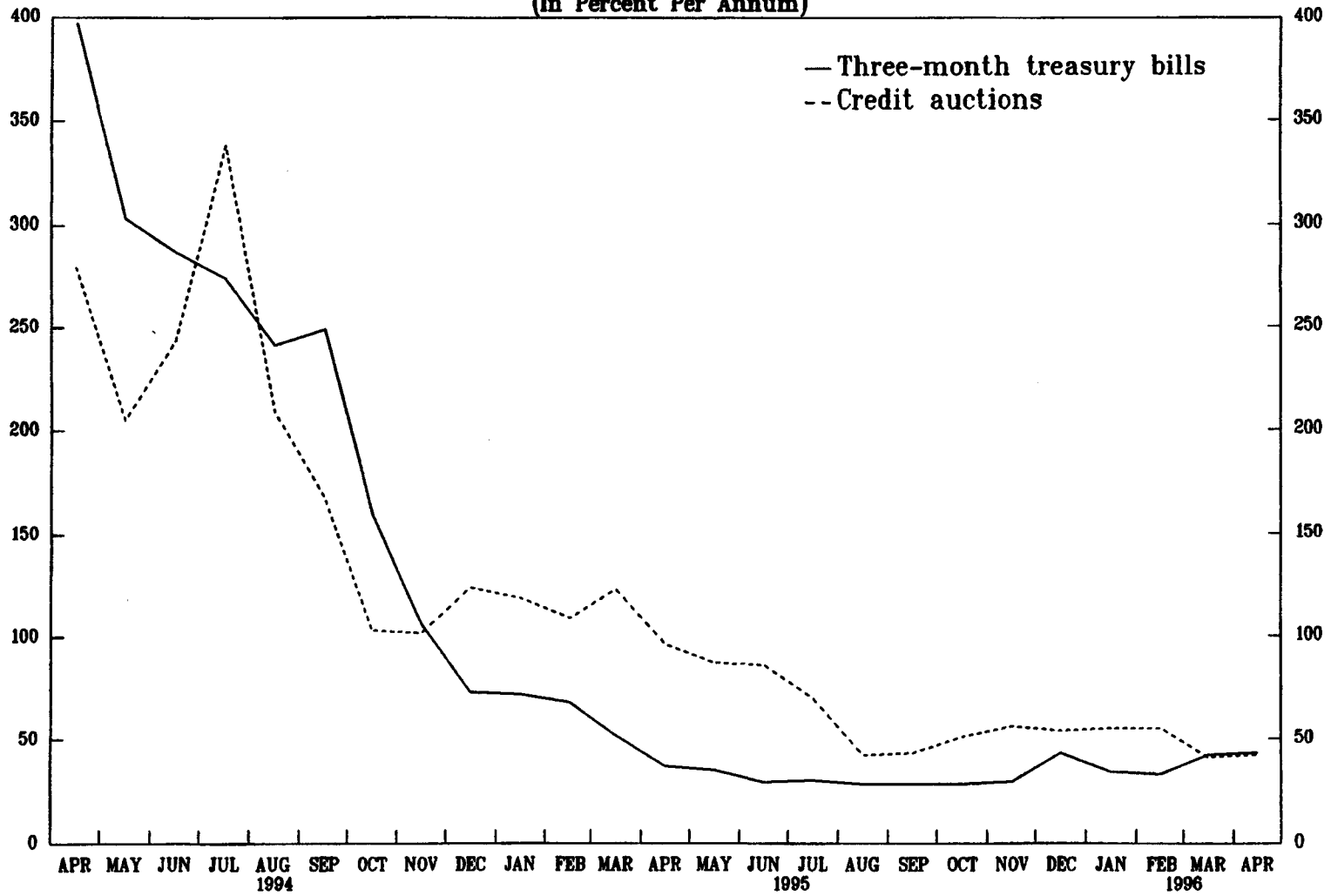
4. NBKR credit facilities and monetary policy implementation

The NBKR has developed a broad menu of monetary policy instruments aimed at controlling liquidity. These policy instruments include NBKR credit auctions, a Lombard Credit facility, an Emergency Credit facility, reserve requirements, foreign exchange market intervention, and treasury bill auctions. However, the NBKR's ability to use these instruments was constrained by the need to reduce credit growth while financing a sizable budget deficit, and by the insolvency of several large commercial banks.

^{1/} In March 1996, average monthly wages in Russia, Kazakstan, and Uzbekistan, were US\$154, US\$87, and US\$45, respectively; compared to US\$41 in the Kyrgyz Republic.

Chart 3

KYRGYZ REPUBLIC
Interest Rate Developments
(In Percent Per Annum)



Sources: Kyrgyz authorities; and staff calculations.

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NBKR credit auctions are conducted weekly and are aimed at injecting liquidity and influencing interest rates. Only a minor portion of refinance credit was channeled through the auctions in early 1993, and credit auctions were suspended shortly before the introduction of the Som in May 1993. Credit auctions were resumed in April 1994 on a weekly basis, and all NBKR refinance credits have been channeled through the auctions since then. Nevertheless, the volume of credit auctioned and participation in the auctions has fallen steadily from around som 10 million per auction in 1994 to less than som 1 million in late April 1996 (Table 17). The NBKR in April 1995 in the required collateral from 70 percent to 50 percent of the amount borrowed, and introduced a multiple price mechanism, but currently only an average of four banks participate in the auctions. 1/

The NBKR's Lombard and energy credit facilities aim to assist banks facing liquidity problems. Interest rates charged by the Lombard's facility range from 5 to 12 percentage points over the auction rate, depending on the maturity and type of collateral, while the term to maturity ranges from 1 day to 14 days at the discretion of the borrower. In November 1994, the NBKR lowered the collateral requirement from 100 to 50 percent of the amount borrowed. Nevertheless, use of this facility has also fallen substantially since late 1994.

The Emergency Credit facility started operating in November 1994, and provides medium-term funding to a bank's suffering from a prolonged liquidity shortage. The funding has flexible collateralization requirements, and is provided at a rate equal to the most recent credit auction rate. This facility has helped strengthen the NBKR's role in lessening systemic risks, as it places banks accessing the facility under increased surveillance. In early 1995, the emergency facility became an important source of liquidity, at times exceeding the amount of credit extended through the credit auctions. This followed the introduction in early 1995 of a preferential interest rate equal to 80 percent of the last available auction rate. Since April 1995, however, the extension of new credits has been largely limited to the roll-over of a few maturing loans.

Reserve requirements were kept at a uniform rate of 15 percent of the deposit base. In March 1995, the NBKR included cash in commercial banks' vaults in the calculation of required reserves. Interest earned on required reserves has been linked to the credit auction rate (at 80 percent of the latest available rate) since late 1994.

5. Commercial banks and structural reforms

Several commercial banks have experienced solvency problems for a number of years, as a result of past banking practices whereby banks extended sizeable loans on Government instructions to state enterprises

1/ On several occasions during 1995, the NBKR had to cancel the auction for lack of bids.

without an assessment of default risk. The fundamentally poor health of the banking system became increasingly apparent in late 1993 and 1994 as monetary policies were tightened, and banks could no longer easily roll over credits. Many of the loss making enterprises also could not service their loans. The situation was further complicated by severe management shortcomings in commercial banks, and by the lack of an appropriate regulatory framework and prudential regulations. The magnitude of the insolvency problem was not assessed fully until late 1994 and early 1995 following the adoption of regulations requiring that provisions be made for doubtful loans, the on site inspection of all banks, and the strengthening of the Banking Supervision Department at the NBKR. One half (9) of all commercial banks were found to have negative net worth totalling about som 1 billion (40 percent of broad money) in October 1995, and at least 64 percent of all loans (about som 1.8 billion) were considered unrecoverable, 90 percent of which were nonperforming. Loan loss provisions of som 1.3 billion were needed on the basis of regulations adopted in October 1995, while commercial bank reserves totalled som 18 million only. The largest share of nonperforming loans (84 percent) belonged to the four former state banks (Agroprombank, Promstroi, Elbank, and AKB Kyrgyzstan). Around 75 percent of the loans extended by Agroprombank and Promstroi Bank were owed by state enterprises, compared with 9 percent for the small private banks. Nine of the remaining 14 small private banks were also shown to be in financial distress.

The NBKR adopted a comprehensive two stage strategy for dealing with the problems of the banking system. The first stage dealt with assessing the long-term viability of all commercial banks. Of the nine banks (including the state banks) with negative net worth, four were put under direct supervision, and two had their licenses suspended and subjected to temporary NBKR administration. ^{1/} The second stage involves the restructuring or liquidation of the former state banks with the assistance of the World Bank as part of a comprehensive restructuring of the financial system; the program is being supported by a Financial Sector Adjustment Credit (FinSAC) from IDA which was approved by the Bank's Executive Board in June 1996. As part of this reform program, the NBKR closed the former Savings Bank (Elbank) in March 1996, and announced the closure of Agroprombank in May. The strategy to be pursued under the remaining period of the program involves in broad terms, the completion of the liquidation of Agroprombank and Elbank; the establishment of a temporary nonfinancial credit agency to replace Agroprombank; the recapitalization of the other two former state banks; the creation of a temporary Debt Resolution Agency to help expedite the collection or write-off of nonperforming loans; and the creation of the appropriate regulatory and supervisory framework for the development of competitive banking system, including seeking legislative approval of the new banking law and the tightening of prudential requirements.

^{1/} At the end of 1995, one of the banks under direct supervision had been successful in improving its financial position and thus was taken off the enhanced supervision program. The remaining three banks are expected to raise enough capital to bring their net worth to zero.

IV. Fiscal Developments

1. Institutional arrangements

The public sector of the Kyrgyz Republic consists of the republican government, the six local governments (oblasts), the municipality of Bishkek, republican and local extrabudgetary funds, and the state enterprises. The consolidated general government budget covers only the republican, oblast and Bishkek city budgets, and reflects transfers made to, or payments received from, the extrabudgetary funds and state enterprises. ^{1/}

A national treasury was established in late 1994 with technical assistance from the Fund, and its operations was extended nation wide during 1995. The treasury system consolidated the reporting of fiscal outcomes and facilitated a more prompt processing of payment claims from spending units. The computerization of the Central Treasury was initiated in early 1996--the extension to the rest of the Treasury system at present awaits the necessary financing. This should eventually lead to the introduction of commitment based accounting. Beginning in 1995, the national budget has been presented using a classification based on the Government Financial Statistics System (GFS).

2. Overview of fiscal developments in 1995

The overall fiscal deficit rose from 7.7 percent of GDP in 1994 to 12.5 percent of GDP in 1995 (Tables 18 and 19). This was accompanied by a reduction--equivalent to 0.8 percent of GDP--in the stock of payment arrears. Foreign financing of the deficit was 4.1 percent of GDP while domestic bank financing was 8.4 percent of GDP. The increase in the deficit corresponded to the decline in total budgetary receipts, which contracted relative to GDP by 5 percentage points to 15.3 percent of GDP as NBKR profit transfers to the budget and food grants fell; the share of tax revenue in GDP was maintained at about 13.5 percent of GDP in 1995. The share of expenditures in GDP also remained at about 28 percent in 1995.

Fiscal developments in the first half of 1995 were dominated by a severe revenue shortfall, which reflected both the continuous industrial output decline and the chronic weakness of tax administration. As in 1993-94, the Government reacted to the shortfall with an across-the-board compression of expenditures, but was unable to reduce its domestic payment arrears as planned, or to avoid the accumulation of new arrears.

^{1/} For a description of the financial relationship between the republican and local governments, see SM/95/55 (3/17/95), page 14, and Appendix I, page 41.

The authorities agreed with Fund staff in May 1995 on specific measures to strengthen revenue performance through improved tax compliance and heightened administrative efficiency (see section 3 below), as well as to reduce expenditures through orderly and sustainable adjustments to underlying expenditure policies, strict control over wages, and discretionary cuts. The implementation of these measures brought about a substantial improvement in revenue performance by the end of the second quarter. With the compression of some expenditures, the deficit was reduced from 16.9 percent of GDP in the first quarter to 12.2 percent in the second, and further to 9.1 percent in the third quarter. The Central Government was able to settle by mid-May its arrears on wages which had been outstanding from end-1994. 1/ However, delays in adjusting the underlying wage and social policies, and ineffective control by the central administration over local budgets, led to the accumulation of new arrears on wages and social contributions by local governments. 2/

Revenue performance continued to improve in the fourth quarter, reflecting enhanced administrative efficiency, the collection of tax arrears, and some advance collection of taxes falling due in early 1996. 3/ However, the quarterly deficit overshot the planned level due to the accelerated repayment by end-December of domestic arrears originally programmed for repayment over the course of the following year. The stock of domestic arrears at end-December 1995 was som 213 million, of which som 70 million were arrears on wages and salaries, and som 82 million were arrears of the local governments on social contributions. The higher deficit in the fourth quarter was largely financed by a faster than programmed disbursement of a World Bank loan.

The 1996 budget approved in April 1996 provided for a 45 percent nominal increase in revenues, but only a 6 percent increase in expenditures. Expenditure savings were expected from the measures in health and education initiated in late 1995, higher utility charges following the April increase in tariffs, and the withdrawal of a wage increase originally foreseen for September 1996. The overall deficit was projected at som 1,123 million (5 percent of GDP).

Tax revenue in the first quarter of 1996 was som 47 million short of projections, and external grants were also substantially less than expected. The shortfall was offset partly by the sale of Government stocks (sugar, canned meat, and grain). As before, the authorities also responded to the shortfall with a sequestration of expenditures, but there was substantial new lending to agriculture. The cash deficit was held to som 202 million

1/ The republican budget transferred som 177 million toward the settlement of the som 344 million in arrears outstanding at end-1994.

2/ For example, existing promotion and salary advancement policies, particularly in the education sector, were not adjusted commensurate with the required spending reductions.

3/ This includes a reduction in tax arrears of som 50 million.

(5.9 percent of quarterly GDP), in part due to an increase in (mostly local) payments arrears of som 110 million (3 percent of quarterly GDP). Net external financing of this deficit benefitted from the deferral of repayments to Russia and Turkey; domestic financing of the deficit was limited to som 110 million.

3. Revenue developments in 1995-96

a. Tax administration

The authorities took several measures during 1995 to strengthen the efficiency of the State Tax Inspectorate (STI) and State Customs Inspectorate (SCI), and to enhance revenue collection, although no new taxes were introduced or tax rates changed. The measures included more stringent qualifications for recruitment of inspectors and agents and provisions for extensive training; preparation for the computerization of taxpayer databases and collection operations and the introduction of a general taxpayer registration; and the increased accountability of agency directors, who were made subject to stricter control by the Ministry of Finance.

Regarding the SCI, measures were taken to combat smuggling and fraud by strengthening posts at key border crossings; automating customs valuation procedures at the airport and at main border crossings; and limiting the entry of import and transit traffic to designated roads. By the fourth quarter of 1995, the SCI had been reorganized along the lines of the key transport modes--rail, road, and air--subject to control by the headquarters. Significant efforts were undertaken to improve efficiency at the STI, including strengthening of the local tax inspection offices; introducing a computerized taxpayer identification number system; 1/ and enhancing auditing methodologies and targeting, concentrating on the largest taxpayers and stopfilers. Moreover, a series of tax enforcement measures was approved and gradually implemented with a view to facilitating the collection of tax arrears and the monitoring the sale of petroleum, tobacco and alcohol products subject to excises. 2/

The authorities also launched a public campaign against corruption during 1995. A joint task force was formed in April to address corruption in the STI and SCI, and an action plan was developed in mid-1995. 3/ These efforts were supplemented by a special Committee of the Prime Minister on Economic Fraud in business, which proposed measures for targeting specific sectors and activities where fraud is prevalent.

1/ Expected to be fully implemented during the second half of 1996.

2/ See the discussion of excise taxes and tax arrears below.

3/ The internal auditing units of each agency are being strengthened, with a view to identifying corrupt officials, and the activities of the agencies are to be subject to random audits by outside control units.

b. Structure of taxation

There were no major changes in the tax structure in 1995. Although the share of tax revenue in overall revenues and grants rose sharply (from 64.5 percent in 1994 to 87 percent in 1995), this reflected the precipitous decline in grants (from 2.5 percent of GDP in 1994 to 0.3 percent in 1995), and the contraction in nontax revenue (from 4 percent of GDP in 1994 to 1.4 percent in 1995), mostly as a result of a reduction in profit transfers from the NBKR. As a share of GDP, overall revenue (including grants) fell from 20.8 percent in 1994 to 15.6 percent in 1995--by contrast, the tax ratio was more stable at about 13.5 percent of GDP (Table 20).

In 1995, the Government submitted for parliamentary consideration a new tax code, incorporating revised VAT legislation, and new provisions for the income and profit tax, the excise tax, and the tax administration law. The new code aimed at simplifying the existing tax legislation and administrative provisions and enhancing their internal consistency. The new tax code was approved in June 1996, together with the new VAT law, for implementation as of July 1, 1996.

The VAT remains the most important tax, accounting for roughly a third of total tax revenue, and its yield relative to GDP rose marginally from 4.3 percent in 1994 to 4.5 percent in 1995. Revenues from the VAT fell short of projections during the first half of 1995, reflecting the contraction of economic activity and liquidity difficulties experienced by many enterprises, which led to the accumulation of substantial tax arrears. However, with the overall improvement in collection efficiency and the implementation of measures to reduce arrears, the revenue from VAT for the year reached some 705 million. Revenue from the VAT was 59 percent higher in the first quarter of 1996, compared with the corresponding period of 1995, a partial indication of the impact of the large taxpayers unit at the STI and the greater familiarity of inspectors with the provisions of the law.

Preparations were undertaken in 1995 for transforming the VAT into a modern, invoice based tax on the destination principle, with effective implementation originally slated for September 1995. However, the Kyrgyz Republic's decision to join the Customs Union with Russia, Belarus, and Kazakhstan, ^{1/} as well as the Parliament's decision to consider the VAT together with the rest of the revised Tax Code, required changes in the VAT legislation, and implementation was delayed until July 1, 1996.

^{1/} As these countries all follow the origin principle, and also account for a substantial share of the Kyrgyz Republic's foreign trade, membership in the Customs Union would have made the unilateral adoption of the destination principle by the Kyrgyz Republic administratively difficult, and would have led to the double taxation of imports from these partner countries.

The 5 percent retail sales tax adopted in July 1994 generated 7.1 percent of total tax revenue (1 percent of GDP) in 1995. ^{1/} This improvement reflected the greater familiarity of the taxpayers and tax inspectors with the tax, and its wider application. The tax was scheduled to be dropped at end-1995, consistent with the reform of the VAT, but has been retained until end-1996, given the change in the timing of the implementation of the VAT legislation.

Revenue from the profit tax declined sharply in 1995, both relative to GDP (from 3.6 percent 1994 to 2.7 percent) and as a share of total tax revenue (from 26.4 percent in 1994 to 17.6 percent in 1995). This reflected the further contraction in the industrial sector, where state enterprises experienced mounting cash flow problems. Revenues from the personal income tax declined as a share of tax revenue (from 13.9 percent in 1994 to 12.0 percent in 1995) and relative to GDP (from 1.9 percent to 1.6 percent), as the tax authorities were largely unable to improve the effective taxation of incomes generated outside the formal enterprise sector. ^{2/} In the first quarter of 1996, profit tax revenue fell sharply, reflecting the impact of the advance collection of this tax in the last quarter of 1995. Income tax collections were also significantly lower than projected. In 1996, revenue from the profit taxes is expected to be enhanced by the provisions of the new tax code, which broadens the base for the profit tax by eliminating unwarranted preferences and rationalizing business deductions. The introduction of the taxpayer identification number with generalized taxpayer registration, and the declaration based taxation of profits and personal income not withheld at the source would also contribute to strengthening receipts.

Collections from customs duties--levied since mid-1994 at a flat rate of 10 percent on nonexcisable imports from non-CIS states--more than doubled in 1995, as the loophole exempting imports of declared personal property from duties was closed in early 1995. Customs revenues in the first quarter of 1996 were roughly the same share of GDP as in the corresponding period of 1995, despite efforts to improve collections. The customs duty was scheduled to have been eliminated with the introduction of the destination-based VAT, but the duty was retained in order to maintain revenues following the decision not to introduce the new VAT on the basis of the destination principle for imports from CIS countries.

^{1/} The tax was to be applied to all retail sales not subject to the VAT from July 1994 to end-1995, as a means of raising revenue and bringing into the tax net businesses that had previously escaped taxation. In effect, it was applied cumulatively with the VAT.

^{2/} An amendment to the income tax law on January 30, 1995 provided for new declaration forms, and a revised schedule of rates, as well as for the taxation of wages paid in kind and of bonuses.

Excise tax revenue increased slightly as a share of both GDP and overall tax revenue in 1995, due to efforts to rationalize the rate structure and to improve compliance. In June 1995, the taxation of domestic and imported vodka and spiritus was harmonized, and a project to introduce tax stamps for cigarettes and alcohol was initiated. In August 1995, the excises on cigarettes were lowered to reduce the incentive to smuggle and tax stamps on liquor and cigarettes were introduced in January 1996. The deadline for phasing in the stamps was set at March 15 for liquor; however, technical problems delayed the transition phase for cigarettes until end-June. At the beginning of November 1995, excises on kerosene, diesel and mazut were removed, in order to assist agriculture and to reduce heating costs.

c. Nontax revenue

Nontax revenue fell sharply in 1995 (from 4.4 percent of GDP in 1994 to 1.4 percent in 1995) as the transfer of profits from the NBKR virtually ceased. The yield from land fees, introduced in 1994 to replace revenue from the former state and collective farms, was disappointing. A 5 percent registration fee for motor vehicles was introduced on March 10, 1995, but other nontax revenues declined in nominal terms over the course of the year. 1/ Nontax revenue picked up substantially in the first quarter of 1996, registering an increase of over 80 percent relative to the same period of 1995, due to a sharply higher yield from fees and penalties.

d. Tax arrears

In 1995, state enterprises continued to experience difficulties in meeting their tax liabilities. As in 1993-94, these stemmed in part from the nonreceipt of payment for sales, as well as the restructuring of the industrial sector. Nonetheless, total tax arrears (excluding accrued penalties) fell from som 207 million (equivalent to 26 percent of overall tax revenue) at end-November 1993 to som 162 million, or 10 percent of total tax revenue at end-1994, before rising again rapidly during the first half of 1995.

In mid-1995, legislation was introduced to permit the seizure and sale of the assets of tax delinquents, to authorize the negotiation of installment payment plans with tax debtors, and to reduce the penalties for nonpayment of tax obligations from unduly high levels. 2/ In July 1995, a Presidential amnesty was announced, absolving taxpayers of accrued penalties on all outstanding liabilities paid by September 1, 1995. 3/ In addition,

1/ Including revenues from property and state enterprises, administrative fees, and penalties and fines.

2/ Adoption of the first two measures was delayed due to the parliamentary discussion of the overall Tax Code.

3/ However, many enterprises incurred arrears on wages and social contributions during July-August in order to benefit from this amnesty.

the stock of outstanding arrears was reduced at end-August 1995 through compensation operations amounting to som 140 million, which offset enterprise tax debts against government external debt payments to foreign governments on account of external payments arrears incurred by domestic enterprises on government guaranteed debt. Further compensation operations and direct repayments reduced the stock of tax arrears outstanding at end-1995 to som 136.1 million (5.8 percent of tax revenue).

4. Developments in expenditure

a. Structure of expenditure

The structure of government expenditure in the Kyrgyz Republic is characterized by a high proportion of mandated spending on social services (health, education, pensions and the social safety net) and on personnel (Table 21). Outlays on wages and salaries rose from 6.6 percent of GDP in 1994 to 7.9 percent in 1995, while subsidies and transfers declined from 8.9 percent of GDP in 1994 to 6.6 percent of GDP in 1995 following the elimination of direct consumer subsidies and price controls. In terms of functional expenditures, outlays for education, health, and social security and welfare accounted for 42.5 percent of total spending in 1994, and 48.7 percent in 1995.

Attempts to reduce expenditure by across-the-board cuts in response to the revenue shortfalls in the first half of 1995 resulted in an accumulation of arrears, particularly in wages and salaries, as spending was concentrated in areas not conducive to discretionary reductions. Moreover, the Central Government was unable to exert effective control over the spending of local governments and agencies, which often failed to observe the imposed cash spending limits by diverting budgetary resources from the payment of wages and social contributions. As a result, the Government introduced in May 1995 a program to cut expenditures by som 500 million from budgeted amounts in 1995, including through the postponement of planned wage increases and the introduction of structural measures in the health and social security sectors. With the implementation of most of these measures ^{1/} and continued overall spending restraint, effective expenditures were substantially below originally planned levels through the end of the third quarter of 1995. However, the local governments continued to carry a substantial stock of arrears on wages and social contributions into the fourth quarter of 1995; these arrears were partially cleared through transfers from the republican budget at end-December 1995. Outlays for the social sectors were largely protected from cuts, as was spending on general government services, defense, and public order and safety.

^{1/} The introduction of the measures proposed for health and education was delayed until the end of the third quarter, yielding savings of som 40-60 million. However, the envisaged legislation to reform the pension system had to be withdrawn due to strong political opposition.

The composition of expenditure varied somewhat relative to 1994. The shares of education and health spending in the total was roughly constant, accounting in both years for 19-20 percent and some 11 percent of total expenditures, respectively. The share of outlays for social security welfare jumped from 10.7 percent in 1994 to 18.4 percent in 1995, reflecting the introduction of the unified cash benefit in early 1995. ^{1/} Capital spending declined marginally from 3.4 percent of total outlays in 1994 to 3.3 percent in 1995.

Net lending to the nonagricultural sector experienced a substantial reversal in 1995 as previous loans to enterprises were repaid later in the year, and new lending was severely limited. ^{2/} The republican budget provided som 160 million in loans to the agricultural sector in 1995, but support for other sectors was restricted to light industry, which involved little direct lending. Expenditures for the enterprise restructuring program (ERRA) rose markedly in 1995, from som 8 million to som 237 million (about 40 percent of the financing obtained from the World Bank), as the program gained momentum.

b. Budgetary arrears and intergovernmental finances

The Government planned to repay in 1995 the substantial stock of budgetary arrears that had been accumulated as a result of the revenue shortfall in 1994. The republican budget eliminated its wage arrears which had been outstanding at end-1994 by mid-May 1995, and the overall stock of arrears fell from som 346 million to som 276 million in the first half of the year; most arrears were local government obligations on wages and social contributions. However, payment arrears increased by end-September 1995 to some 413 million (3.5 percent of GDP), and wages were being paid with an average delay of two-three months.

Plans were reformulated to repay the remaining stock of arrears between October 1995 and December 1996. The republican budget repaid a significantly larger amount of these arrears than envisaged in the fourth quarter of 1995 prior to the presidential elections in December 1995, including some of the local budget arrears on wages and social contributions. The stock of identified budgetary arrears at end-December 1995 was thus reduced to som 213 million (1.4 percent of GDP), of which som 153 million were for wages and salaries and som 61 million for benefits.

^{1/} In part, these payments replaced previous consumer subsidies (accounting for the decline in the share of these in total outlays). Some of these payments had previously been the responsibility of local budgets or the Pension Fund.

^{2/} As indicated above, the authorities have imposed hard budget constraints on the state enterprise sector, and have largely ceased extending budgetary transfers (or loans) for working capital or arrears repayment.

However, substantial new arrears were accumulated by the local budgets in early 1996, again on wages and social contributions, raising the total stock of government arrears at end-March to som 324 million. 1/

The persistence of local budget arrears is in part a consequence of the inability of the central budget to enforce spending restrictions on the local authorities. About 80 percent of local government spending is on health and education, 85 percent of which is on wages. However, sectoral and wage policies are set by the republican government, which in the past increased these obligations without providing adequate additional resources to the local budgets. Moreover, the revenue-sharing arrangement was not adjusted accordingly, with the result that some of the poorer regions are chronically short of the revenue necessary to meet these obligations. As a result, some oblasts retained a larger share of revenues collected in their jurisdictions, and transferred less to the central budget, exacerbating the arrears. 2/

V. External Sector Developments

1. Balance of payments developments in 1995

a. Overview

The Kyrgyz economy has undergone a major change in trade patterns in recent years. There has been a dramatic shift in trade away from CIS countries, and exports have been reoriented from heavy industry toward light industry and agricultural products. The structure of foreign borrowing has also shifted toward non-CIS countries and multilateral institutions, with a significant portion of assistance obtained on concessional terms.

Balance of payments developments in 1995 were dominated by a rapid expansion in trade and by foreign-financed investment in one large gold mining project. The current account deficit (excluding grants) widened from US\$201 million (20 percent of GDP) in 1994 to US\$391 million (24 percent of GDP) in 1995 (Table 22). Official grants remained at about US\$100 million in 1995 leading to a current account deficit (including grants) of US\$288 million (18 percent of GDP). The overall balance of payments recorded a deficit of US\$29 million in 1995. Gross official reserves rose from US\$94 million to US\$111 million over 1995 (an increase from 2.1 to 2.4 months of imports, excluding imports related to the Kumtor gold project).

1/ Including local budget arrears of som 141 million, and som 125 million in wages and social contributions, respectively.

2/ There have also been several instances of local authorities exerting undue pressure on Treasury officials at the local level to circumvent procedures for the transfer of revenue and the authorization of expenditures; enterprises have also been pressured into paying local government wages in lieu of tax liabilities, which further complicates the revenue situation.

b. Trade developments

External trade expanded rapidly in 1995, after stagnating in 1994 with the economic recession in the CIS area. Exports in U.S. dollars increased by 20 percent to US\$409 million in 1995 (26 percent of GDP), compared with a 2 percent increase in 1994. After declining by over 8 percent in 1994, imports jumped by some 47 percent to US\$672 million (42 percent of GDP), mostly as a result of a surge in capital goods imports by the Kumtor gold mining project, estimated at US\$110 million in 1995. ^{1/} Aid-related imports (grants in kind, commodity grants, loan-tied projects) increased marginally to US\$99 million from US\$92 million in 1994. As a result, the trade deficit more than doubled to US\$263 million in 1995 (16 percent of GDP) from US\$119 million in 1994.

The major shift in trade away from countries in the CIS to non-CIS partners which started in 1991 seems to have slowed down. The breakdown in interrepublican payment arrangements and the loss of interrepublican supply linkages had severely depressed Kyrgyz domestic production and trade with CIS countries. However, with output starting to recover in some CIS countries, and the re-establishment of trading relationships, the share of CIS countries in external trade did not decline in 1995. For exports, the share of CIS countries declined from more than 95 percent during 1989-93 to 66 percent in 1994, where it remained in 1995. Similarly, the CIS share of imports into the Kyrgyz Republic fell from about 80 percent in 1989-93 to 58 percent in 1994, but further to 54 percent in 1995, mostly reflecting the surge in imports from non-CIS countries related to the Kumtor gold project. ^{2/} About one third of imports were gas and petroleum products from CIS countries (Table 23-30).

i. Exports

Of a total of US\$45 million in energy exports to CIS countries in 1995, electricity constituted about US\$41 million (US\$26 million to Uzbekistan, US\$14 million to Kazakhstan, US\$1 million to Tajikistan); the remainder comprised of coal and petroleum products. The surge in exports in 1995 reflected an expansion in exports to CIS as well as to non-CIS trading partners. Exports to CIS countries increased by 21 percent with sharp increases in processed food exports (mostly alcohol products) from US\$52 million to US\$74 million, and agricultural products (fruits and vegetables) from US\$4 million to US\$38 million. While machinery exports

^{1/} The Kumtor gold mining project is a joint venture between Kyrgyzaltyn (Kyrgyz gold company) and a Canadian company (Cameco) set up to exploit the largest gold mine in the Kyrgyz Republic. The project is expected to start production in early 1997. Total construction cost is estimated at about US\$400 million, most of which financed through loans not guaranteed by the Government.

^{2/} Excluding imports related to the gold project, the CIS share was 70 percent in 1995.

rose from US\$33 million in 1994 to US\$39 million in 1995, light industry exports (clothes, lamps, glassware) decreased marginally from US\$30 million to US\$28 million; these two components had experienced the sharpest declines in 1994. Energy exports to CIS countries declined by 37 percent in 1995 as a result of delays in the signing of a contract on sales to Kazakstan, after having more than doubled the previous year.

Exports to non-CIS countries went up from US\$117 million in 1994 to US\$140 million in 1995. Nonferrous metals (mostly copper scrap exports to China) increased from US\$47 million in 1994 to US\$51 million in 1995, and exports of light industry goods such as wool, cotton, and chemicals jumped from US\$50 million to US\$66 million.

ii. Imports

The Kyrgyz Republic imports almost all of its energy requirements--with the exception of electricity--from CIS countries (Tables 31 and 32). In 1995, energy imports accounted for about 55 percent of imports from the CIS countries, and 30 percent of total imports. The principal energy imports were natural gas from Uzbekistan (about 30 percent of energy imports), and gasoline from Kazakstan, Russia, and Uzbekistan (about another 30 percent); the remainder comprised diesel fuel, mazut (heating fuel), and airplane fuel. A considerable part of gasoline imports is presumed to be unrecorded. Including on estimate for unrecorded imports, energy imports, increased by 9.7 percent to US\$201 million in 1995. 1/

After a sharp drop from US\$146 million in 1993 to US\$81 million in 1994, imports of nonenergy products from CIS countries (which comprised mainly machinery and chemicals) doubled to US\$161 million in 1995. While almost all items showed sharp increases, the most significant jumps were in machinery which went from US\$23 million to US\$47 million, food from US\$10 million to US\$22 million, ferrous metals from US\$8 million to US\$16 million, and chemicals from US\$11 million to US\$16 million.

1/ There are significant differences between Fund staff estimates and official statistics regarding energy imports from CIS countries, particularly in 1994 and 1995. According to official reports, energy imports amounted to US\$125 million in 1994, a 32 percent decrease from the previous year. As prices went up substantially that year, this reduction would imply a sharp drop in volume. In the case of natural gas, the implied decrease in volume would be 37 percent. In the case of gasoline, the implied decrease in volume would be even more dramatic, a 70 percent drop. The staff estimates that there were unrecorded imports of gasoline, diesel, and mazut amounted to about US\$64 million in 1994 implying total energy imports of US\$183 million compared to the official figure of US\$125 million. This estimate is based on the assumption that volume of imports declined by no more than did real GDP (26.5 percent); a similar adjustment to the official data was applied to the figure of 1995; the staff estimate is US\$201 million, while the official figure is US\$185 million.

Imports from non-CIS countries surged by 59 percent from US\$195 million in 1994 to US\$310 million in 1995. Most of the change was related to the Kumtor gold project, which is not registered in official statistics. ^{1/} Excluding imports related to this project, which were estimated at US\$15 million in 1994 and US\$110 million in 1995, imports from non-CIS countries increased by 11 percent in 1995. About 38 percent of imports (US\$57 million) were industrial goods (machinery), another 40 percent (US\$62 million) were food, and 9 percent (US\$13 million) were agricultural products such as wheat imported in the context of bilateral aid grants.

c. Services and transfers

i. Services

The deficit on the services balance increased dramatically in 1995. The deficit rose from US\$10 million in 1993, to US\$35 million in 1994, and to US\$104 million in 1995. Payments comprised mostly of obligations for technical assistance (US\$45 million) which were financed by official grants, and payments related to the Kumtor gold project (estimated at US\$45 million). Receipts totalled US\$31 million, and comprised payments by travellers including those from Uzbekistan and Kazakstan for hotels and other services, and of the transportation receipts of the Kyrgyz Railway Company, Kyrgyz Airline (mainly for charter flights used by Uzbek and Kazak citizens), and Kyrgyz truck companies. Although the transportation balance showed a surplus, payments may have been underestimated due to lack of complete information about payments for passenger transport. ^{2/} Most of the interest payments to CIS countries (US\$14 million) were either rescheduled by Russia or offset with Kyrgyz claims against Kazakstan. Other interest obligations (US\$8 million) were paid as scheduled.

ii. Transfers

The Kyrgyz Republic continued to benefit from significant international assistance in 1995. Gross official transfers in 1995 amounted to US\$103 million, up from US\$75 million in the previous year. Of this, US\$71 million were from bilateral donors, and the remaining US\$32 million from multilateral institutions. In total, US\$45 million was received as technical assistance, mostly from the United States, ADB, and EU; US\$30 million represented grants in kind such as medical and humanitarian aid from Switzerland, EU, Netherlands, Denmark, and Japan; grants involving counterpart funds for budgetary support amounted to US\$28 million.

^{1/} Imports from non-CIS countries were officially reported at US\$205 million in 1995.

^{2/} Payments by Kyrgyz travellers going abroad are estimated from data collected from tourist agencies.

The deficit on net private transfers continued to fall in 1995 to US\$20 million. This net outflow mostly reflects remittances by emigrants. In 1993, the number of emigrants amounted to 120 thousands (about 3 percent of the population), as the breakup of the Soviet Union resulted in a significant migration of Kyrgyz citizens of Russian and German origins to Russian and Germany, respectively. The number of emigrants fell by half in 1994, and further in 1995.

d. Capital account

i. Foreign direct investment

Foreign direct investment rose from US\$10 million in 1993 to US\$45 million in 1994, and to US\$61 million in 1995. The increase reflects investment in the Kumtor gold project, which is estimated to have amounted to US\$30 million in 1994 and US\$45 million in 1995. In 1995, other investments included another gold mining project (for US\$1 million) as well as investments in shares of other smaller joint ventures in areas such as communications and retail trade. There were 363 registered joint ventures by the end of 1995.

ii. Medium- and long-term capital

Medium- and long-term loan disbursements increased from US\$108 million in 1994 to US\$297 million in 1995. However, a total of US\$135 million represent loans earmarked for the Kumtor gold project from IFC, EBRD, EDC (Canadian export credit agency), and international commercial banks. The remaining US\$162 million in loans exceeded by far the level of the previous year. Bilateral loans amounted to US\$45 million, of which US\$23 million were loans from Germany, Turkey, and Japan, which were tied to certain projects, and US\$22 million was in the form of balance of payments support from Japan (Sectoral Program Loan from the OECF). Disbursements from multilateral institutions rose from US\$37 million in 1994 to US\$114 million in 1995. These comprised IDA's Rehabilitation Loan (US\$19 million), PESAC (US\$46 million), and APEAC (US\$15 million), and ADB's Special Assistance Loan (US\$34 million).

As regards external debt amortization, a US\$29 million loan for humanitarian aid from the EU was fully repaid in August 1995. Scheduled amortization payments to CIS countries (Russia, Kazakstan, Uzbekistan, and Turkmenistan) were US\$37 million in 1995, of which US\$24 million owed to Russia were rescheduled at LIBOR to 1998-2002; US\$8 million in interest owed to Russia was also rescheduled on identical terms. Amortization payments to Kazakstan of US\$5 million, together with US\$2 million of interest payments, were offset against Kyrgyz claims against Kazakstan stemming from the export of electricity.

iii. External debt

Following independence in 1991, the Kyrgyz Republic agreed with Russia to the "zero" option, according to which Russia took over the Kyrgyz share of external liabilities and assets of the Soviet Union. However, due to large disbursements in subsequent years, total external public debt outstanding at end-1995 rose to US\$585 million, or 36 percent of GDP. Multilateral debts--mostly on concessional terms--amounted to US\$301 million, including IDA (US\$140 million), IMF ordinary resources (US\$67 million) and loans from ESAF (US\$60 million). More than half of US\$284 million of bilateral debt outstanding was owed to CIS countries (US\$168 million, including US\$133 million owed to Russia at LIBOR plus 2 percentage points) which originated from the conversion of balances in corresponding accounts with the central banks of CIS countries.

Table 1. Kyrgyz Republic: GDP by Sector of Origin

(In millions of soms: at current prices)

| | 1990 | 1991 | 1992 | 1993 | 1994 | Prel. 1995 |
|--|------|------|-------|---------|----------|---------------|
| Industry | 11.3 | 25.4 | 238.3 | 1,344.5 | 2,461.7 | 2,425.5 |
| Construction | 3.3 | 5.9 | 29.1 | 289.6 | 408.9 | 1,029.9 |
| Forestry | -- | 0.2 | 1.8 | 1.1 | 3.9 | 16.3 |
| Agriculture | 13.7 | 32.4 | 274.9 | 2,082.6 | 4,596.6 | 6,289.6 |
| Other nonservices | 0.3 | 0.4 | 2.4 | 13.2 | 33.3 | 47.5 |
| Transport and communication | 2.1 | 3.1 | 19.6 | 195.7 | 493.7 | 381.8 |
| Trade and catering | 1.7 | 3.9 | 26.1 | 349.9 | 1,162.4 | 1,469.1 |
| Procurement | 0.2 | 0.3 | 2.4 | 12.9 | 10.5 | 7.1 |
| Material and technical supplies | 0.4 | 0.7 | 12.6 | 52.0 | 36.3 | 38.3 |
| Computer services | 0.1 | 0.1 | 0.5 | 1.7 | 4.5 | 4.7 |
| Transactions with immovable properties | ... | ... | ... | 0.2 | 4.8 | 6.8 |
| General commercial activities | ... | ... | 6.5 | 44.3 | 22.7 | 26.2 |
| Geology and exploration | 0.3 | 0.4 | 1.3 | 13.1 | 15.2 | 21.0 |
| Paid services | 1.3 | 2.6 | 23.7 | 266.0 | 669.6 | 1,129.1 |
| Nonbanking | 0.9 | 1.5 | 11.5 | 13.5 | 95.1 | 923.0 |
| Banking services | 0.3 | 1.2 | 12.2 | 252.5 | 574.6 | 206.1 |
| Other services | 7.0 | 12.9 | 68.4 | 439.5 | 1,355.1 | 1,543.8 |
| Taxes | 1.1 | 4.3 | 33.9 | 248.6 | 740.1 | 1,169.4 |
| GDP at market prices | 42.8 | 92.6 | 741.3 | 5,354.7 | 12,019.2 | 15,606.1 |

Source: Goskomstat.

Table 2. Kyrgyz Republic: GDP by Expenditure and Income Categories

(In millions of soms: at current prices)

| | 1990 | 1991 | 1992 | 1993 | 1994 | Preli. 1995 |
|--------------------------------------|-------|-------|--------|----------|----------|----------------|
| GDP at factor cost | 41.7 | 88.2 | 707.4 | 5,106.1 | 11,279.2 | 14,436.6 |
| Plus taxes net of subsidies | 1.1 | 4.3 | 33.9 | 248.6 | 740.1 | 1,169.4 |
| GDP at market prices | 42.8 | 92.6 | 741.3 | 5,354.7 | 12,019.2 | 15,606.1 |
| Total expenditure by category | 42.8 | 92.6 | 741.3 | 5,354.7 | 12,019.2 | 15,606.1 |
| Final consumption | 41.2 | 79.5 | 682.6 | 5,139.2 | 10,331.7 | 14,033.1 |
| Households | 29.1 | 56.6 | 501.8 | 3,897.8 | 7,544.2 | 10,149.6 |
| General state administration | 10.7 | 20.2 | 158.4 | 1,086.2 | 2,431.8 | 3,525.7 |
| Noncommercial organizations | | | | | | |
| servicing households | 1.4 | 2.7 | 22.4 | 155.3 | 355.7 | 357.8 |
| Gross accumulation of fixed capital | 9.4 | 14.8 | 105.8 | 701.9 | 1,450.7 | 3,430.0 |
| Change in stock of material | | | | | | |
| working capital | 0.5 | -1.9 | 39.6 | -89.8 | 920.9 | -1,015.5 |
| Net acquisition of value | 0.5 | 1.4 | 2.4 | 12.7 | 42.0 | 36.0 |
| Net exports of goods and services | -8.7 | -1.2 | -89.0 | -409.3 | -726.0 | -894.8 |
| Exports of goods and services | 12.5 | 32.7 | 263.8 | 1,795.5 | 4,019.9 | 4,110.5 |
| Imports of goods and services | -21.2 | -33.9 | -352.8 | -2,204.8 | -4,745.9 | -5,005.3 |
| Total income by category | 42.8 | 92.6 | 741.3 | 5,354.7 | 12,019.2 | 15,606.1 |
| Wages and salaries | 22.6 | 43.6 | 288.9 | 1,866.0 | 4,096.4 | 4,903.0 |
| Profits tax | 2.5 | 6.2 | 67.2 | 449.3 | 1,178.9 | 2,036.9 |
| Subsidies | 0.4 | 0.7 | 20.6 | 89.4 | 61.2 | 224.8 |
| Gross profits | 18.1 | 43.5 | 405.7 | 3,128.9 | 6,805.1 | 8,891.1 |

Source: Goskomstat.

Table 3. Kyrgyz Republic: Agricultural Production by Farm Type 1/

| | 1991 Total | 1992 | | 1993 | | | 1994 | | | 1995 2/ Total | |
|--|---------------|---------|----------------|----------------|---------|----------------|----------------|---------|----------------|------------------|----------------|
| | | Total | State Farms | Other Farms | Total | State Farms | Other Farms | Total | State Farms | | Other Farms |
| Number of farms | 676,552 | 703,515 | 606 | 702,909 | 730,080 | 611 | 729,469 | 714,637 | 586 | 714,051 | 671,203 |
| Gross output (in constant 1983 prices) | 13,612 | 12,869 | 6,838 | 6,031 | 11,611 | 3,148 | 8,463 | 9,464 | 3,857 | 5,607 | 8,360 |
| Production (thousand tons) | | | | | | | | | | | |
| Grain | 1,446 | 1,602 | 1,450 | 152 | 1,596 | 1,379 | 217 | 1,063 | 875 | 188 | 981 |
| Sugarbeets | 13 | 135 | 126 | 9 | 220 | 201 | 19 | 114 | 99 | 15 | 107 |
| Sunflowers | 1 | 3 | 2 | 1 | 2 | 1 | 1 | 3 | 2 | 1 | 8 |
| Potatoes | 326 | 362 | 109 | 253 | 308 | 82 | 226 | 311 | 56 | 255 | 432 |
| Vegetables | 399 | 404 | 214 | 190 | 259 | 107 | 152 | 266 | 92 | 174 | 318 |
| Meat | 230 | 228 | 78 | 150 | 214 | 57 | 157 | 197 | 45 | 152 | 176 |
| Milk | 1,131 | 961 | 364 | 597 | 946 | 285 | 661 | 872 | 195 | 677 | 863 |
| Eggs (millions) | 650 | 591 | 314 | 277 | 389 | 155 | 234 | 202 | 42 | 160 | 149 |
| Cattle (thousand heads) | | | | | | | | | | | |
| Cows | 1,190 | 1,122 | 532 | 590 | 1,062 | 426 | 636 | 920 | 272 | 648 | 869 |
| Pigs | 519 | 515 | 157 | 358 | 511 | 129 | 382 | 481 | 91 | 390 | 471 |
| Sheep, goats | 358 | 247 | 182 | 65 | 169 | 113 | 56 | 118 | 63 | 55 | 114 |
| Poultry | 9,525 | 8,742 | 4,659 | 4,083 | 7,322 | 3,351 | 3,971 | 5,076 | 1,560 | 3,516 | 4,275 |
| Horses | 13,571 | 10,420 | 3,639 | 6,781 | 6,916 | 1,761 | 5,155 | 2,209 | 306 | 1,903 | 2,032 |
| | 320 | 313 | 148 | 165 | 322 | 132 | 190 | 299 | 90 | 209 | 308 |
| <u>(Output of farm type: in percent of total output)</u> | | | | | | | | | | | |
| Production (thousand tons) | | | | | | | | | | | |
| Grain | 100.0 | 100.0 | 89.5 | 9.5 | 100.0 | 86.4 | 13.6 | 100.0 | 82.3 | 17.7 | 100.0 |
| Sugarbeets | 100.0 | 100.0 | 93.3 | 6.7 | 100.0 | 91.4 | 8.6 | 100.0 | 86.8 | 13.2 | 100.0 |
| Sunflowers | 100.0 | 100.0 | 66.7 | 33.3 | 100.0 | 50.0 | 50.0 | 100.0 | 66.7 | 33.3 | 100.0 |
| Potatoes | 100.0 | 100.0 | 30.1 | 69.9 | 100.0 | 26.6 | 73.4 | 100.0 | 18.0 | 82.0 | 100.0 |
| Vegetables | 100.0 | 100.0 | 53.0 | 47.0 | 100.0 | 41.3 | 58.7 | 100.0 | 34.6 | 65.4 | 100.0 |
| Meat | 100.0 | 100.0 | 34.2 | 65.8 | 100.0 | 26.6 | 73.4 | 100.0 | 22.8 | 77.2 | 100.0 |
| Milk | 100.0 | 100.0 | 37.9 | 62.2 | 100.0 | 30.1 | 69.9 | 100.0 | 22.4 | 77.6 | 100.0 |
| Eggs (millions) | 100.0 | 100.0 | 53.1 | 46.9 | 100.0 | 39.8 | 60.9 | 100.0 | 20.8 | 79.2 | 100.0 |
| Cattle (thousand heads) | | | | | | | | | | | |
| Cows | 100.0 | 100.0 | 47.4 | 52.6 | 100.0 | 40.1 | 59.9 | 100.0 | 30.0 | 70.0 | 100.0 |
| Pigs | 100.0 | 100.0 | 30.5 | 69.5 | 100.0 | 25.2 | 74.8 | 100.0 | 18.9 | 81.1 | 100.0 |
| Sheep, goats | 100.0 | 100.0 | 73.7 | 26.3 | 100.0 | 66.9 | 33.1 | 100.0 | 53.4 | 46.6 | 100.0 |
| Poultry | 100.0 | 100.0 | 53.3 | 46.7 | 100.0 | 45.8 | 54.2 | 100.0 | 30.7 | 69.3 | 100.0 |
| Horses | 100.0 | 100.0 | 34.9 | 65.1 | 100.0 | 25.5 | 74.5 | 100.0 | 13.8 | 86.2 | 100.0 |
| | 100.0 | 100.0 | 47.3 | 52.7 | 100.0 | 41.0 | 59.0 | 100.0 | 30.1 | 69.9 | 100.0 |

Source: Kyrgyz authorities.

1/ Other farms consist all nonstate farms. This includes collective farms, joint stock companies, cooperatives, and private farms.

2/ Distribution by ownership type not available for 1995.

Table 4. Kyrgyz Republic: Production of Major Agricultural Products
By Type of Production Unit

| | Volume of Production (thousands of tons) | | | | Percent of Total | | | |
|---------------------------|---|---------|---------|-------|------------------|------|------|------|
| | 1992 | 1993 | 1994 | 1995 | 1992 | 1993 | 1994 | 1995 |
| Meat | 401.6 | 393.8 | 358.0 | 319.7 | | | | |
| Enterprises ^{1/} | 137.1 | 105.7 | 83.5 | 43.6 | 34 | 27 | 23 | 14 |
| Peasants ^{2/} | 32.2 | 69.7 | 46.6 | 45.8 | 8 | 18 | 13 | 14 |
| Households ^{3/} | 232.3 | 218.4 | 227.9 | 230.3 | 58 | 56 | 64 | 72 |
| Milk | 960.9 | 946.0 | 871.6 | 863.5 | | | | |
| Enterprises | 363.8 | 284.9 | 194.9 | 112.0 | 38 | 30 | 22 | 13 |
| Peasants | 21.7 | 53.9 | 39.4 | 99.7 | 2 | 6 | 5 | 12 |
| Households | 575.4 | 607.2 | 637.3 | 651.8 | 60 | 64 | 73 | 75 |
| Eggs | 591.0 | 388.9 | 201.6 | 148.8 | | | | |
| Enterprises | 313.5 | 155.3 | 41.8 | 6.8 | 53 | 40 | 21 | 5 |
| Peasants | 1.7 | 4.5 | 2.4 | 9.9 | -- | 1 | 1 | 7 |
| Households | 275.8 | 229.1 | 157.4 | 132.1 | 47 | 59 | 78 | 89 |
| Cotton | 52.4 | 49.2 | 53.5 | 74.5 | | | | |
| Enterprises | 50.2 | 45.9 | 52.0 | 54.2 | 96 | 93 | 97 | 73 |
| Peasants | 2.2 | 3.3 | 1.5 | 20.3 | 4 | 7 | 3 | 27 |
| Households | ... | ... | ... | ... | ... | ... | ... | ... |
| Grain | 1,601.7 | 1,596.2 | 1,062.6 | 981.2 | | | | |
| Enterprises | 1,449.7 | 1,378.0 | 874.9 | 620.0 | 91 | 86 | 82 | 63 |
| Peasants | 86.5 | 159.6 | 109.4 | 258.5 | 5 | 10 | 10 | 26 |
| Households | 65.5 | 58.6 | 78.3 | 102.7 | 4 | 4 | 7 | 10 |
| Potatoes | 362.0 | 308.3 | 310.9 | 431.6 | | | | |
| Enterprises | 109.4 | 82.4 | 55.5 | 39.7 | 30 | 27 | 18 | 9 |
| Peasants | 13.2 | 10.4 | 14.0 | 27.5 | 4 | 3 | 5 | 6 |
| Households | 239.4 | 215.5 | 241.4 | 364.4 | 51 | 70 | 78 | 84 |
| Vegetables | 404.0 | 259.3 | 265.6 | 318.4 | | | | |
| Enterprises | 214.5 | 107.6 | 91.9 | 62.5 | 53 | 41 | 35 | 20 |
| Peasants | 8.1 | 5.6 | 11.6 | 42.0 | 2 | 2 | 4 | 13 |
| Households | 181.4 | 146.1 | 162.1 | 213.9 | 45 | 56 | 61 | 67 |

Source: Data provided by the Kyrgyz authorities.

^{1/} Includes cooperatives and collectives (both private and state owned).

^{2/} Legal entities with 10 to 30 hectares.

^{3/} Individual plots of less than 10 hectares

Table 5. Kyrgyz Republic: Agricultural Production, 1989-95

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|---------|---------|---------|---------|---------|-------|-------|
| (In thousands of tons, except where otherwise noted) | | | | | | | |
| Grains | 1,582.0 | 1,503.2 | 1,373.8 | 1,516.5 | 1,507.7 | 996.3 | 913.3 |
| Of which: wheat | 581.0 | 482.3 | 434.3 | 634.4 | 830.7 | 656.6 | 725.0 |
| barley | 544.0 | 591.6 | 556.4 | 582.0 | 476.9 | 288.2 | 158.0 |
| corn | 452.0 | 406.0 | 364.5 | 280.7 | 183.8 | 129.3 | 116.1 |
| Potatoes | 324.4 | 365.1 | 326.3 | 362.0 | 308.3 | 310.9 | 431.6 |
| Vegetables | 585.3 | 487.3 | 398.9 | 404.0 | 259.3 | 265.6 | 318.4 |
| Fruits and berries | 81.8 | 140.9 | 85.3 | 117.5 | 45.1 | 79.1 | 66.5 |
| Of which: grapes | 33.1 | 43.3 | 29.3 | 31.0 | 9.2 | 17.6 | 19.7 |
| Meat (slaughter weight) | 241.4 | 254.1 | 229.7 | 228.0 | 214.3 | 197.2 | 176.1 |
| Milk | 1,202.3 | 1,185.0 | 1,131.4 | 960.9 | 946.0 | 871.6 | 863.5 |
| Eggs (millions) | 704.1 | 713.8 | 649.9 | 591.0 | 388.9 | 201.6 | 148.8 |
| Wool | 38.6 | 39.0 | 36.5 | 33.7 | 31.2 | 21.2 | 14.5 |
| Cotton | 74.0 | 80.8 | 62.4 | 52.4 | 49.2 | 53.5 | 74.5 |
| Tobacco | 50.3 | 53.9 | 49.3 | 43.2 | 48.6 | 36.4 | 17.6 |
| (Percent change from previous year) | | | | | | | |
| Grains | -10.0 | -5.0 | -8.6 | 10.4 | -0.6 | -33.9 | -8.3 |
| Of which: wheat | 6.0 | -17.0 | -10.0 | 46.1 | 30.9 | -31.9 | 10.5 |
| barley | -9.6 | 8.7 | -5.9 | 4.6 | -18.1 | -39.6 | -44.9 |
| corn | -9.1 | -10.2 | -10.2 | -23.0 | -34.6 | -29.7 | -10.2 |
| Potatoes | -2.4 | 12.5 | -10.6 | 10.9 | -14.8 | 0.8 | 38.8 |
| Vegetables | 5.8 | -16.7 | -18.1 | 1.3 | -35.8 | 2.4 | 19.9 |
| Fruits and berries | -43.7 | 72.2 | -39.5 | 37.7 | -61.6 | 75.4 | -15.9 |
| Of which: grapes | 16.5 | 30.8 | -32.3 | 5.8 | -70.3 | 91.3 | 11.9 |
| Meat (slaughter weight) | 8.5 | 5.3 | -9.6 | -0.7 | -6.0 | -8.0 | -10.7 |
| Milk | 13.1 | -1.4 | -4.5 | -15.1 | -1.6 | -7.9 | -0.9 |
| Eggs (millions) | 5.8 | 1.4 | -9.0 | -9.1 | -34.2 | -48.2 | -26.2 |
| Wool | 1.6 | 1.0 | -6.4 | -7.7 | -7.4 | -32.1 | -31.6 |
| Cotton | -6.0 | 9.2 | -22.8 | -16.0 | -6.1 | 8.7 | 39.3 |
| Tobacco | -0.2 | 7.2 | -8.5 | -12.4 | 12.5 | -25.1 | -51.6 |

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

Table 6. Kyrgyz Republic: Yields of Major Agricultural Commodities, 1989-95

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|-------|-------|-------|-------|-------|------|------|
| <u>(In hundreds of kilograms per hectare)</u> | | | | | | | |
| Grains | 30.4 | 28.0 | 24.7 | 26.3 | 24.2 | 17.0 | 18.1 |
| Wheat | | | | | | | |
| Winter | 29.9 | 25.4 | 22.7 | 26.8 | 26.0 | 19.5 | 20.9 |
| Spring | 20.7 | 17.1 | 20.1 | 18.9 | 19.4 | 13.6 | 14.6 |
| Barley | | | | | | | |
| Winter | 31.7 | 30.7 | 23.8 | 25.3 | 22.5 | 15.6 | 15.9 |
| Spring | 20.6 | 20.1 | 17.5 | 20.7 | 19.5 | 13.7 | 12.6 |
| Corn | 68.1 | 61.8 | 58.5 | 51.3 | 45.2 | 35.3 | 37.4 |
| Potatoes | 134.0 | 136.0 | 137.0 | 123.8 | 107.6 | 89.7 | 99.0 |
| Grapes | 50.1 | 63.2 | 45.3 | 50.6 | 15.9 | 25.6 | 29.6 |
| Cotton | 27.5 | 27.3 | 24.5 | 24.4 | 24.2 | 20.2 | 22.4 |
| Tobacco | 25.3 | 21.6 | 21.2 | 20.8 | 21.9 | 19.2 | 20.8 |

Source: Data provided by the Kyrgyz authorities.

Table 7. Kyrgyz Republic: Industrial Production by Sector

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|--------|--------|--------|--------|--------|--------|--------|
| <u>(In millions of soms; at constant 1989 prices)</u> | | | | | | | |
| All industry | 34,008 | 33,804 | 33,703 | 24,805 | 18,529 | 13,359 | 11,689 |
| Fuel/energy industry | 1,672 | 1,527 | 1,574 | 1,262 | 933 | 939 | 916 |
| Electricity | 1,335 | 1,210 | 1,271 | 1,100 | 996 | 1,071 | 1,082 |
| Fuel industry | 337 | 319 | 300 | 185 | 139 | 95 | 71 |
| Heavy industry | 15,196 | 14,831 | 15,113 | 11,078 | 7,666 | 5,895 | 4,616 |
| Ferrous and nonferrous metallurgy | 1,373 | 1,470 | 1,478 | 1,321 | 1,021 | 1,019 | 847 |
| Chemicals and petrochemical industry | 222 | 206 | 201 | 140 | 63 | 34 | 29 |
| Machine building and metalworking | 8,421 | 8,312 | 8,577 | 5,558 | 3,368 | 1,539 | 1,304 |
| Forestry, woodworking, pulp and paper industry | 583 | 556 | 622 | 547 | 354 | 149 | 105 |
| Construction materials | 1,523 | 1,597 | 1,506 | 1,000 | 454 | 277 | 222 |
| Light industry | 9,312 | 9,265 | 9,729 | 8,600 | 7,568 | 4,783 | 3,075 |
| Textiles | 6,997 | 6,850 | 7,001 | 6,287 | 5,601 | 3,769 | 2,442 |
| Clothing | 1,670 | 1,747 | 2,131 | 1,803 | 1,590 | 673 | 343 |
| Leather and shoe | 645 | 669 | 672 | 510 | 380 | 214 | 159 |
| Agriculture/food processing | 8,087 | 8,419 | 7,585 | 4,339 | 3,098 | 2,122 | 1,666 |
| Food processing | 2,208 | 2,362 | 2,448 | 1,322 | 1,067 | 746 | 614 |
| Meat and dairy products | 26 | 25 | 20 | 13 | 7 | 4 | 3 |
| Fish | 5,853 | 5,871 | 4,109 | 3,123 | 1,662 | 906 | 761 |
| <u>(Percent change)</u> | | | | | | | |
| All industry | 5.2 | -0.6 | -0.3 | -26.4 | -25.3 | -27.9 | -12.5 |
| Fuel/energy industry | 5.8 | -8.7 | 3.1 | -19.8 | -26.1 | 0.6 | -2.5 |
| Electricity | 7.4 | -9.4 | 5.1 | -13.5 | -9.4 | 7.5 | 1.0 |
| Fuel industry | -1.2 | -5.2 | -6.2 | -38.3 | -24.9 | -31.7 | -25.7 |
| Heavy industry | 3.7 | -2.4 | 1.9 | -26.7 | -30.8 | -23.1 | -21.7 |
| Ferrous and nonferrous metallurgy | 4.7 | 7.1 | 0.5 | -10.6 | -22.7 | -0.2 | -16.9 |
| Chemicals and petrochemical industry | -2.0 | -7.2 | 1.7 | -33.4 | -55.0 | -45.5 | -16.0 |
| Machine building and metalworking | 0.5 | -1.3 | 3.2 | -35.2 | -39.4 | -54.3 | -15.3 |
| Forestry, woodworking, pulp and paper industry | 0.2 | -4.7 | 12.0 | -12.1 | -35.2 | -57.8 | -29.3 |
| Construction materials | 2.3 | 0.9 | -2.0 | -33.6 | -54.6 | -39.8 | -19.9 |
| Light industry | 5.4 | -0.5 | 5.0 | -11.6 | -12.0 | -36.8 | -35.7 |
| Textiles | 4.1 | -2.1 | 2.2 | -10.2 | -10.9 | -32.7 | -35.2 |
| Clothing | 8.5 | 4.6 | 22.0 | -15.4 | -11.8 | -57.7 | -49.1 |
| Leather and shoe | 12.6 | 3.7 | 0.4 | -24.1 | -25.4 | -43.6 | -25.6 |
| Agriculture/food processing | 9.0 | 4.1 | -9.9 | -42.8 | -28.6 | -31.5 | -21.5 |
| Food processing | 13.6 | 7.0 | 3.6 | -46.0 | -19.3 | -30.1 | -17.7 |
| Meat and dairy products | 0.2 | -2.1 | -23.1 | -35.2 | -41.7 | -40.1 | -37.7 |
| Fish | 5.5 | 0.3 | -30.0 | -24.0 | -46.8 | -45.5 | -16.0 |

Source: Kyrgyz authorities.

Table 8. Kyrgyz Republic: Output of Selected Industrial and Manufacturing Products

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|-------|---------|---------|---------|--------|--------|--------|
| Coal (thousand tons) | 3,997 | 3,742 | 3,473 | 2,151 | 1,721 | 746 | 474 |
| Oil (including condensate) (thousand tons) | 165 | 155 | 143 | 113 | 88 | 88 | 89 |
| Natural gas (million m3) | 105 | 96 | 83 | 72 | 42 | 39 | 36 |
| Electric engines (AC) (thousand) | 327 | 275 | 235 | 172 | 222 | 60 | 49 |
| Steel-cutting machines (units) | 1,311 | 1,342 | 1,146 | 789 | 266 | 69 | 27 |
| Stamping machines (units) | 335 | 317 | 324 | 245 | 51 | 1 | -- |
| Centrifugal pumps (thousand) | 51 | 49 | 45 | 43 | 45 | 25 | 12 |
| Trucks (thousand) | 24 | 25 | 24 | 15 | 5 | -- | -- |
| Hay-compacting machines (thousand) | 25 | 23 | 20 | 12 | 7 | 1 | -- |
| Cement (thousand tons) | 1,408 | 1,387 | 1,320 | 1,096 | 672 | 426 | 310 |
| Window glass (million m2) | 8 | 1 | -- | 8 | 7 | 4 | 2 |
| Roofing sheets (millions of pieces) | 174 | 178 | 175 | 176 | 169 | 136 | 66 |
| Rugs (thousand m2) | 1,955 | 2,004 | 1,661 | 1,700 | 1,609 | 1,082 | 980 |
| Textiles (thousand m2) | ... | 134,251 | 142,778 | 123,781 | 89,138 | 62,144 | 23,208 |
| Knitted fabrics (thousand pieces) | ... | 19,977 | 19,497 | 19,106 | 14,450 | 4,545 | 1,505 |
| Shoes (thousand pairs) | ... | 11,125 | 9,504 | 5,343 | 3,528 | 1,540 | 728 |
| Stockings and socks (thousand pairs) | ... | 33,593 | 26,480 | 29,694 | 24,171 | 15,239 | 8,799 |
| Washing machines (thousand) | ... | 234 | 209 | 94 | 77 | 17 | 4 |
| Light bulbs (millions) | ... | 320 | 299 | 320 | 260 | 84 | 138 |

Source: Data provided by the Kyrgyz authorities.

Table 9. Kyrgyz Republic: Consumer and Wholesale Prices

| | | <u>Consumer Prices</u> | | <u>Wholesale Prices</u> | |
|------|------------|------------------------|------------------|-------------------------|------------------|
| | | Percent Change | Index (1992=100) | Percent Change | Index (1992=100) |
| 1991 | Average 1/ | 85.0 | 10 | 180.9 | 3 |
| 1992 | Average 1/ | 854.6 | 100 | 3,079.0 | 100 |
| 1993 | January | 46.3 | 314 | 41.9 | 330 |
| | February | 39.9 | 439 | 46.3 | 483 |
| | March | 24.4 | 546 | 30.0 | 628 |
| | April | 16.6 | 637 | 25.0 | 785 |
| | May | 21.4 | 773 | 34.3 | 1,055 |
| | June | 17.1 | 906 | 19.1 | 1,256 |
| | July | 16.5 | 1,055 | 11.2 | 1,397 |
| | August | 19.6 | 1,262 | 18.3 | 1,652 |
| | September | 32.8 | 1,676 | 35.0 | 2,231 |
| | October | 33.1 | 2,231 | 13.4 | 2,529 |
| | November | 21.9 | 2,719 | 14.0 | 2,884 |
| | December | 15.7 | 3,146 | 17.6 | 3,391 |
| 1993 | Average 1/ | 1,208.7 | 1,309 | 1,451.8 | 1,552 |
| 1994 | January | 12.8 | 3,549 | 12.7 | 3,822 |
| | February | 16.9 | 4,149 | 10.4 | 4,219 |
| | March | 7.4 | 4,456 | 10.8 | 4,675 |
| | April | 4.9 | 4,674 | 2.4 | 4,787 |
| | May | 3.5 | 4,838 | 1.9 | 4,878 |
| | June | 3.5 | 5,007 | 3.6 | 5,054 |
| | July | 2.8 | 5,147 | 3.1 | 5,210 |
| | August | 1.7 | 5,235 | 3.4 | 5,387 |
| | September | 0.2 | 5,245 | 2.2 | 5,506 |
| | October | 5.0 | 5,507 | 5.8 | 5,825 |
| | November | 3.2 | 5,683 | -2.9 | 5,656 |
| | December | 3.6 | 5,888 | 9.6 | 6,199 |
| 1994 | Average 1/ | 278.1 | 4,948 | 228.8 | 5,102 |
| 1995 | January | 7.1 | 6,306 | 2.6 | 6,361 |
| | February | 6.8 | 6,735 | 5.3 | 6,698 |
| | March | 1.6 | 6,843 | 0.6 | 6,738 |
| | April | 0.8 | 6,897 | 4.0 | 7,007 |
| | May | 1.6 | 7,008 | 0.5 | 7,042 |
| | June | 0.7 | 7,057 | 0.1 | 7,050 |
| | July | 0.4 | 7,085 | 2.2 | 7,205 |
| | August | -0.4 | 7,057 | 4.1 | 7,500 |
| | September | 2.5 | 7,233 | 2.4 | 7,680 |
| | October | 1.1 | 7,313 | 0.8 | 7,741 |
| | November | 2.5 | 7,496 | 4.9 | 8,121 |
| | December | 3.3 | 7,743 | 1.1 | 8,210 |
| 1995 | Average 1/ | 42.8 | 7,064 | 42.7 | 7,279 |
| 1996 | January | 3.6 | 8,022 | 2.7 | 8,432 |
| | February | 3.8 | 8,326 | 1.6 | 8,567 |
| | March | 4.0 | 8,660 | 1.4 | 8,687 |
| | April | 4.6 | 9,058 | ... | ... |
| | May | 2.5 | 9,285 | ... | ... |

Sources: The Kyrgyz authorities; and staff estimates.

1/ Changes refer to year-on-year averages.

Table 10. Kyrgyz Republic: Nominal and Real Wages

| | | Nominal Wages | | Index of Real Wages (1992=100) | |
|------|-------------------|-------------------|-------------------|-----------------------------------|---------|
| | | Minimum <u>1/</u> | Average <u>1/</u> | Minimum | Average |
| 1991 | Average <u>2/</u> | 150.4 | 349.0 | 227 | 155 |
| 1992 | Average <u>2/</u> | 633.3 | 2,146.4 | 100 | 100 |
| 1993 | January | 1,600 | 5,597.6 | 80 | 83 |
| | February | 3,200 | 7,410.0 | 115 | 79 |
| | March | 3,200 | 8,610.0 | 92 | 73 |
| | April | 16 | 43.0 | 79 | 63 |
| | May | 16 | 54.6 | 65 | 65 |
| | June | 16 | 63.4 | 56 | 65 |
| | July | 16 | 69.5 | 48 | 61 |
| | August | 28 | 84.3 | 70 | 62 |
| | September | 28 | 106.6 | 53 | 59 |
| | October | 32 | 121.9 | 45 | 51 |
| | November | 32 | 134.8 | 37 | 46 |
| | December | 32 | 179.1 | 32 | 53 |
| 1993 | Average <u>2/</u> | 21.3 | 80.4 | 51 | 57 |
| 1994 | January | 68 | 163.2 | 40 | 43 |
| | February | 68 | 174.6 | 34 | 39 |
| | March | 68 | 191.0 | 32 | 40 |
| | April | 68 | 191.0 | 30 | 38 |
| | May | 68 | 195.5 | 38 | 38 |
| | June | 68 | 239.3 | 37 | 45 |
| | July | 68 | 238.0 | 36 | 43 |
| | August | 68 | 234.7 | 35 | 42 |
| | September | 68 | 249.3 | 41 | 44 |
| | October | 68 | 265.0 | 39 | 45 |
| | November | 68 | 268.0 | 38 | 44 |
| | December | 68 | 402.0 | 36 | 64 |
| 1994 | Average <u>2/</u> | 57.0 | 234.2 | 36 | 44 |
| 1995 | January | 68 | 319.0 | 34 | 47 |
| | February | 68 | 331.0 | 32 | 46 |
| | March | 68 | 351.5 | 31 | 48 |
| | April | 68 | 342.2 | 31 | 46 |
| | May | 68 | 357.1 | 31 | 47 |
| | June | 68 | 393.7 | 30 | 52 |
| | July | 68 | 380.6 | 30 | 50 |
| | August | 68 | 386.0 | 30 | 51 |
| | September | 68 | 408.2 | 30 | 53 |
| | October | 68 | 409.2 | 29 | 52 |
| | November | 75 | 431.6 | 32 | 54 |
| | December | 75 | 573.4 | 31 | 69 |
| 1995 | Average <u>2/</u> | 69.2 | 390.3 | 31 | 51 |
| 1996 | January | 75 | 423.5 | 30 | 49 |
| | February | 75 | 423.5 | 28 | 47 |
| | March | 75 | 470.7 | 27 | 51 |

Sources: The Kyrgyz authorities; and staff estimates.

- 1/ Wages in rubles through March 1993; soms thereafter.
2/ Year-on-year averages.

Table 11. Kyrgyz Republic: Average Wages by Economic Sector

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|--|-------|-------|-------|-------|-------|
| | (As a percent of the total average wage) | | | | | |
| Average wage | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 120.0 | 122.3 | 137.5 | 148.9 | 158.1 | 116.8 |
| Of which: | | | | | | |
| fuels and energy | 144.0 | 178.3 | 204.3 | 211.2 | ... | ... |
| metallurgy | 156.9 | 160.5 | 213.9 | 241.3 | ... | ... |
| engineering | 128.7 | 129.5 | 129.6 | 143.9 | ... | ... |
| chemicals | 122.1 | 128.0 | 116.5 | 145.1 | ... | ... |
| minerals | ... | ... | ... | ... | ... | ... |
| wood and paper | 110.5 | 122.4 | 116.5 | 112.1 | ... | ... |
| light industry | 103.4 | 115.2 | 126.1 | 144.0 | ... | ... |
| food processing | 97.0 | 101.3 | 130.4 | 131.5 | ... | ... |
| Agriculture | 90.0 | 94.3 | 101.7 | 71.7 | 47.9 | 44.7 |
| Of which: Sovkhozy and kolkhozy | 90.0 | 96.8 | 104.3 | 71.6 | 49.4 | ... |
| Forestry | 65.5 | 59.4 | 50.7 | 48.9 | 52.1 | 40.3 |
| Transport | 109.1 | 97.7 | 98.6 | 108.8 | 118.6 | 117.6 |
| Communication | 97.3 | 106.3 | 105.3 | 112.3 | 172.3 | 162.3 |
| Construction | 124.5 | 120.6 | 128.4 | 145.6 | 146.2 | 163.2 |
| Trade and communal catering | 88.3 | 85.1 | 69.6 | 77.1 | 76.0 | 59.8 |
| Information and computational services | 103.6 | 102.0 | 89.9 | 121.6 | 140.8 | 137.0 |
| Housing and communal services | 81.8 | 80.0 | 83.7 | 85.0 | 99.2 | 112.4 |
| Health and physical welfare services | 75.5 | 76.0 | 68.3 | 62.3 | 92.2 | 71.4 |
| Education | 76.4 | 76.6 | 66.9 | 65.3 | 102.0 | 80.7 |
| Culture | 60.0 | 69.7 | 61.6 | 54.4 | 87.2 | 72.7 |
| Art | 68.2 | 71.4 | 58.8 | 58.8 | 90.1 | 72.7 |
| Science and scientific services | 126.4 | 109.7 | 99.2 | 100.0 | 122.6 | 115.6 |
| Banking and insurance services | 145.5 | 190.3 | 186.3 | 207.4 | 258.0 | 203.8 |
| Government | 135.5 | 112.6 | 121.6 | 107.6 | 133.0 | 123.0 |
| Minimum monthly wage | 66.0 | 43.1 | 29.5 | 25.9 | 25.6 | 17.7 |
| Average pension, year end | 45.6 | 112.3 | 89.8 | 68.3 | 36.8 | 49.2 |

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

Table 12. Kyrgyz Republic: Employment by Sector, 1990-95

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|----------------------------------|---------|---------|---------|---------|---------|
| | (In thousands, yearly averages) | | | | | |
| Total employment | 1,747.9 | 1,754.1 | 1,835.9 | 1,680.6 | 1,645.4 | 1,641.0 |
| Industry | 334.4 | 318.7 | 299.6 | 269.6 | 241.2 | 240.0 |
| Construction | 152.8 | 147.0 | 114.2 | 89.4 | 77.1 | 77.0 |
| Agriculture | 569.1 | 619.5 | 696.2 | 651.2 | 684.7 | 683.0 |
| Forestry | 2.9 | 3.2 | 4.4 | 4.2 | 6.1 | 6.0 |
| Transport | 79.3 | 78.5 | 78.6 | 72.1 | 71.9 | 73.0 |
| Communication | 14.7 | 15.0 | 15.4 | 14.2 | 13.2 | 13.0 |
| Wholesale trade | 59.3 | 59.9 | -- | -- | -- | -- |
| Retail trade and catering | 28.1 | 28.0 | 86.8 | 69.3 | 113.1 | 112.0 |
| Information and computational services | 4.6 | 4.2 | 3.3 | 1.9 | 1.4 | 1.0 |
| Housing and communal services | 36.8 | 31.9 | 42.1 | 35.8 | 32.6 | 32.0 |
| Health and physical welfare services | 104.6 | 107.4 | 142.4 | 124.7 | 102.1 | 103.0 |
| Education | 192.7 | 189.9 | 193.8 | 176.3 | 169.2 | 170.0 |
| Culture and art | 22.8 | 22.6 | 22.7 | 22.6 | 16.4 | 15.0 |
| Science and scientific services | 34.6 | 27.4 | 13.9 | 10.9 | 8.5 | 8.0 |
| Insurance services | 7.0 | 7.2 | 7.9 | 8.5 | 7.8 | 8.0 |
| General administration and defense | 42.5 | 36.6 | 50.2 | 52.0 | 58.0 | 58.0 |
| Other | 61.7 | 57.1 | 64.4 | 77.9 | 42.7 | 42.0 |
| | (As percent of total employment) | | | | | |
| Industry | 19.1 | 18.2 | 16.3 | 16.0 | 14.6 | 14.6 |
| Construction | 8.7 | 8.4 | 6.2 | 5.3 | 4.7 | 4.7 |
| Agriculture | 32.6 | 35.3 | 37.9 | 38.7 | 41.6 | 41.6 |
| Forestry | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.4 |
| Transport | 4.5 | 4.5 | 4.3 | 4.3 | 4.3 | 4.4 |
| Communication | 0.8 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 |
| Wholesale trade | 3.4 | 3.4 | -- | -- | -- | -- |
| Retail trade and catering | 1.6 | 1.6 | 4.7 | 4.1 | 6.9 | 6.8 |
| Information and computational services | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Housing and communal services | 2.1 | 1.8 | 2.3 | 2.1 | 2.0 | 1.9 |
| Health and physical welfare services | 6.0 | 6.1 | 7.8 | 7.4 | 6.2 | 6.3 |
| Education | 11.0 | 10.8 | 10.6 | 10.5 | 10.3 | 10.4 |
| Culture and art | 1.3 | 1.3 | 1.2 | 1.3 | 1.0 | 0.9 |
| Science and scientific services | 2.0 | 1.6 | 0.8 | 0.6 | 0.5 | 0.5 |
| Insurance services | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| General administration and defense | 2.4 | 2.1 | 2.7 | 3.1 | 3.5 | 3.5 |
| Other | 3.5 | 3.3 | 3.5 | 4.6 | 2.6 | 2.6 |

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

Table 13. Kyrgyz Republic: Privatization by Type of Property Transfer and by Sector, since end-December, 1990

| | Number of Enterprises | | |
|----------------------------------|-----------------------|--------------|--------------|
| | Dec. 1993 | Dec. 1994 | Dec. 1995 |
| Industry | 259 | 324 | 462 |
| Competitive bidding | -- | 11 | 25 |
| Sale to individual | 4 | 9 | 18 |
| Lease with option to buy | 7 | 7 | 7 |
| Formation of joint-stock company | 204 | 237 | 338 |
| Sale to labor collectives | 24 | 38 | 48 |
| Other methods | 20 | 22 | 26 |
| Consumer services | 1,811 | 1,878 | 1,899 |
| Competitive bidding | 705 | 685 | 694 |
| Sale to individual | 637 | 696 | 706 |
| Lease with option to buy | 13 | 13 | 14 |
| Formation of joint-stock company | 32 | 33 | 35 |
| Sale to labor collectives | 418 | 443 | 443 |
| Other methods | 6 | 8 | 8 |
| Trade and catering | 1,626 | 1,756 | 1,801 |
| Competitive bidding | 611 | 644 | 663 |
| Sale to individual | 241 | 271 | 290 |
| Lease with option to buy | 39 | 39 | 39 |
| Formation of joint-stock company | 201 | 209 | 212 |
| Sale to labor collectives | 490 | 544 | 548 |
| Other methods | 44 | 49 | 49 |
| Agriculture | 235 | 319 | 342 |
| Competitive bidding | 1 | 2 | 4 |
| Sale to individual | 11 | 21 | 27 |
| Lease with option to buy | 3 | 3 | 3 |
| Formation of joint-stock company | 71 | 119 | 126 |
| Sale to labor collectives | 146 | 168 | 174 |
| Other methods | 3 | 6 | 8 |
| Construction | 223 | 307 | 390 |
| Competitive bidding | -- | 3 | 10 |
| Sale to individual | 4 | 7 | 10 |
| Lease with option to buy | 2 | 2 | 2 |
| Formation of joint-stock company | 161 | 213 | 279 |
| Sale to labor collectives | 46 | 65 | 68 |
| Other methods | 10 | 17 | 21 |
| Transport | 82 | 102 | 136 |
| Competitive bidding | -- | -- | -- |
| Sale to individual | -- | 2 | 2 |
| Lease with option to buy | -- | -- | -- |
| Formation of joint-stock company | 71 | 88 | 121 |
| Sale to labor collectives | 7 | 7 | 8 |
| Other methods | 4 | 5 | 5 |
| Other branches | 192 | 482 | 865 |
| Competitive bidding | 19 | 42 | 104 |
| Sale to individual | 27 | 66 | 163 |
| Lease with option to buy | 3 | 3 | 10 |
| Formation of joint-stock company | 38 | 163 | 335 |
| Sale to labor collectives | 92 | 148 | 190 |
| Other methods | 12 | 60 | 63 |
| Total ^{1/} | 4,428 | 5,168 | 5,895 |

Source: Data provided by the Kyrgyz authorities.

^{1/} Excluding privatized housing.

Table 14. Kyrgyz Republic: Summary Monetary Accounts

(In millions of Soms)

| | 1994 | | | | 1995 | | | | 1996 |
|--|----------|----------|----------|---------|---------|----------|---------|---------|---------|
| | Mar. | June | Sept. | Dec. | Mar. | June | Sept. | Dec. | Mar. |
| National Bank | | | | | | | | | |
| Net foreign assets | -576.0 | -627.4 | -444.2 | -255.9 | -409.5 | -339.6 | -434.1 | -465.7 | -673.5 |
| Net international reserves | -125.2 | -88.8 | 101.9 | 213.4 | 54.1 | 25.4 | -66.1 | -82.5 | -272.0 |
| Claims on other FSU countries | -450.8 | -538.6 | -546.1 | -469.3 | -463.6 | -365.0 | -368.0 | -383.2 | -401.5 |
| Medium-term obligations | -188.3 | -230.5 | -289.4 | -266.2 | -280.5 | -291.2 | -347.4 | -415.1 | -389.5 |
| Net domestic assets | 1,429.6 | 1,661.5 | 1,736.7 | 1,590.1 | 1,875.3 | 2,084.0 | 2,506.7 | 2,928.4 | 3,009.1 |
| Credit to Government (net) | 725.1 | 633.8 | 728.9 | 620.6 | 978.1 | 1,306.0 | 1,637.2 | 2,014.8 | 2,126.1 |
| Credit to Government (net of deposits) | 557.4 | 418.0 | 480.5 | 605.0 | 962.7 | 1,077.0 | 1,434.2 | 1,603.3 | 1,745.1 |
| Counterpart funds | -20.6 | -14.7 | -41.0 | -250.6 | -265.1 | -62.2 | -141.7 | -0.8 | -4.6 |
| Turkish loan | 188.3 | 230.5 | 289.4 | 266.2 | 280.5 | 291.2 | 344.7 | 412.3 | 385.6 |
| Credit to other government (net) | -1.6 | -3.4 | -3.6 | -3.4 | -2.1 | -2.5 | -2.9 | -2.0 | -2.7 |
| Credit to banks | 1,281.0 | 1,342.0 | 1,265.0 | 1,261.7 | 1,271.5 | 1,217.6 | 1,200.0 | 1,178.6 | 1,107.1 |
| Other items (net) | -574.9 | -310.9 | -253.6 | -288.8 | -372.2 | -437.1 | -327.6 | -263.0 | -221.4 |
| Liabilities | 665.5 | 795.7 | 974.7 | 1,068.0 | 1,185.2 | 1,453.1 | 1,725.2 | 2,047.8 | 1,946.0 |
| Currency in circulation | 519.3 | 702.1 | 862.4 | 1,021.8 | 1,035.8 | 1,312.6 | 1,595.5 | 1,967.1 | 1,834.3 |
| Reserves | 138.8 | 91.9 | 109.6 | 46.0 | 144.2 | 136.0 | 126.7 | 80.5 | 109.5 |
| Other deposits | 7.4 | 1.7 | 2.7 | 0.1 | 5.2 | 4.5 | 3.0 | 0.2 | 2.2 |
| Banking System | | | | | | | | | |
| Net foreign assets | -435.0 | -459.7 | -301.8 | -124.6 | -193.0 | -203.3 | -247.7 | -299.4 | -475.0 |
| Medium-term obligations | -188.3 | -230.5 | -289.4 | -266.2 | -280.5 | -291.2 | -347.4 | -415.0 | -389.5 |
| Net domestic assets | 1,463.0 | 1,783.0 | 1,927.7 | 1,929.6 | 2,185.1 | 2,486.8 | 2,959.3 | 3,419.4 | 3,479.0 |
| Credit to Government (net) | 711.4 | 679.0 | 773.8 | 721.7 | 1,069.3 | 1,423.8 | 1,765.2 | 2,158.9 | 2,241.9 |
| Credit to Government (net of deposits) | 543.7 | 463.2 | 525.4 | 706.1 | 1,053.9 | 1,194.8 | 1,562.2 | 1,747.4 | 1,860.9 |
| Counterpart funds | -20.6 | -14.7 | -41.0 | -250.6 | -265.1 | -62.2 | -141.7 | -0.8 | -4.6 |
| Turkish loan | 188.3 | 230.5 | 289.4 | 266.2 | 280.5 | 291.2 | 344.7 | 412.3 | 385.6 |
| Credit to other government (net) | -30.9 | -38.9 | -32.5 | -48.6 | -56.3 | -74.5 | -69.9 | -63.0 | -54.4 |
| Credit to nongovernment sector | 1,865.9 | 2,336.4 | 2,590.8 | 1,876.8 | 2,053.8 | 2,140.2 | 2,179.3 | 1,955.4 | 1,911.4 |
| Other items (net) | -1,083.4 | -1,193.5 | -1,404.4 | -620.3 | -881.7 | -1,002.7 | -915.3 | -631.9 | -619.9 |
| Broad money | 839.7 | 1,081.6 | 1,300.2 | 1,538.9 | 1,711.5 | 1,992.2 | 2,364.2 | 2,705.0 | 2,614.4 |
| Currency outside banks | 495.7 | 691.5 | 849.7 | 1,002.3 | 1,014.8 | 1,292.3 | 1,573.3 | 1,940.9 | 1,791.8 |
| Deposits | 344.0 | 390.1 | 450.5 | 536.6 | 696.7 | 699.9 | 790.9 | 764.1 | 822.6 |
| Memorandum items | | | | | | | | | |
| Velocity of broad money | 12.0 | 11.7 | 11.5 | 11.0 | 9.8 | 8.7 | 8.1 | 8.4 | 8.1 |
| Quarterly growth rate of (in percent): | | | | | | | | | |
| Broad money | 19.6 | 28.8 | 20.2 | 18.4 | 11.2 | 16.4 | 18.7 | 14.4 | -3.3 |
| Currency outside banks | 24.4 | 39.5 | 22.9 | 18.0 | 1.2 | 27.3 | 21.7 | 23.4 | -7.7 |

Sources: NEKR; and staff calculations.

Table 15. Kyrgyz Republic: U.S. dollar Auctions

| | Total Number of Bids Accepted | Total Amount Sold | Average Clearing Rate |
|--------------|--|-------------------------|-----------------------------|
| | (In millions of U.S. dollars) | | (Soms/dollar) |
| 1994 January | 83 | 2.21 | 8.51 |
| February | 134 | 2.97 | 10.19 |
| March | 257 | 4.46 | 11.66 |
| April | 189 | 5.51 | 12.30 |
| May | 211 | 3.84 | 12.23 |
| June | 278 | 3.43 | 11.33 |
| July | 107 | 2.63 | 10.97 |
| August | 204 | 4.31 | 10.27 |
| September | 472 | 9.79 | 10.59 |
| October | 411 | 7.00 | 10.65 |
| November | 478 | 8.63 | 10.61 |
| December | 400 | 5.83 | 10.66 |
| 1995 January | 410 | 8.53 | 10.76 |
| February | 180 | 11.42 | 10.80 |
| March | 505 | 19.72 | 10.89 |
| April | 355 | 10.88 | 10.90 |
| May | 248 | 8.82 | 10.94 |
| June | 144 | 7.58 | 10.79 |
| July | 95 | 5.53 | 10.56 |
| August | 116 | 8.77 | 10.47 |
| September | 192 | 18.04 | 10.68 |
| October | 185 | 11.97 | 10.93 |
| November | 312 | 17.43 | 10.97 |
| December | 239 | 12.83 | 11.23 |
| 1996 January | 311 | 17.08 | 11.22 |
| February | 109 | 10.98 | 11.28 |
| March | 113 | 7.86 | 11.37 |
| April | 79 | 10.47 | 11.56 |

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

Table 16. Kyrgyz Republic: Three-month Treasury Bill Auctions

| Date ^{1/} | Total Number of Bids Accepted ^{2/} | Total Amount Sold | Of which Nonbank ^{3/} | Average Annual Rate |
|-----------------------|--|-------------------------|-----------------------------------|---------------------------|
| (In millions of soms) | | | | |
| 1994 February | 9 | 0.40 | -- | 358.3 |
| March | 45 | 1.48 | -- | 426.8 |
| April | 78 | 31.93 | -- | 396.7 |
| May | 58 | 38.00 | 0.33 | 303.4 |
| June | 60 | 48.00 | 0.24 | 287.5 |
| July | 41 | 35.00 | 1.12 | 274.3 |
| August | 63 | 31.00 | 1.78 | 241.4 |
| September | 105 | 43.00 | 6.02 | 248.6 |
| October | 25 | 23.50 | 10.62 | 159.7 |
| November | 43 | 10.00 | 1.62 | 105.6 |
| December | 59 | 9.00 | 0.31 | 73.1 |
| 1995 January | 59 | 9.00 | 1.72 | 72.1 |
| February | 26 | 3.50 | 0.85 | 68.4 |
| March | 27 | 10.00 | 3.62 | 52.5 |
| April | 32 | 13.50 | 0.70 | 37.3 |
| May | 38 | 12.00 | -- | 35.5 |
| June | 36 | 18.00 | 0.10 | 29.3 |
| July | 37 | 20.00 | -- | 29.1 |
| August | 39 | 24.07 | -- | 30.1 |
| September | 26 | 7.50 | -- | 28.2 |
| October | 32 | 14.00 | 0.38 | 28.3 |
| November | 76 | 26.83 | -- | 28.2 |
| December | 58 | 13.60 | 0.03 | 43.0 |
| 1996 January | 21 | 5.00 | 0.16 | 33.9 |
| February | 51 | 14.00 | 0.10 | 33.7 |
| March | 49 | 17.50 | 0.56 | 42.1 |
| April | 58 | 20.50 | 0.34 | 43.2 |

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

^{1/} Dates refer to the date of issue, which is normally two days after the auction date.

^{2/} Number of lots sold.

^{3/} Includes population and legal entities. Bear the average rate of interest.

Table 17. Kyrgyz Republic: Credit Auctions

| | | Total Number of Bids Accepted | Total Amount Sold | Average Clearing Rate ^{1/} | Average Clearing Rate ^{2/} |
|------|-----------|--|--------------------------|---|---|
| | | | (In millions of soms) | (Annual yield, in percent) | |
| 1994 | April | 58 | 58.3 | 158.0 | 278.7 |
| | May | 57 | 37.4 | 128.8 | 205.3 |
| | July | 93 | 55.0 | 144.5 | 243.4 |
| | August | 71 | 35.7 | 178.6 | 337.9 |
| | September | 45 | 32.8 | 130.5 | 209.3 |
| | October | 44 | 29.6 | 111.6 | 167.6 |
| | November | 40 | 17.1 | 77.7 | 103.3 |
| | December | 28 | 3.9 | 89.5 | 124.4 |
| 1995 | January | 33 | 8.0 | 87.0 | 119.8 |
| | February | 22 | 4.5 | 83.3 | 108.9 |
| | March | 20 | 5.0 | 89.2 | 123.2 |
| | April | 30 | 5.6 | 77.5 | 96.2 |
| | May | 14 | 4.5 | 68.9 | 87.2 |
| | June | 30 | 6.0 | 67.9 | 86.4 |
| | July | 35 | 7.5 | 59.3 | 69.7 |
| | August | 28 | 4.2 | 36.3 | 42.1 |
| | September | 19 | 4.0 | 37.0 | 43.6 |
| | October | 28 | 4.0 | 42.7 | 50.6 |
| | November | 29 | 7.6 | 46.5 | 55.5 |
| | December | 31 | 4.5 | 45.8 | 53.8 |
| 1996 | January | 43 | 6.0 | 46.4 | 55.4 |
| | February | 26 | 3.5 | 46.0 | 55.1 |
| | March | 39 | 2.5 | 35.3 | 40.8 |
| | April | 44 | 2.5 | 37.2 | 41.9 |

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

^{1/} Simple annual rate.

^{2/} Effective compound interest rate.

Table 18. Kyrgyz Republic: Summary of Government Financial Operations, 1993-96

| | 1993 | 1994 | 1995 | 1996 Q1 Prel. |
|---|---------|---------|----------|------------------|
| (In millions of soms) | | | | |
| Total revenue and grants | 1,318.1 | 2,503.2 | 2,708.3 | 762.0 |
| Current revenue | 848.0 | 2,148.0 | 2,604.5 | 606.8 |
| Tax revenue | 771.5 | 1,615.0 | 2,356.9 | 532.7 |
| Direct taxes | 300.2 | 653.0 | 713.5 | 152.3 |
| Domestic taxes on goods and services | 338.4 | 825.4 | 1,276.5 | 306.8 |
| Taxes on international trade | 30.9 | 45.5 | 134.1 | 34.0 |
| Other tax revenue | 102.1 | 91.1 | 232.9 | 39.7 |
| Nontax revenue | 76.5 | 533.0 | 247.6 | 74.0 |
| Capital revenue | 8.6 | 52.6 | 49.2 | 78.5 |
| Grants | 461.5 | 302.6 | 54.6 | 76.7 |
| Total expenditure | 2,091.4 | 3,431.6 | 4,883.2 | 964.1 |
| Current expenditure | 1,589.1 | 2,752.3 | 4,166.2 | 786.1 |
| Wages and salaries ^{1/} | 280.9 | 787.5 | 1,243.6 | 194.7 |
| Goods and services | 348.9 | 787.0 | 1,831.6 | 442.1 |
| Subsidies ^{2/} | 311.6 | 319.0 | ... | ... |
| Transfers ^{3/} | 592.5 | 744.1 | 1,023.0 | 118.1 |
| Extraordinary fund | 18.7 | 90.5 | ... | ... |
| Interest on public debt | 36.5 | 24.2 | 68.0 | 31.2 |
| Capital expenditure | 28.6 | 116.7 | 161.0 | 19.9 |
| Net lending | 473.7 | 562.6 | 556.0 | 158.1 |
| General government balance | -773.3 | -928.4 | -2,175.0 | -202.1 |
| Financing | 773.3 | 928.4 | 2,175.0 | 202.1 |
| External | 353.2 | 515.1 | 714.5 | 92.4 |
| Domestic | 420.1 | 413.3 | 1,460.5 | 109.7 |
| (In percent of GDP) | | | | |
| Total revenue and grants | 23.0 | 20.8 | 15.6 | 22.2 |
| Tax revenue | 13.5 | 13.4 | 13.6 | 15.5 |
| Nontax revenue | 1.3 | 4.4 | 1.4 | 2.2 |
| Capital revenue | 0.1 | 0.4 | 0.3 | 2.3 |
| Grants | 8.1 | 2.5 | 0.3 | 2.2 |
| Total expenditure | 36.6 | 28.6 | 28.1 | 28.1 |
| Current expenditure | 27.8 | 22.9 | 24.0 | 22.9 |
| Capital expenditure | 0.5 | 1.0 | 0.9 | 0.6 |
| Net lending | 8.3 | 4.7 | 3.2 | 4.6 |
| General government balance | -13.5 | -7.7 | -12.5 | -5.9 |
| Financing | 13.5 | 7.7 | 12.5 | 5.9 |
| External | 6.2 | 4.3 | 4.1 | 2.7 |
| Domestic | 7.3 | 3.4 | 8.4 | 3.2 |

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

^{1/} Includes net repayment of wage arrears of som 60.7 million.

^{2/} Direct consumer subsidies were abolished and replaced by the unified cash benefit in 1995.

^{3/} Includes net repayment of social contributions of som 78.1 million.

Table 19. Kyrgyz Republic: Summary of Public Finances, 1993-96

| | 1993 Year | 1994 | | | | | 1995 | | | | | 1996 Prel. Q1 |
|--|--------------|--------|-------|--------|---------|---------|--------|---------|---------|---------|----------|---------------------|
| | | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year | |
| (In millions of soms) | | | | | | | | | | | | |
| Total revenue and grants | 1,318.1 | 546.2 | 716.0 | 535.2 | 705.8 | 2,503.2 | 522.8 | 614.6 | 745.9 | 825.1 | 2,708.3 | 762.0 |
| Tax | 771.5 | 298.0 | 405.3 | 400.6 | 511.0 | 1,615.0 | 411.9 | 532.9 | 665.4 | 746.6 | 2,356.9 | 532.7 |
| Income tax | 300.2 | 119.0 | 165.4 | 173.4 | 195.2 | 653.0 | 137.9 | 177.4 | 177.9 | 220.2 | 713.5 | 152.3 |
| Personal income | 71.6 | 38.1 | 53.9 | 64.0 | 69.1 | 225.1 | 61.7 | 61.3 | 73.9 | 86.6 | 283.6 | 52.0 |
| Profit tax | 228.6 | 80.4 | 110.5 | 109.4 | 125.9 | 426.2 | 72.2 | 111.0 | 100.1 | 131.3 | 414.5 | 100.3 |
| Income from shares | -- | 0.5 | 1.0 | -- | 0.2 | 1.7 | 4.0 | 5.1 | 3.9 | 2.3 | 15.3 | -- |
| Domestic taxes on goods and services | 338.4 | 119.6 | 191.4 | 186.2 | 311.0 | 808.2 | 199.3 | 254.9 | 382.4 | 417.6 | 1,254.2 | 301.6 |
| VAT | 223.5 | 84.7 | 131.3 | 116.0 | 186.6 | 518.5 | 116.1 | 130.0 | 207.9 | 251.2 | 705.1 | 184.6 |
| Retail sales tax | -- | -- | -- | -- | 52.9 | 52.9 | 32.2 | 35.6 | 49.7 | 49.6 | 167.2 | 41.0 |
| Excises | 71.8 | 19.6 | 44.5 | 52.8 | 55.7 | 172.6 | 38.1 | 72.3 | 97.7 | 90.2 | 298.2 | 57.2 |
| Motor vehicle and business license tax | 33.1 | 15.4 | 15.6 | 17.4 | 15.7 | 64.1 | 13.0 | 16.9 | 27.2 | 26.6 | 83.7 | 18.8 |
| Mineral taxes | ... | ... | ... | ... | 17.2 | 17.2 | 7.0 | 6.3 | 4.8 | 4.2 | 22.3 | 5.2 |
| Taxes on international trade and transactions | 30.9 | 7.1 | 13.6 | 6.0 | 18.8 | 45.5 | 25.6 | 32.8 | 34.6 | 41.1 | 134.1 | 34.0 |
| Property tax | 7.6 | -- | -- | 6.0 | 4.8 | 10.8 | 2.7 | 4.2 | 5.6 | 5.9 | 18.4 | 6.1 |
| Other tax revenue | 94.5 | 52.2 | 35.0 | 29.0 | -36.0 | 80.2 | 39.4 | 57.3 | 60.2 | 57.6 | 214.5 | 33.5 |
| Nontax | 76.5 | 245.8 | 171.2 | 56.9 | 59.1 | 533.0 | 41.0 | 73.8 | 77.4 | 55.5 | 247.6 | 74.0 |
| Capital revenue | 8.6 | 2.3 | 13.3 | 20.1 | 16.9 | 52.6 | 15.2 | 7.8 | 3.1 | 23.0 | 49.2 | 78.5 |
| Recurring grants | 461.5 | -- | 126.2 | 57.6 | 118.8 | 302.6 | 54.6 | -- | -- | -- | 54.6 | 76.7 |
| Total expenditure | 2,091.4 | 845.4 | 796.5 | 745.0 | 1,044.6 | 3,431.6 | 968.4 | 1,009.2 | 1,300.3 | 1,605.4 | 4,883.2 | 964.1 |
| General public services | 164.3 | 49.6 | 81.6 | 61.5 | 67.1 | 259.8 | 74.9 | 107.1 | 120.8 | 59.2 | 362.0 | 71.9 |
| Defense | 38.3 | 28.7 | 21.7 | 24.0 | 30.4 | 104.9 | 27.8 | 26.8 | 62.2 | 120.3 | 237.1 | 39.2 |
| Public order and safety affairs | 44.6 | 23.1 | 44.5 | 50.3 | 50.9 | 168.8 | 55.4 | 47.6 | 117.3 | 113.8 | 334.1 | 66.9 |
| Education | 224.4 | 139.1 | 172.8 | 189.7 | 202.4 | 703.9 | 200.1 | 267.1 | 270.8 | 207.9 | 945.8 | 152.8 |
| Health | 139.4 | 71.8 | 110.4 | 106.2 | 98.3 | 386.7 | 125.1 | 144.9 | 132.9 | 131.6 | 534.6 | 100.7 |
| Social security and welfare affairs | 148.7 | 36.2 | 33.4 | 65.2 | 232.3 | 367.0 | 89.7 | 224.7 | 224.6 | 360.3 | 899.4 | 83.1 |
| Housing and community services | 30.7 | 6.1 | 14.6 | 18.7 | 54.7 | 94.2 | 24.5 | 46.5 | 46.9 | 64.9 | 182.8 | 35.4 |
| Recreational, cultural and religious activities | 18.2 | 17.0 | 12.6 | 17.5 | 26.1 | 73.2 | 28.8 | 36.1 | 39.2 | 23.2 | 127.3 | 17.5 |
| Industrial expenditure | 325.5 | 87.4 | 25.0 | 18.2 | 89.5 | 220.1 | 59.5 | 62.5 | 100.1 | 130.8 | 352.9 | 77.8 |
| Unclassified expenditures | 495.8 | 386.4 | 153.6 | 136.2 | 83.3 | 759.6 | 235.1 | 73.4 | 185.6 | 393.4 | 887.5 | 312.2 |
| Grants | 461.5 | -- | 126.2 | 57.6 | 109.6 | 293.4 | 47.3 | -27.6 | -- | -- | 19.7 | 6.5 |
| General government budget balance | -773.3 | -299.3 | -80.4 | -209.9 | -338.8 | -928.4 | -445.6 | -394.6 | -554.5 | -780.3 | -2,175.0 | -202.1 |
| Financing | 773.3 | 299.3 | 80.4 | 209.9 | 338.8 | 928.4 | 445.6 | 394.6 | 554.5 | 780.3 | 2,175.0 | 202.1 |
| External | 353.2 | 147.0 | 120.7 | 134.3 | 113.1 | 515.1 | 91.4 | 48.1 | 189.0 | 386.0 | 714.5 | 92.4 |
| Domestic | 420.1 | 152.3 | -40.3 | 75.6 | 225.7 | 413.3 | 354.2 | 346.5 | 365.5 | 394.3 | 1,460.5 | 109.7 |
| Of which: Turkey | -- | 111.7 | 34.3 | 39.6 | 4.0 | 189.6 | 20.9 | 2.8 | 51.4 | 67.6 | 142.7 | -- |

Table 19. Kyrgyz Republic: Summary of Public Finances, 1993-96 (Concluded)

| | 1993 | 1994 | | | | | 1995 | | | | | 1996 |
|--|-------|-------|------|------|------|------|-------|-------|------|-------|-------|----------|
| | Year | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year | Prel. Q1 |
| (In percent of GDP) | | | | | | | | | | | | |
| Total revenue and grants | 23.0 | 30.2 | 30.3 | 13.5 | 18.1 | 20.8 | 19.8 | 19.1 | 12.2 | 15.3 | 15.6 | 22.2 |
| Tax | 13.5 | 16.5 | 17.2 | 10.1 | 13.1 | 13.4 | 15.6 | 16.5 | 10.9 | 13.8 | 13.6 | 15.5 |
| Nontax | 1.3 | 13.6 | 7.3 | 1.4 | 1.5 | 4.4 | 1.6 | 2.3 | 1.3 | 1.0 | 1.4 | 2.2 |
| Capital revenue | 0.2 | 0.1 | 0.6 | 0.5 | 0.4 | 0.4 | 0.6 | 0.2 | 0.1 | 0.4 | 0.3 | 2.3 |
| Recurring grants | 8.1 | -- | 5.4 | 1.5 | 3.0 | 2.5 | 2.1 | -- | -- | -- | 0.3 | 2.2 |
| Total expenditure | 36.6 | 46.7 | 33.7 | 18.8 | 26.8 | 28.6 | 36.7 | 3.13 | 21.3 | 29.7 | 28.1 | 28.1 |
| General public services | 2.9 | 2.7 | 3.5 | 1.6 | 1.7 | 2.2 | 2.8 | 3.3 | 2.0 | 1.1 | 2.1 | 2.1 |
| Defense | 0.7 | 1.6 | 0.9 | 0.6 | 0.8 | 0.9 | 1.1 | 0.8 | 1.0 | 2.2 | 1.4 | 1.1 |
| Public order and safety affairs | 0.8 | 1.3 | 1.9 | 1.3 | 1.3 | 1.4 | 2.1 | 1.5 | 1.9 | 2.1 | 1.9 | 1.9 |
| Education | 3.9 | 7.7 | 7.3 | 4.8 | 5.2 | 5.8 | 7.6 | 8.3 | 4.4 | 3.8 | 5.4 | 4.5 |
| Health | 2.4 | 4.0 | 4.7 | 2.7 | 2.5 | 3.2 | 4.7 | 4.5 | 2.2 | 2.4 | 3.1 | 2.9 |
| Social security and welfare affairs | 2.6 | 2.0 | 1.4 | 1.7 | 5.9 | 3.0 | 3.4 | 7.0 | 3.7 | 6.7 | 5.2 | 2.4 |
| Housing and community services | 0.5 | 0.3 | 0.6 | 0.5 | 1.4 | 0.8 | 0.9 | 1.4 | 0.8 | 1.2 | 1.1 | 1.0 |
| Recreational cultural and religious activities | 0.3 | 0.9 | 0.5 | 0.4 | 0.7 | 0.6 | 1.1 | 1.1 | 0.6 | 0.4 | 0.7 | 0.5 |
| Industrial expenditures | 5.7 | 4.8 | 1.1 | 0.4 | 2.2 | 1.8 | 2.3 | 1.9 | 1.6 | 2.4 | 2.0 | 2.3 |
| Unclassified expenditures | 8.7 | 21.3 | 6.5 | 3.4 | 2.1 | 6.3 | 8.9 | 2.3 | 3.0 | 7.3 | 5.1 | 9.1 |
| Grants | 8.1 | -- | 5.3 | 1.4 | 2.8 | 2.4 | 1.8 | -0.9 | -- | -- | 0.1 | 0.2 |
| General government budget balance | -13.5 | -16.5 | -3.4 | -5.3 | -8.6 | -7.7 | -16.9 | -12.2 | -9.1 | -14.4 | -12.5 | -5.9 |
| Financing | 13.5 | 16.5 | 3.4 | 5.3 | 8.6 | 7.7 | 16.9 | 12.2 | 9.1 | 14.4 | 12.5 | 5.9 |
| External | 6.2 | 8.1 | 5.4 | 3.4 | 2.9 | 4.3 | 3.5 | 1.5 | 3.1 | 7.1 | 4.1 | 2.7 |
| Domestic | 7.3 | 8.4 | -1.7 | 1.9 | 5.8 | 3.4 | 13.4 | 10.8 | 6.0 | 7.3 | 8.4 | 3.2 |
| Of which: Turkey | -- | 6.2 | 1.4 | 1.0 | 0.1 | 1.4 | 0.8 | 0.1 | 0.8 | 1.3 | 0.8 | -- |
| GDP (in billions of som) | 5.7 | 1.8 | 2.4 | 3.9 | 3.9 | 12.0 | 2.6 | 3.2 | 6.1 | 5.4 | 17.4 | 3.4 |

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

Table 20. Kyrgyz Republic: Summary of Public Finances, Revenues 1993-96

| | 1993 Year | 1994 | | | | | 1995 | | | | | 1996 Prel. Q1 |
|---|--------------|-------|-------|-------|-------|---------|-------|-------|-------|-------|---------|---------------------|
| | | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year | Q1 |
| (In millions of soms) | | | | | | | | | | | | |
| Total revenue and grants | 1,318.1 | 546.1 | 716.0 | 535.2 | 705.8 | 2,503.2 | 522.8 | 614.6 | 745.9 | 825.1 | 2,708.3 | 762.0 |
| Total revenues | 856.5 | 546.1 | 589.9 | 477.6 | 587.0 | 2,200.6 | 468.1 | 614.6 | 745.9 | 825.1 | 2,653.6 | 685.3 |
| Current revenues | 848.0 | 543.8 | 576.6 | 457.5 | 570.1 | 2,148.0 | 452.9 | 606.7 | 742.8 | 802.0 | 2,604.5 | 606.8 |
| Tax revenue | 771.5 | 298.0 | 405.3 | 400.6 | 511.0 | 1,615.0 | 411.9 | 532.9 | 665.4 | 746.6 | 2,356.9 | 532.7 |
| Income taxes | 300.2 | 119.0 | 165.4 | 173.4 | 195.2 | 653.0 | 137.9 | 177.4 | 177.9 | 220.2 | 713.5 | 152.3 |
| Income tax | 71.6 | 38.1 | 53.9 | 64.0 | 69.1 | 225.1 | 61.7 | 61.3 | 73.9 | 86.6 | 283.6 | 52.0 |
| Profit tax | 228.6 | 80.4 | 110.5 | 109.4 | 125.9 | 426.2 | 72.2 | 111.0 | 100.1 | 131.3 | 414.5 | 100.3 |
| Income from shares | -- | 0.5 | 1.0 | -- | 0.2 | 1.7 | 4.0 | 5.1 | 3.9 | 2.3 | 15.3 | -- |
| Property tax | 7.6 | -- | -- | 6.0 | 4.8 | 10.8 | 2.7 | 4.2 | 5.6 | 5.9 | 18.4 | 6.1 |
| Domestic taxes on goods and services | 338.4 | 119.6 | 191.4 | 186.2 | 311.0 | 808.2 | 199.3 | 254.9 | 382.4 | 417.6 | 1,254.2 | 301.6 |
| Value added tax | 233.5 | 84.7 | 131.3 | 116.0 | 186.6 | 518.5 | 116.1 | 130.0 | 207.9 | 251.2 | 705.1 | 184.6 |
| Retail sales tax | -- | -- | -- | -- | 52.9 | 52.9 | 32.2 | 35.6 | 49.7 | 49.6 | 167.2 | 41.0 |
| Excises | 71.8 | 19.6 | 44.5 | 52.8 | 55.7 | 172.6 | 38.1 | 72.3 | 97.7 | 90.2 | 298.2 | 57.2 |
| Taxes on use of goods ^{1/} | 33.1 | 15.4 | 15.6 | 17.4 | 15.7 | 64.1 | 13.0 | 16.9 | 27.2 | 26.6 | 83.7 | 18.8 |
| Mineral taxes | -- | -- | -- | -- | 17.2 | 17.2 | 7.0 | 6.3 | 4.8 | 4.2 | 22.3 | 5.2 |
| Taxes on international trade and transactions | 30.9 | 7.1 | 13.6 | 6.0 | 18.8 | 45.5 | 25.6 | 32.8 | 34.6 | 41.1 | 134.1 | 34.0 |
| Other tax revenue ^{1/} | 94.5 | 52.2 | 35.0 | 29.0 | -36.0 | 80.2 | 39.4 | 57.3 | 60.2 | 57.6 | 214.5 | 33.5 |
| Of which: Government fees | ... | ... | ... | ... | ... | 37.6 | 12.0 | 16.4 | 18.5 | 21.6 | 68.5 | -- |
| Extraordinary fund | 54.2 | 24.2 | 25.1 | 27.0 | -76.3 | -- | 26.3 | 39.9 | 38.3 | 35.6 | 140.0 | 30.2 |
| Nontax revenue | 76.5 | 245.8 | 171.2 | 56.9 | 59.1 | 533.0 | 41.0 | 73.8 | 77.4 | 55.5 | 247.6 | 74.0 |
| Central bank profits | -- | 210.0 | 150.0 | 33.0 | -- | 393.0 | 6.0 | 10.0 | -- | -- | 16.0 | -- |
| Other nontax revenue ^{2/} | 76.5 | 35.8 | 21.2 | 23.9 | 59.1 | 140.0 | 35.0 | 63.8 | 77.4 | 55.5 | 231.6 | 74.0 |
| Capital revenue ^{4/} | 8.6 | 2.3 | 13.3 | 20.1 | 16.9 | 52.6 | 15.2 | 7.8 | 3.1 | 23.0 | 49.2 | 78.5 |
| Grants | 461.5 | -- | 126.2 | 57.6 | 118.8 | 302.6 | 54.6 | -- | -- | -- | 54.6 | 76.7 |
| (In percent of GDP) | | | | | | | | | | | | |
| Total revenue and grants | 23.0 | 30.2 | 30.3 | 13.5 | 18.1 | 20.8 | 19.8 | 19.1 | 12.2 | 15.3 | 15.6 | 22.2 |
| Tax revenue | 13.5 | 16.5 | 17.2 | 10.1 | 13.1 | 13.4 | 15.6 | 16.5 | 10.9 | 13.8 | 13.6 | 15.5 |
| Income taxes | 5.2 | 6.6 | 7.0 | 4.3 | 5.0 | 5.4 | 5.2 | 5.5 | 2.9 | 4.1 | 4.1 | 4.4 |
| Property tax | 0.1 | -- | -- | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Domestic taxes on goods and services | 5.9 | 6.6 | 8.1 | 4.7 | 8.0 | 6.7 | 7.6 | 7.9 | 6.3 | 7.7 | 7.2 | 8.8 |
| Mineral fees | -- | -- | -- | -- | 0.4 | 0.1 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 |
| Taxes on international trade and transactions | 0.5 | 0.4 | 0.6 | 0.1 | 0.5 | 0.4 | 1.0 | 1.0 | 0.6 | 0.8 | 0.8 | 1.0 |
| Other tax revenue ^{2/} | 1.7 | 2.9 | 1.5 | 1.0 | -0.8 | 0.7 | 1.5 | 1.8 | 1.0 | 1.1 | 1.2 | 1.0 |
| Nontax revenue ^{3/} | 1.3 | 13.6 | 7.3 | 1.4 | 1.5 | 4.4 | 1.6 | 2.3 | 1.3 | 1.0 | 1.4 | 2.2 |
| Capital revenue ^{4/} | 0.2 | 0.1 | 0.6 | 0.5 | 0.4 | 0.4 | 0.6 | 0.2 | 0.1 | 0.4 | 0.3 | 2.3 |
| Grants | 8.1 | -- | 5.4 | 1.5 | 3.0 | 2.5 | 2.1 | -- | -- | -- | 0.3 | 2.2 |

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

^{1/} Including business licenses and road taxes.

^{2/} Including the special Social Protection Tax levied in 1993-94.

^{3/} Including fees for the use of natural resources, land fees, and the motor vehicle registration fees, after 1994.

^{4/} Including privatization proceeds and, in 1996, the proceeds of sales of strategic stocks.

Table 21. Kyrgyz Republic: Expenditures by Functional Classification, 1993-96

(In millions of soms)

| | 1993 Year | 1994 | | | | | 1995 | | | | | 1996 Prel. Q1 |
|--|--------------|--------|--------|--------|---------|---------|--------|---------|---------|---------|----------|---------------------|
| | | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year | |
| Total expenditures | 2,091.4 | 845.4 | 796.5 | 745.0 | 1,044.6 | 3,431.6 | 968.4 | 1,009.2 | 1,300.3 | 1,605.4 | 4,883.2 | 964.1 |
| General public services | 164.3 | 49.6 | 81.6 | 61.5 | 67.1 | 259.8 | 74.9 | 107.1 | 120.8 | 59.2 | 362.0 | 71.9 |
| Defense | 38.3 | 28.7 | 21.7 | 24.0 | 30.4 | 104.9 | 27.8 | 26.8 | 62.2 | 120.3 | 237.1 | 39.2 |
| Public order and safety affairs | 44.6 | 23.1 | 44.5 | 50.3 | 50.9 | 168.8 | 55.4 | 47.6 | 117.3 | 113.8 | 334.1 | 66.9 |
| Education | 224.4 | 139.1 | 172.8 | 189.7 | 202.4 | 703.9 | 200.1 | 267.1 | 270.8 | 207.9 | 945.8 | 152.8 |
| Health | 139.4 | 71.8 | 110.4 | 106.2 | 98.3 | 386.7 | 125.1 | 144.9 | 132.9 | 131.6 | 534.6 | 100.7 |
| Social security and welfare affairs | 148.7 | 36.2 | 33.4 | 65.2 | 232.3 | 367.0 | 89.7 | 224.7 | 224.6 | 360.3 | 899.4 | 83.1 |
| Social security | 122.6 | 28.7 | 25.9 | 57.7 | 225.2 | 337.4 | 78.5 | 162.3 | 204.1 | 350.7 | 795.7 | ... |
| Social welfare | 26.0 | 7.5 | 7.5 | 7.5 | 7.2 | 29.7 | 11.2 | 62.4 | 20.5 | 9.6 | 103.7 | ... |
| Housing and community services | 30.7 | 6.1 | 14.6 | 18.7 | 54.7 | 94.2 | 24.5 | 46.5 | 46.9 | 64.9 | 182.8 | 35.4 |
| Recreational, cultural and religious activities | 18.2 | 17.0 | 12.6 | 17.5 | 26.1 | 73.2 | 28.8 | 36.1 | 39.2 | 23.2 | 127.3 | 17.5 |
| Energy complex (electricity production) | 0.1 | -- | -- | -- | 0.1 | 0.1 | -- | -- | -- | 1.2 | 1.2 | -- |
| Agriculture, water resources, forestry | 236.7 | 64.4 | 13.4 | 6.6 | 14.9 | 99.2 | 36.4 | 28.9 | 38.5 | 67.4 | 171.2 | 49.7 |
| Mining and mineral resources | 51.2 | 13.9 | 2.9 | 1.4 | 23.3 | 41.6 | 13.0 | 11.5 | 17.2 | 19.2 | 60.9 | 7.7 |
| Transportation and communication | 15.7 | 3.1 | 7.5 | 9.6 | 46.7 | 67.0 | 5.0 | 14.0 | 19.9 | 30.9 | 69.8 | 11.8 |
| Other economic affairs and services | 21.8 | 5.9 | 1.2 | 0.6 | 4.4 | 12.2 | 5.0 | 8.0 | 24.5 | 12.1 | 49.7 | 8.6 |
| Expenditures not classified by major group | 495.8 | 386.4 | 153.6 | 136.2 | 83.3 | 759.6 | 235.1 | 73.4 | 185.6 | 393.4 | 887.5 | 312.2 |
| Transaction with government obligations | 36.5 | 68.2 | -61.2 | 12.3 | 4.9 | 24.2 | -- | 32.5 | 14.1 | 21.4 | 68.0 | 31.2 |
| Of which: foreign interest payments | 2.4 | 7.0 | -- | 12.3 | 4.9 | 24.2 | -- | 30.3 | 10.4 | 17.8 | 58.5 | 26.2 |
| domestic interest payments | 34.1 | 61.2 | -61.2 | -- | -- | -- | -- | 2.2 | 3.7 | 3.5 | 9.4 | 5.0 |
| Other expenditures | 502.3 | 308.8 | 101.1 | 138.2 | 221.9 | 770.0 | 235.1 | 40.9 | 171.5 | 372.0 | 819.5 | 281.0 |
| Capital investments | 28.6 | 5.7 | 13.6 | 17.4 | 80.0 | 116.7 | 32.2 | 9.1 | 46.0 | 73.7 | 161.0 | 19.9 |
| Net lending to enterprises | 138.9 | 41.4 | 3.2 | 81.3 | 47.3 | 173.1 | -15.2 | -32.2 | 44.6 | 18.6 | 15.7 | 158.1 |
| Loans from Turkey | 334.8 | 111.7 | 34.3 | 39.5 | 4.0 | 189.5 | 20.9 | 2.8 | 51.4 | 67.6 | 142.7 | -- |
| ERRA | -- | -- | -- | -- | 7.7 | 7.7 | 70.7 | 23.2 | 52.7 | 91.0 | 237.6 | -- |
| Loans to agriculture | -- | 150.0 | 50.0 | -- | -- | 200.0 | 100.0 | 60.0 | -- | -- | 160.0 | -- |
| Unspecified other expenditures | -43.0 | 9.4 | 113.7 | -14.2 | -60.5 | 48.4 | 26.5 | -22.0 | -23.2 | 121.2 | 102.5 | 103.1 |
| Grants | 461.5 | -- | 126.2 | 57.6 | 109.6 | 293.4 | 47.3 | -27.6 | -- | -- | 19.7 | 6.5 |
| Surplus or deficit (-) | -773.3 | -299.3 | -80.4 | -209.9 | -338.8 | -928.4 | -445.6 | -394.6 | -554.5 | -780.3 | -2,175.0 | -202.1 |
| Financing | 773.3 | 299.3 | 80.4 | 209.9 | 338.8 | 928.4 | 445.6 | 394.6 | 554.5 | 780.3 | 2,175.0 | 202.1 |
| External | 353.2 | 147.0 | 120.7 | 134.3 | 113.1 | 515.1 | 91.4 | 48.1 | 189.0 | 386.0 | 714.5 | 92.4 |
| Net loans | 353.2 | 147.0 | 120.7 | 134.3 | 113.1 | 515.1 | 91.4 | 48.1 | 189.0 | 386.0 | 714.5 | 92.4 |
| New loans | 353.2 | 147.0 | 120.7 | 134.3 | 113.1 | 515.1 | 91.4 | 48.1 | 189.0 | 386.0 | 714.5 | 92.4 |
| Amortization | -- | -- | -- | -- | -- | -- | -128.9 | -79.3 | -359.7 | -10.5 | -578.5 | -1.1 |
| Domestic | 420.1 | 152.3 | -40.3 | 75.6 | 225.7 | 413.3 | 354.2 | 346.5 | 365.5 | 394.3 | 1,460.5 | 109.7 |
| Net central bank credit | 373.4 | 202.9 | -99.1 | 75.9 | 169.4 | 349.1 | 364.1 | 319.9 | 328.7 | 378.2 | 1,390.9 | 155.0 |
| New loans | 421.3 | 251.4 | -99.1 | 75.9 | 169.4 | 397.6 | 364.1 | 319.9 | 328.7 | 378.2 | 1,390.9 | 155.0 |
| Turkey | -- | 111.7 | 34.3 | 39.6 | 4.0 | 189.6 | 20.9 | 2.8 | 51.4 | 67.6 | 142.7 | -- |
| Central bank | -- | 139.7 | -133.4 | 36.3 | 165.4 | 208.0 | 343.2 | 317.1 | 277.3 | 310.6 | 1,248.2 | 155.0 |
| Amortization | -47.9 | -48.5 | -- | -- | -- | -48.5 | -- | -- | -- | -- | -- | -- |
| Net commercial bank credit | 46.7 | -50.6 | 58.8 | -0.3 | 56.3 | 64.2 | -9.9 | 26.6 | 36.8 | 16.1 | 69.6 | -45.3 |

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

Table 22. Kyrgyz Republic: Consolidated Balance of Payments

(In millions of U.S. dollars)

| | 1993 | 1993 1st H | 1993 2nd H | 1994 | 1994 1st H | 1994 2nd H | 1995 | 1995 1st H | 1995 2nd H |
|---|--------|---------------|---------------|--------|---------------|---------------|--------|---------------|---------------|
| Current account (excluding grants) | -267.2 | -104.8 | -162.4 | -200.5 | -114.3 | -86.2 | -390.8 | -125.3 | -265.5 |
| (including grants) | -162.1 | -70.9 | -91.1 | -124.1 | -69.6 | -54.4 | -287.6 | -80.1 | -207.4 |
| Trade balance | -166.3 | -64.7 | -101.6 | -118.9 | -67.2 | -51.7 | -263.4 | -75.8 | -187.5 |
| Exports, f.o.b. | 334.9 | 139.1 | 195.7 | 339.9 | 143.4 | 196.4 | 409.0 | 185.5 | 223.5 |
| CIS States | 222.7 | 91.0 | 131.6 | 222.7 | 116.9 | 105.8 | 269.3 | 117 | 152.3 |
| Energy | 31.4 | 13.7 | 17.6 | 72.6 | 44.5 | 28.1 | 45.5 | 13.1 | 32.4 |
| Other | 191.3 | 77.2 | 114.0 | 150.1 | 72.3 | 77.8 | 223.8 | 103.9 | 119.9 |
| Non-CIS states | 112.2 | 48.1 | 64.1 | 117.12 | 26.5 | 90.6 | 139.7 | 68.5 | 71.2 |
| Imports, f.o.b. | 501.2 | 203.8 | 297.4 | 458.9 | 210.7 | 248.2 | 672.4 | 261.4 | 411.1 |
| CIS States | 316.6 | 147.5 | 169.1 | 264.0 | 123.5 | 140.5 | 362.4 | 138.0 | 224.4 |
| Energy ^{1/} | 171.1 | 76.6 | 94.5 | 183.2 | 86.4 | 96.8 | 201.0 | 74.8 | 126.2 |
| Other | 145.6 | 71.0 | 74.6 | 80.8 | 37.1 | 43.7 | 161.4 | 63.2 | 98.2 |
| Non-CIS states ^{2/} | 184.6 | 56.3 | 128.3 | 194.9 | 87.2 | 107.7 | 310.0 | 123.4 | 186.7 |
| Services (net) | -10.0 | -6.5 | -3.4 | -34.5 | -19.3 | -15.1 | -104.0 | -37.5 | -66.9 |
| Noninterest services ^{2/} | -4.8 | -4.4 | -0.3 | -17.1 | -11.9 | -5.2 | -81.8 | -26.2 | -55.6 |
| Interest payments (scheduled) | -5.1 | -2.0 | -3.1 | -17.4 | -7.4 | -9.9 | -22.2 | -11.3 | -10.9 |
| IMF | -1.1 | -- | -1.1 | -3.2 | -1.5 | -1.6 | -3.9 | -2.0 | -1.9 |
| CIS | -3.3 | -1.6 | -1.6 | -10.6 | -4.4 | -6.2 | -13.9 | -7.3 | -6.6 |
| Non-CIS (excluding IMF) | -0.8 | -0.4 | -0.4 | -3.6 | -1.5 | -2.1 | -4.4 | -2.0 | -2.4 |
| Transfers | 14.3 | 0.3 | 13.9 | 29.4 | 16.9 | 12.5 | 79.8 | 33.2 | 46.6 |
| Official | 104.8 | 33.9 | 70.9 | 75.4 | 44.3 | 31.1 | 99.8 | 42.9 | 56.9 |
| Private | -90.5 | -33.6 | -56.9 | -46.0 | -27.3 | -18.6 | -20.0 | -9.7 | -10.3 |
| Capital account | 72.9 | -6.0 | 78.9 | 157.3 | 55.3 | 101.9 | 286.6 | 112.3 | 174.3 |
| Commercial banks | -9.5 | -13.6 | 4.1 | 4.8 | 1.5 | 3.3 | -4.4 | -2.1 | -2.3 |
| Medium- and long-term loans | 72.4 | 1.6 | 70.8 | 107.7 | 45.5 | 62.2 | 230.0 | 86.4 | 143.6 |
| Disbursement | 72.4 | 1.58 | 70.8 | 108.2 | 46.0 | 62.1 | 296.7 | 105.3 | 191.4 |
| CIS | 12.5 | -- | 12.5 | 10.6 | 9.2 | 1.4 | -- | -- | -- |
| Non-CIS | 59.9 | 1.58 | 58.3 | 97.6 | 36.9 | 60.7 | 296.7 | 105.3 | 191.4 |
| Of which: gold project related ^{3/} | -- | -- | -- | -- | -- | -- | 135.0 | 55.0 | 80.0 |
| Amortization (scheduled) | -- | -- | -- | 0.6 | 0.6 | -- | 66.7 | 18.9 | 47.8 |
| CIS | -- | -- | -- | -- | -- | -- | 37.3 | 18.9 | 18.4 |
| Non-CIS | -- | -- | -- | 0.6 | 0.6 | -- | 29.4 | -- | 29.4 |
| Foreign direct investment | 10.0 | 6 | 4 | 44.9 | 8.4 | 36.5 | 61.0 | 28.0 | 33.0 |
| Of which: gold project (Kumtor) | -- | -- | -- | 30.0 | 3.0 | 27.0 | 45.0 | 20.0 | 25.0 |
| Errors and omissions and short-term capital | -45.1 | -17.8 | -27.2 | 22.4 | 49.4 | -27.0 | -28.3 | -15.1 | -13.1 |
| Overall balance | -134.3 | -94.8 | -39.5 | 55.7 | 35.2 | 20.5 | -29.4 | 16.9 | -46.3 |
| Financing | 134.3 | 94.8 | 39.4 | -55.7 | -35.2 | -20.4 | 29.3 | -16.9 | 46.3 |
| Increase in gross reserves (-) ^{4/} | -35.2 | -30.6 | -4.6 | -32.1 | 4.8 | -36.9 | 0.3 | 3.0 | -2.7 |
| IMF | 61.8 | 36.5 | 25.3 | 13.8 | -- | 13.8 | 46.6 | 22.6 | 24.0 |
| Purchases | 61.8 | 36.5 | 25.3 | 13.8 | -- | 13.8 | 46.6 | 22.6 | 24.0 |
| Repurchases | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| CIS correspondent accounts | 82.6 | 72.6 | 10.0 | -0.2 | -0.5 | 0.3 | -- | -- | -- |
| Other central bank liabilities | 17.7 | 13.9 | 3.8 | -17.7 | -17.7 | -- | -- | -- | -- |
| Accumulation of arrears (net) | 2.5 | -- | 2.5 | 11.6 | 5.3 | 6.3 | -15.1 | 8.5 | -23.6 |
| CIS (net) | 2.5 | -- | 2.5 | 10.1 | 4.3 | 5.8 | -13.6 | 10.0 | -23.6 |
| New arrears | 2.5 | -- | 2.5 | 10.1 | 4.3 | 5.8 | 38.7 | 18.4 | 20.3 |
| Clearance | -- | -- | -- | -- | -- | -- | -52.3 | -8.4 | -43.9 |
| Non-CIS (net) | -- | -- | -- | 1.5 | 1.0 | 0.5 | -1.5 | -1.5 | -- |
| Debt conversion or rescheduling | -- | -- | -- | -- | -- | -- | 38.7 | -- | 38.7 |
| Inter-CIS enterprises arrears/credits ^{5/} | 4.8 | 2.4 | 2.4 | -31.2 | -27.2 | -4.0 | -41.1 | -51.0 | 9.9 |
| Memorandum items | | | | | | | | | |
| Current account/GDP (excl. grants) (in percent) | -26.6 | -25.4 | -27.4 | -19.6 | -31.6 | -13.1 | -24.3 | -23.2 | -24.9 |
| Current account/GDP (incl. grants) (in percent) | -16.1 | -17.2 | -15.4 | -12.1 | -19.2 | -8.2 | -17.9 | -14.8 | -19.5 |

Sources: Kyrgyz authorities; and staff estimates.

^{1/} Data for 1994 and 1995 are adjusted to incorporate estimate of unrecorded imports.

^{2/} Data for 1995 are adjusted to incorporate estimate of unrecorded imports of goods and services for the Kumtor gold project.

^{3/} Loans extended directly to the Kumtor gold project by IFC, EBRD, and commercial banks; not guaranteed by the Government.

^{4/} Excluding monetization of gold.

^{5/} Represents balance of transactions between Kyrgyz and other CIS enterprises and does not constitute arrears subject to the Fund jurisdiction or program conditionalities.

Table 23. Kyrgyz Republic: Exports of Goods, Total

| | 1992 | 1993 | 1994 | 1995 |
|--------------------------------------|-------|-------|-------|-------|
| <u>(In millions of U.S. dollars)</u> | | | | |
| Total exports | 288.6 | 339.6 | 339.9 | 408.9 |
| Industry | 280.9 | 331.4 | 329.2 | 366.1 |
| Electric energy | 13.7 | 23.3 | 63.5 | 41.0 |
| Oil and gas industry | 1.1 | 3.0 | 6.3 | 1.4 |
| Coal industry | 4.6 | 5.1 | 2.8 | 3.1 |
| Ferrous metallurgy | 4.7 | 41.2 | 9.3 | 10.4 |
| Nonferrous metallurgy | 49.3 | 37.0 | 52.2 | 62.7 |
| Chemical and petrochemical | 6.1 | 5.4 | 6.7 | 20.3 |
| Machine building | 100.7 | 87.1 | 33.7 | 44.5 |
| Lumber and paper | 3.5 | 1.8 | 1.2 | 1.8 |
| Industrial construction materials | 6.5 | 13.4 | 17.6 | 11.6 |
| Light industry | 67.0 | 64.4 | 77.8 | 82.6 |
| Food industry | 17.8 | 47.3 | 56.3 | 82.8 |
| Other industry | 5.9 | 2.4 | 1.8 | 3.8 |
| Agriculture | 3.7 | 8.1 | 10.6 | 42.9 |
| Other | 4.0 | 0.2 | 0.1 | -- |
| <u>(In percent of total)</u> | | | | |
| Total exports | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 97.3 | 96.6 | 96.8 | 89.5 |
| Electric energy | 4.8 | 6.9 | 18.7 | 10.0 |
| Oil and gas industry | 0.4 | 0.9 | 1.9 | 0.3 |
| Coal industry | 1.6 | 1.5 | 0.8 | 0.8 |
| Ferrous metallurgy | 1.6 | 12.1 | 2.7 | 2.5 |
| Nonferrous metallurgy | 17.1 | 10.9 | 15.4 | 15.3 |
| Chemical and petrochemical | 2.1 | 1.6 | 2.0 | 5.0 |
| Machine building | 34.9 | 25.7 | 9.9 | 10.9 |
| Lumber and paper | 1.2 | 0.5 | 0.3 | 0.4 |
| Industrial construction materials | 2.3 | 3.9 | 5.2 | 2.8 |
| Light industry | 23.2 | 19.0 | 22.9 | 20.2 |
| Food industry | 6.2 | 13.9 | 16.6 | 20.3 |
| Other industry | 2.0 | 0.7 | 0.5 | 0.9 |
| Agriculture | 1.3 | 2.4 | 3.1 | 10.5 |
| Other | 1.4 | -- | -- | -- |

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

Table 24. Kyrgyz Republic: Imports of Goods, Total (f.o.b.)

| | 1992 | 1993 | 1994 | 1995 |
|--------------------------------------|-------|-------|-------|-------|
| <u>(In millions of U.S. dollars)</u> | | | | |
| Total imports <u>1/</u> | 377.0 | 365.3 | 315.8 | 522.3 |
| Industry | 345.6 | 352.0 | 287.8 | 505.3 |
| Electric energy | -- | -- | -- | 8.6 |
| Oil and gas industry | 88.5 | 157.6 | 96.6 | 162.4 |
| Coal industry | 9.6 | 13.4 | 30.7 | 17.0 |
| Ferrous metallurgy | 19.4 | 21.0 | 7.7 | 17.8 |
| Nonferrous metallurgy | 11.4 | 11.0 | 4.5 | 11.2 |
| Chemical and petrochemical | 44.3 | 20.0 | 19.3 | 30.1 |
| Machine building | 80.7 | 51.1 | 58.0 | 103.6 |
| Lumber and paper | 9.7 | 10.5 | 5.0 | 19.8 |
| Industrial construction materials | 3.3 | 4.1 | 4.9 | 10.1 |
| Light industry | 35.2 | 23.1 | 17.3 | 23.2 |
| Food industry | 40.5 | 38.9 | 42.4 | 96.7 |
| Other industry | 3.0 | 1.1 | 1.4 | 4.8 |
| Agriculture | 30.9 | 13.0 | 27.8 | 17.0 |
| Other | 0.5 | 0.3 | 0.2 | -- |
| <u>(In percent of total)</u> | | | | |
| Total imports <u>1/</u> | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 91.7 | 96.3 | 91.1 | 96.8 |
| Electric energy | -- | -- | -- | 1.9 |
| Oil and gas industry | 23.5 | 43.1 | 30.6 | 31.1 |
| Coal industry | 2.5 | 3.7 | 9.7 | 3.3 |
| Ferrous metallurgy | 5.1 | 5.7 | 2.4 | 3.4 |
| Nonferrous metallurgy | 3.0 | 3.0 | 1.4 | 2.1 |
| Chemical and petrochemical | 11.8 | 5.5 | 6.1 | 5.8 |
| Machine building | 21.4 | 14.0 | 18.4 | 19.8 |
| Lumber and paper | 2.6 | 2.9 | 1.6 | 3.8 |
| Industrial construction materials | 0.9 | 1.1 | 1.5 | 1.9 |
| Light industry | 9.3 | 6.3 | 5.5 | 4.4 |
| Food industry | 10.7 | 10.7 | 13.4 | 18.5 |
| Other industry | 0.8 | 0.3 | 0.4 | 0.9 |
| Agriculture | 8.2 | 3.6 | 8.8 | 3.3 |
| Other | 0.1 | 0.1 | 0.1 | -- |

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

1/ Import data for 1994 and 1995 do not incorporate estimate of unrecorded imports.

Table 25. Kyrgyz Republic: Exports of Goods to CIS Countries

| | 1992 | 1993 | 1994 | 1995 |
|---------------------------------------|-------|-------|-------|-------|
| <u>(In millions of U.S. dollars)</u> | | | | |
| Total exports | 212.1 | 227.5 | 222.8 | 269.2 |
| Industry | 208.3 | 222.7 | 218.8 | 231.1 |
| Electric energy | 13.7 | 23.3 | 63.5 | 41.0 |
| Oil and gas industry | 1.1 | 3.0 | 6.3 | 1.5 |
| Coal industry | 4.6 | 5.1 | 2.8 | 3.1 |
| Ferrous metallurgy | 0.8 | 0.5 | 0.3 | 3.0 |
| Nonferrous metallurgy | 9.9 | 8.1 | 4.8 | 11.9 |
| Chemical and petrochemical | 3.0 | 1.8 | 5.2 | 9.1 |
| Machine building | 94.4 | 64.7 | 32.8 | 39.5 |
| Lumber and paper | 1.4 | 1.3 | 1.1 | 1.3 |
| Industrial construction materials | 6.5 | 12.8 | 17.4 | 11.4 |
| Light industry | 50.9 | 55.2 | 29.7 | 28.2 |
| Food industry | 16.1 | 44.5 | 53.1 | 77.9 |
| Other industry | 5.9 | 2.4 | 1.8 | 3.3 |
| Agriculture | 3.6 | 4.5 | 3.9 | 38.2 |
| Other | 0.3 | 0.2 | 0.1 | -- |
| <u>(In percent of total)</u> | | | | |
| Total exports | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 98.2 | 97.9 | 98.2 | 85.8 |
| Electric energy | 6.5 | 10.2 | 28.5 | 15.2 |
| Oil and gas industry | 0.5 | 1.3 | 2.8 | 0.6 |
| Coal industry | 2.1 | 2.2 | 1.3 | 1.2 |
| Ferrous metallurgy | 0.4 | 0.2 | 0.1 | 1.1 |
| Nonferrous metallurgy | 4.7 | 3.6 | 2.2 | 4.4 |
| Chemical and petrochemical | 1.4 | 0.7 | 2.3 | 3.4 |
| Machine building | 44.5 | 28.4 | 14.7 | 14.7 |
| Lumber and paper | 0.6 | 0.6 | 0.5 | 0.4 |
| Industrial construction materials | 3.1 | 5.6 | 7.8 | 4.2 |
| Light industry | 24.0 | 24.3 | 13.3 | 10.5 |
| Food industry | 7.6 | 19.6 | 23.8 | 28.9 |
| Other industry | 2.8 | 1.1 | 0.8 | 1.2 |
| Agriculture | 1.7 | 2.0 | 1.7 | 14.2 |
| Other | 0.1 | 0.1 | -- | -- |

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

Table 26. Kyrgyz Republic: Imports of Goods from CIS Countries (f.o.b.)

| | 1992 | 1993 | 1994 | 1995 |
|--------------------------------------|-------|-------|-------|-------|
| <u>(In millions of U.S. dollars)</u> | | | | |
| Imports from CIS <u>1/</u> | 303.6 | 316.6 | 208.3 | 353.5 |
| Industry | 286.5 | 305.4 | 206.8 | 349.8 |
| Electric energy | -- | -- | -- | 8.6 |
| Oil and gas industry | 88.5 | 157.6 | 96.1 | 159.9 |
| Coal industry | 9.6 | 13.4 | 30.7 | 17.0 |
| Ferrous metallurgy | 19.3 | 20.8 | 7.6 | 16.3 |
| Nonferrous metallurgy | 11.3 | 11.0 | 4.5 | 10.1 |
| Chemical and petrochemical | 32.5 | 18.7 | 13.6 | 22.8 |
| Machine building | 75.7 | 44.1 | 22.8 | 46.6 |
| Lumber and paper | 9.2 | 9.7 | 4.4 | 15.8 |
| Industrial construction materials | 3.3 | 3.8 | 4.2 | 8.2 |
| Light industry | 20.3 | 13.0 | 10.8 | 16.0 |
| Food industry | 13.7 | 12.5 | 11.8 | 25.2 |
| Other industry | 3.0 | 0.8 | 0.4 | 3.5 |
| Agriculture | 16.7 | 10.9 | 1.4 | 3.8 |
| Other | 0.5 | 0.3 | 0.2 | -- |
| <u>(In percent of total)</u> | | | | |
| Total Imports <u>1/</u> | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 94.3 | 96.4 | 99.3 | 99.0 |
| Electric energy | -- | -- | -- | 2.4 |
| Oil and gas industry | 29.2 | 49.8 | 46.1 | 45.2 |
| Coal industry | 3.2 | 4.2 | 14.7 | 4.8 |
| Ferrous metallurgy | 6.3 | 6.6 | 3.6 | 4.6 |
| Nonferrous metallurgy | 3.7 | 3.5 | 2.2 | 2.9 |
| Chemical and petrochemical | 10.7 | 5.9 | 6.5 | 6.4 |
| Machine building | 24.9 | 13.9 | 10.9 | 13.2 |
| Lumber and paper | 3.0 | 3.1 | 2.1 | 4.5 |
| Industrial construction materials | 1.1 | 1.2 | 2.0 | 2.3 |
| Light industry | 6.7 | 4.1 | 5.2 | 4.5 |
| Food industry | 4.5 | 3.9 | 5.7 | 7.1 |
| Other industry | 1.0 | 0.2 | 0.2 | 1.0 |
| Agriculture | 5.5 | 3.5 | 0.7 | 1.0 |
| Other | 0.2 | 0.1 | 0.1 | -- |

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

1/ Import data for 1994 and 1995 do not incorporate estimate of unrecorded imports.

Table 27. Kyrgyz Republic: Direction of Trade with CIS Countries

(In millions of U.S. dollars)

| | 1993 | | | 1994 | | | 1995 | | |
|--------------|---------|---------|---------------|---------|---------|---------------|-----------------------|---------|---------------|
| | Imports | Exports | Trade Balance | Imports | Exports | Trade Balance | Imports ^{1/} | Exports | Trade Balance |
| Total | 316.6 | 217.5 | -89.1 | 208.3 | 222.8 | 14.5 | 353.5 | 269.2 | -84.3 |
| Russia | 147.5 | 105.9 | -46.1 | 69.2 | 58.2 | -11.0 | 114.3 | 104.8 | -9.5 |
| Ukraine | 6.4 | 13.1 | 6.7 | 3.0 | 9.0 | 6.0 | 4.9 | 8.3 | 3.4 |
| Belarus | 2.9 | 4.5 | 1.6 | 2.5 | 3.8 | 1.2 | 5.0 | 5.0 | ... |
| Uzbekistan | 54.2 | 22.1 | -32.1 | 62.4 | 44.8 | -17.6 | 88.9 | 70.0 | -18.9 |
| Kazakstan | 90.4 | 67.0 | -23.4 | 57.8 | 96.4 | 38.6 | 112.5 | 66.8 | -45.7 |
| Georgia | 0.6 | 0.3 | -0.4 | 0.2 | 0.2 | -0.1 | 0.3 | 0.7 | 0.4 |
| Azerbaijan | 2.0 | 3.3 | 1.3 | 0.6 | 1.6 | 1.0 | 3.3 | 2.1 | -1.2 |
| Moldova | 0.5 | 1.0 | 0.5 | 0.1 | 0.5 | 0.4 | 0.2 | 1.0 | 0.8 |
| Tajikistan | 1.4 | 5.8 | 4.4 | 1.1 | 3.0 | 2.0 | 4.8 | 8.3 | 3.5 |
| Armenia | 0.3 | 0.1 | -0.2 | -- | 0.1 | 0.1 | 0.6 | ... | -0.6 |
| Turkmenistan | 6.7 | 8.1 | 1.5 | 9.9 | 8.4 | -1.6 | 18.6 | 2.2 | -16.4 |

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

^{1/} Import data for 1994 and 1995 do not incorporate estimate of unrecorded imports.

Table 28. Kyrgyz Republic: Exports of Goods to Non-CIS Countries

| | 1992 | 1993 | 1994 | 1995 |
|--------------------------------------|-------|-------|-------|-------|
| <u>(In millions of U.S. dollars)</u> | | | | |
| Total exports | 76.5 | 112.2 | 117.1 | 139.7 |
| Industry | 72.6 | 108.7 | 110.4 | 135.0 |
| Ferrous metallurgy | 3.9 | 40.7 | 9.0 | 7.4 |
| Nonferrous metallurgy | 39.4 | 28.9 | 47.4 | 50.7 |
| Chemical and petrochemical | 3.1 | 3.6 | 1.5 | 11.2 |
| Machine building | 6.3 | 22.4 | 1.0 | 5.0 |
| Lumber and paper | 2.1 | 0.4 | 0.1 | 0.6 |
| Industrial construction materials | -- | 0.6 | 0.2 | 0.2 |
| Light industry | 16.1 | 9.2 | 48.1 | 54.4 |
| Food industry | 1.7 | 2.8 | 3.2 | 4.9 |
| Other industry | -- | ... | ... | 0.6 |
| Agriculture | 0.1 | 3.5 | 6.8 | 4.7 |
| Other | 3.8 | -- | -- | -- |
| <u>(In percent of total)</u> | | | | |
| Total exports | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 95.0 | 96.9 | 94.2 | 96.6 |
| Ferrous metallurgy | 5.1 | 36.3 | 7.7 | 5.3 |
| Nonferrous metallurgy | 51.5 | 25.8 | 40.5 | 36.3 |
| Chemical and petrochemical | 4.1 | 3.3 | 1.3 | 8.0 |
| Machine building | 8.3 | 20.0 | 0.8 | 3.6 |
| Lumber and paper | 2.8 | 0.4 | 0.1 | 0.4 |
| Industrial construction materials | -- | 0.5 | 0.2 | 0.1 |
| Light industry | 21.1 | 8.2 | 41.0 | 38.9 |
| Food industry | 2.2 | 2.5 | 2.7 | 3.5 |
| Other industry | -- | ... | ... | 0.4 |
| Agriculture | 0.2 | 3.1 | 5.8 | 3.4 |
| Other | 5.0 | -- | -- | -- |

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

Table 29. Kyrgyz Republic: Imports of Goods from Non-CIS Countries (f.o.b.)

| | 1992 | 1993 | 1994 | 1995 |
|--------------------------------------|-------|-------|-------|-------|
| <u>(In millions of U.S. dollars)</u> | | | | |
| Total imports <u>1/</u> | 73.4 | 48.7 | 107.5 | 168.8 |
| Industry | 59.2 | 46.6 | 81.0 | 155.5 |
| Electric energy | -- | -- | -- | -- |
| Oil and gas industry | -- | -- | 0.6 | 2.6 |
| Coal industry | -- | -- | -- | -- |
| Ferrous metallurgy | 0.1 | 0.2 | 0.1 | 1.5 |
| Nonferrous metallurgy | 0.1 | 0.1 | ... | 1.1 |
| Chemical and petrochemical | 11.8 | 1.4 | 5.7 | 7.3 |
| Machine building | 5.0 | 7.0 | 35.2 | 57.0 |
| Lumber and paper | 0.6 | 0.8 | 0.5 | 4.0 |
| Industrial construction materials | -- | 0.3 | 0.7 | 1.9 |
| Light industry | 14.9 | 10.1 | 6.5 | 7.2 |
| Food industry | 26.7 | 26.4 | 30.7 | 71.6 |
| Other industry | -- | 0.3 | 1.0 | 1.4 |
| Agriculture | 14.2 | 2.1 | 26.4 | 13.3 |
| Other | -- | -- | -- | -- |
| <u>(In percent of total)</u> | | | | |
| Total imports <u>1/</u> | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 80.7 | 95.7 | 75.4 | 92.1 |
| Electric energy | -- | -- | -- | -- |
| Oil and gas industry | -- | -- | -- | 1.5 |
| Coal industry | -- | -- | -- | -- |
| Ferrous metallurgy | 0.1 | 0.4 | 0.1 | 0.9 |
| Nonferrous metallurgy | 0.1 | 0.1 | ... | 0.7 |
| Chemical and petrochemical | 16.1 | 2.8 | 5.3 | 4.3 |
| Machine building | 6.8 | 14.3 | 32.7 | 33.8 |
| Lumber and paper | 0.8 | 1.6 | 0.5 | 2.4 |
| Industrial construction materials | -- | 0.6 | 0.7 | 1.1 |
| Light industry | 20.3 | 20.8 | 6.1 | 4.3 |
| Food industry | 36.4 | 54.3 | 28.5 | 42.4 |
| Other industry | -- | 0.7 | 0.9 | 0.8 |
| Agriculture | 19.3 | 4.3 | 24.6 | 7.9 |
| Other | -- | -- | -- | -- |

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

1/ Import data for 1994 and 1995 do not incorporate estimate of unrecorded imports.

Table 30. Kyrgyz Republic: Production, Imports, Exports, and Sale Prices of Electricity

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|----------------------|------|------|-------|------|------|------|
| | (In billions of kWh) | | | | | | |
| Domestic production | 15.1 | 13.4 | 14.2 | 11.9 | 11.2 | 12.9 | 12.3 |
| Of which generated by: | | | | | | | |
| Hydroelectric plants | 10.6 | 9.0 | 10.1 | 9.2 | 9.1 | 11.7 | 11.1 |
| Fuel-burning plants | 4.5 | 4.4 | 4.1 | 2.7 | 2.1 | 1.2 | 1.2 |
| Imports | 2.7 | 3.2 | 4.1 | 5.3 | 5.8 | 5.7 | 7.0 |
| Exports | 8.6 | 7.2 | 8.4 | 7.4 | 6.8 | 8.2 | 8.4 |
| Domestic consumption | 9.2 | 9.4 | 9.9 | 9.8 | 10.2 | 10.4 | 10.9 |
| Of which consumed by: | | | | | | | |
| Industry and construction | 4.0 | 3.9 | 3.9 | 3.5 | 2.5 | 1.6 | 0.9 |
| Agriculture | 1.9 | 1.8 | 2.0 | 1.9 | 1.8 | 1.5 | 1.6 |
| Households | 0.8 | 1.1 | 1.4 | 1.7 | 2.5 | 3.2 | 3.6 |
| Other, including losses | 2.5 | 2.5 | 2.6 | 2.7 | 3.4 | 4.1 | 4.8 |
| Sales prices of electricity, by final user: | | | | | | | |
| (local currency per unit) ^{1/} | | | | | | | |
| Industrial enterprises (kWh) ^{2/} | ... | 3.0 | 4.0 | 112.0 | 4.3 | 9.2 | 10.7 |
| Agriculture (kWh) | ... | 1.0 | 1.3 | 12.0 | 2.3 | 8.6 | 10.7 |
| Households, urban (kWh) | ... | 4.0 | 4.0 | 10.0 | 1.4 | 4.6 | 5.5 |
| Households, rural (kWh) | ... | 4.0 | 1.0 | 6.0 | 1.3 | 4.6 | 5.5 |

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

^{1/} Sale prices per unit are in rubles up to 1992 and soms thereafter.

^{2/} Average of first- and second-half-year prices for 1992. Average of three different prices for 1993 and for 1994.

Table 31. Kyrgyz Republic: Direction of Trade with Non-CIS Countries
(In millions of U.S. dollars)

| | Exports | |
|----------------|--------------|--------------|
| | 1994 | 1995 |
| Total | 117.1 | 139.7 |
| China | 56.7 | 68.5 |
| United Kingdom | 29.3 | 27.4 |
| United States | 0.6 | 4.0 |
| France | 2.2 | 3.6 |
| Turkey | 4.0 | 3.2 |
| Italy | 1.8 | 2.9 |
| Germany | 6.4 | 2.1 |
| Poland | 0.6 | 1.3 |
| Other non-CIS | 15.5 | 26.7 |
| | Imports | |
| Total | 107.5 | 168.8 |
| Turkey | 14.4 | 38.3 |
| Cuba | 11.4 | 22.7 |
| United States | 3.5 | 19.1 |
| Germany | 6.8 | 18.7 |
| Japan | 2.8 | 7.2 |
| China | 10.8 | 6.3 |
| Canada | 1.6 | 5.9 |
| Other non-CIS | 56.2 | 50.6 |

Source: Data provided by the Kyrgyz authorities.

1/ Import data for 1994 and 1995 do not incorporate estimate of unrecorded imports.

Table 32. Kyrgyz Republic: Production, Imports and Exports of Energy Products

| | 1991 | 1992 | 1993 | 1994 | 1995 |
|---------------------------------------|---------|---------|---------|---------|-------|
| 1. Natural gas (million m3) | | | | | |
| Domestic production | 83.2 | 72.4 | 41.6 | 39.0 | 36.0 |
| Imports | 2,128.5 | 1,815.4 | 1,363.2 | 856.1 | 846.6 |
| Exports | 55.1 | 12.2 | — | 10.1 | — |
| 2. Liquefied gas (thousand tons) | | | | | |
| Domestic production | -- | -- | -- | -- | -- |
| Imports | 132.7 | 75.2 | 35.4 | 4.8 | 9.5 |
| Exports | -- | -- | -- | -- | 0.2 |
| 3. Coal (thousand tons) | | | | | |
| Domestic production | 3,473.0 | 2,151.0 | 1,721.0 | 746.0 | 474.0 |
| Imports | 2,107.6 | 1,338.6 | 1,028.4 | 1,355.4 | 499.7 |
| Exports | 1,230.6 | 1,024.5 | 531.2 | 170.6 | 170.6 |
| 4. Petroleum products (thousand tons) | | | | | |
| Domestic production | | | | | |
| Crude petroleum | 142.7 | 113.0 | 87.6 | 88.2 | 88.5 |
| Gasoline | -- | -- | -- | -- | -- |
| Kerosene | -- | -- | -- | -- | -- |
| Mazut | -- | -- | -- | -- | -- |
| Imports | | | | | |
| Crude petroleum | -- | -- | -- | -- | 2.9 |
| Gasoline | 624.6 | 296.0 | 272.5 | 81.8 | 231.0 |
| Kerosene | 349.0 | 60.5 | 16.3 | 12.1 | 62.2 |
| Mazut | 885.7 | 498.3 | 254.8 | 94.6 | 92.0 |
| Exports | | | | | |
| Crude petroleum | -- | -- | -- | -- | 24.6 |
| Gasoline | 14.1 | 4.7 | 0.1 | 0.5 | 0.5 |
| Kerosene | 0.06 | -- | -- | -- | -- |
| Mazut | -- | 0.2 | -- | 0.3 | -- |

Source: Data provided by the Kyrgyz authorities.

Kyrgyz Republic: Social Safety Net

The Kyrgyz Republic's present social protection arrangements comprise payments of old-age, survivor, and other pensions; health-related benefits; unemployment benefits; and general social support payments (disability payments and family allowances). 1/ In 1994, the three independent extrabudgetary funds that administered the system (the Pension Fund, the Employment Fund, and the Social Insurance Fund) were consolidated into a single Social Fund, and the administration of the benefits was rationalized. By end-1994, the extensive system of direct consumer subsidies carried over from the Soviet era had been eliminated, along with the most price controls, leaving only subsidized prices for housing, heating and other communal services.

1. The Pension Fund

The Pension Fund (PF) is responsible for financing old-age labor pensions. 2/ It also administers the payment of military pensions and the survivors' and disability benefits on behalf of the Government (for which it receives budgetary transfers). The PF is financed from the proceeds of a general payroll tax of 33 percent on the wage bill of enterprises--the PF receives 85 percent of the collected revenue, with the remaining 15 percent is transferred to the Social Insurance Fund (SIF). PF revenues are supplemented by a 2 percent wage tax on salaries paid by employees. The agricultural sector pays virtually no contributions, and some other sectors enjoy preferential contribution rates. 3/ Since March 1996, the PF has been responsible for calculating and awarding pensions. 4/ Eligibility requirements were largely inherited from the Soviet era and are generous by international standards. The retirement age in the Kyrgyz Republic is 60 years for men and 55 years for women (with a minimum of 25 and 20 years work experience for men and women, respectively). The retirement age or the

1/ See Appendix II, SM/95/55 for a description of the previous system.

2/ The Pension Fund was previously also responsible for social pensions and family allowances for children up to the age of 16. These are now the responsibility of the budget, but are administered by the PF. Also, since 1996, the PF pays the pensions of working pensioners, which were previously paid by their enterprises and deducted from the amount of payroll tax transferred to the PF. This change increased expected outlays of the PF by some 74 million in 1996.

3/ Certain sectors, notably agriculture and the self-employed, are entitled to a lower payroll tax rate. An additional tax of 1.5 percent is levied on the payroll of enterprises, and 0.5 percent on salaries of employees to finance the Employment Fund.

4/ This was previously the responsibility of the Ministry of Labor and Social Protection. The PF intends to re-examine the calculation of all pensions awarded in 1994-95, in view of the fact that fraudulent income declarations may have been used in their calculation.

minimum work history may be lower, or additional years of service may be counted for each year actually worked in specific occupations. 1/ There are also "concessional" pensions awarded to specific groups. 2/ There is no restriction against continuing to work and receiving a full pension-- 4.5 percent of pension recipients in 1995 were registered as working pensioners. 3/

Pensions are calculated according to a formula based on the average wage during the last three years of employment (earning base). The minimum pension is 55 percent of the earnings base and an additional percentage point is added for each year of service, up to a maximum of 80 percent of the earnings base. The maximum earning base is 10 times the minimum wage. 4/ There is no automatic inflation adjustment mechanism for pensions already in effect, which has led to a substantial erosion of the real value of benefits in between adjustments. The differences in the earnings bases used in awarding pensions in 1994 and 1995, and the substantial adjustments of nominal wages to account for inflation, have led to a wide disparity between pensions. 5/ As a result, the Government paid, from budgetary resources, supplements which raised the lowest effective pensions from the legal monthly minimum of som 68 to som 128 in September 1994; this practice was discontinued in July 1995 when pensions were raised. Pensions were increased further by differential amounts ranging from 15 to 35 percent in December 1995.

The effective collection of revenue has proven insufficient to cover the benefit obligations in recent years. Total revenues rose from som 599 million (5.0 percent of GDP) in 1994 to som 1,112 million (6.4 percent of

1/ Years of certain types of activity, such as child-rearing or study, count toward the minimum work history requirement.

2/ Including workers in hazardous conditions (miners, high-altitude workers); workers in unhealthy or hard conditions (categories 1 and 2); occupations such as shepherds, textile workers, dairy maids, bus drivers, and machinists. Concessional pensions are also awarded to disabled persons, disabled war veterans; mothers with many children, and others.

3/ A substantial number of pensioners continue to work and to receive both a full pension and labor income without being registered as working pensioners.

4/ The formula for calculating current pensions is: $p = w * (0.55 + m)$; where p = monthly pension; w = average monthly wage used in the pension calculation; m = number of years in excess of the required minimum. For disability pensions in group I, the formula is $p = w * (0.55 + c)$; with c = an additional factor for the required care of the invalid; for group II disabilities. $p = w * 0.55$; and for group III disabilities and loss of breadwinner, $p = w * 0.3$.

5/ The earnings base for pensions first awarded in 1994 was the average income of the last two years of employment; for pensions awarded before 1994, it was the average income over the last five years. Pensions awarded in 1996 will be based on the average income of the last 4 years of employment, and from 1997 onward, again on the last five years.

GDP) in 1995, while outlays increased from som 623 million (5.2 percent of GDP) in 1994 to som 1,209 million (7.0 percent of GDP) in 1995 (Appendix Table 1). Pensions paid to agricultural pensioners amounted to som 451 million in 1995, but effective receipts from that sector were only som 50 million. Outstanding arrears on employer contributions (including the accrued penalties) increased from som 528 million at end-1994 to som 736 million by end-1995, including som 82 million by budgetary institutions. 1/ The small cash deficit in 1994 was largely financed by a drawdown of reserves. Expenditure arrears by the PF rose from som 18 million at end-1994, to som 22 million at end-1995. The SF's budget for 1996 provides for total revenues to the PF of som 1,761 million (7.3 percent of GDP). Expenditures were projected at som 1,838 million (7.6 percent of GDP), leaving a deficit of som 77 million (0.3 percent of GDP). 2/

The PF's difficulty in mobilizing revenues from the payroll tax stems partly from the liquidity constraints budgetary institutions and enterprises have faced since 1994. 3/ In addition, with cash-strapped enterprises increasingly paying part of the wage bill in kind, important elements of wage remuneration were exempt from the wage and payroll tax. 4/ The revenue shortfall has forced the Social Fund to resort, in many instances, to collect the payroll tax in the form of goods from enterprises and redistribute these to pensioners to pay the pension obligations in kind, at substantial cost in terms of administrative efficiency. 5/

While pension arrears at end-1995 were reduced by transfers from the republican budget in the run-up to the presidential elections, they increased again to som 152 million by end-March 1996. There was a marked regional disparity in the distribution of these arrears. The largest arrears were in rural areas where the revenue base is particularly weak and agricultural activity predominates, whereas in the major cities the PF is almost current on pension payments.

1/ This reflected the substantial repayment of contribution arrears by the budgetary institutions during December 1995--at end-September, local governments had a stock of arrears to the SF of som 105 million.

2/ The budgetary subsidies were increased from som 100 million to som 314.5 million by presidential decree on December 29, 1995 to finance the increase in pensions decreed at the same time. The deficit is expected to be covered by the collection of outstanding contribution arrears.

3/ This situation was compounded by the announcement of a tax amnesty in July 1995, which encouraged enterprises to use their available cash resources to repay tax arrears, at the expense of their social contributions.

4/ These include "material assistance" payments, severance payments, fringe benefits, one-time labor awards, and compensation for unused leave.

5/ The Social Fund indicates that in some regions where average pensions are very low, pensioners actually prefer to receive part of the payment in kind, as this helps assuage the effect of the lower real value of pensions.

The PF is presently considering additional options to enhance its revenue and control expenditures. These include strengthening registration procedures by requiring that eligible recipients submit certification of their employment and of the payment of contributions, and maintaining a database of contributors against which pension applications will be checked. The PF has also negotiated with enterprises, plans for the repayment of their arrears by installment. For enterprises that pay part of wages in kind, the PF has agreed to secure the payment of contributions in goods, which will then be distributed to pensioners. As an incentive for people to continue to work beyond the legal retirement age, the PF is considering a provision that would allow workers to accrue a supplement to their pensions by deferring receipt of their pensions. Another proposal under consideration would require enterprises to pay the pensions of early retirees until these reach the normal retirement age.

2. The Social Insurance Fund

The Social Insurance Fund (SIF) provides health-related benefits, such as temporary disability allowances, and pays the maternity leave benefit, and the burial allowance. 1/ It also supplies vouchers for stays at sanatoria and rest houses, and children's health services, including children's camps. 2/ Total revenue of the SIF in 1994 amounted to som 87.4 million in 1994 and som 128 million in 1995 (Table 1). 3/ Total expenditures were som 108.5 million in 1994 and som 103 million in 1995, of which about som 20 million were for sanatorium vouchers for rehabilitation and children's care. The financial operations of the SIF were in balance on average in 1994-95; however, its financial situation is coming under increasing strain due to some of the sick leave provisions (see below). The SIF's budget for 1996 is projected to be in balance, with expenditures of som 200 million, of which som 63 million are for temporary disability benefits.

3. The Employment Fund

The Employment Fund (EF) provides unemployment compensation and related benefits, financed from a 1.5 percent payroll tax on the wage bill of enterprises and a contribution from employees of 0.5 percent of the

1/ Following a government resolution of April 11, 1995, the first three days of sick leave benefits are paid by employers.

2/ Expenditures for these vouchers are authorized by the trade union representatives in the enterprises.

3/ The SIF is financed through a 15 percent share in the payroll tax levied on the wage bill of enterprises (see above).

wage. 1/ It also provides financing for the Employment Service (ES), which is responsible for analyzing labor market conditions, matching the employment applications with vacancies, and monitoring employee rights, as well as for a small "job creation" program, and a program of credit for small business-startups. Total revenue of the EF in 1994 was som 32.4 million in 1994 and som 50 million in 1995 (Table 1), against expenditures of som 11.9 million and som 33.7 million, respectively. The EF was in surplus in 1994-95, as the number of registered unemployed claiming compensation and benefits was low. Many workers placed on administrative or forced sick leave or unpaid vacations did not register with the EF for fear of formally losing their positions at enterprises and the associated benefits.

4. The Unified Cash Benefit

On January 1, 1995, four general cash transfer payments (the bread compensation, child allowances, the childbirth grant and the non-contributory social pensions) were replaced by a single general social welfare payment, the Unified Cash Benefit (UCB). 2/ The replacement of the bread compensation, child allowances, and birth grants with a single cash payment reduced the average benefit paid by some 8 percent in 1995. The UCB is financed by budgetary resources and targeted, on the basis of per capita household income, to children under 16, 3/ students, nonworking pensioners, the disabled, and the unemployed. The benefit is administered by the Ministry of Labor and Social Protection (MLSP), and delivered monthly by mail to beneficiaries. 4/ However, the full amount of the benefit could not be paid in 1995 due to the tight financial situation of the budget, and arrears at the end of the year amounted to som 60 million. 5/ The total number of recipients in 1995 was 1.3 million, i.e. one fourth of the entire population. By the end of the first quarter of 1996, 550,000 applications had been processed. 6/

1/ The unemployment benefits fall into four categories: (i) severance pay; (ii) training grants and public works employment; (iii) unemployment compensation; and (iv) additional material assistance to unemployed persons with dependents. Registered recipients are eligible for six months of benefits per twelve-month period, with no limit on the number of years of eligibility.

2/ The noncontributory social pensions were reinstated by presidential decree on April 7, 1995. They include: social pensions to people disabled from childhood; to disabled children under age 16; to people with more general disabilities; to orphaned children; and to retirees whose work history do not qualify them for a labor pension.

3/ Under 18 if still in school.

4/ The Post Office levies a service charge of 3 percent, paid through the republican budget.

5/ During the year, the UCB was partially paid in kind.

6/ The benefit is available from the time of the approval of the application until the end of the year, whereupon a new application must be submitted.

Eligibility is based on the average per capita household income for the three months prior to the application. All wages except lump-sum income (such as student stipends, vacation income, and dividend income) is counted in determining eligibility, as is pension income, but no declaration of annual income is required. 1/ The system does not take into account seasonal variations and nonwage sources of income that are common in agricultural areas.

The authorities have initiated measures to strengthen the targeting of the benefit so as to reduce the broad eligibility. 2/ The authorities intend to take into account agricultural income from private plots and animal husbandry, dividend income, and to require heads of families that declare no income to submit proof that they are formally registered as unemployed in order for family members to receive the benefit. These measures will be supported by random audits of recipients, when declared income will be measured against visible assets. Furthermore, local social protection agencies will be called on to corroborate and verify the documentation supplied in individual cases.

1/ The total eligible income of all family members is aggregated and divided by the number of family members. If the resulting per capita income falls below the minimum wage, each member of the family receives the benefit, which is paid as a fixed percentage of the minimum wage, according to the pre-determined benefit schedule.

2/ The reduction of expenditure by reducing the number of recipients is one of the budgetary measures intended to put the fiscal program for 1996 back on track. In addition to the measures to tighten eligibility described above, the authorities also intend to strictly limit the approval of new applications.

Monetary Reform and Financial Intermediation

Many countries have undertaken programs of radical monetary reform in order to improve financial intermediation and hence increase the efficiency of investment. Since the introduction of its new national currency in May 1993, the National Bank of the Kyrgyz Republic (NBKR) has undertaken a program of rapid monetary sector reform. These reforms include the establishment of auctions for foreign exchange, T-bills and credit resources since mid-1993, the passage of legislation formalizing the independence of the central bank in December 1992, and the strengthening banking supervision procedures.

Despite the substantial liberalization in financial and exchange markets, many standard indicators of financial intermediation in the economy imply that there has been a sharp decrease, rather than an increase, in the level of financial intermediation provided by the banking system. One such indicator, the currency to deposits ratio, has continuously risen from 0.5 at end-June 1993 to about 2.0 at end-March 1996. Furthermore, the level of credit to the nongovernment sector fell by 21 percent in real terms, while deposits with the banking system have been constant in real terms over the last two years.

A number of developments have contributed to the growing financial disintermediation. These include a loss of confidence in the banking system, a large number of insolvent enterprises in the formal sector, slow progress with legal reforms, the system of tax administration, and an expanding informal sector.

1. Confidence in the banking system

Under the old Soviet system, households placed deposits with Sberbank and enterprises placed deposits at either Agroprombank, Promstroi or AKB Kyrgyzstan depending on the activity of the enterprise. All these banks were effectively part of the Government and deposits in them possessed an implicit government guarantee. With the advent of financial sector reforms, depositors were faced with two choices. They could continue with their traditional bankers (which in most cases was known to be effectively insolvent due to the poor quality of asset portfolios) or they could place money in an unknown new institution. Both of these alternatives were perceived as risky.

The NBKR has attempted to minimize these perceived risks by implementing appropriate prudential requirements on existing institutions and licensing procedures for new banks. For commercial banks which were unable to meet the prudential requirements, the NBKR has exercised its legal right to place temporary administrators within these banks. In addition to these oversight activities, the NBKR established a telephone hot line so that any individual experiencing difficulty making a withdrawal from a commercial bank could report the problem directly to the banking supervision department of the NBKR in an attempt to promote confidence in commercial banks. The NBKR is currently implementing a comprehensive strategy to

address the problems of the former state banks. As the strategy involves the liquidation of the former Sberbank and Agroprombank, confidence in the banking system may be further eroded in the short-term before strengthening.

The lack of faith in the solvency of individual banks has also slowed the development of interbank markets. The commercial banks, in many cases, simply do not trust each other to be able to make settlements. This situation is slowly improving but the volume and number of transactions on the interbank market remains very low--during 1995 there were an average of 11 transactions at value of som 11 million each month.

2. An insolvent formal sector

The commercial banks that are looking to extend credits face difficulties in that much of the state enterprise sector is close to bankruptcy. ^{1/} A new law which prohibits the extension of new credits to enterprises with arrears to either commercial banks or tax authorities has had the desired effect of preventing commercial banks from continually providing new credits (or rolling over old ones) to the large insolvent state enterprises (who may also be major shareholders in the banks). However, the potential client base for banks has also been reduced. Moreover, new enterprises tend to be either in the informal sector and are not interested in obtaining loans from commercial banks, or joint ventures where the foreign partner brings in the necessary investment funds. The limited demand for loans from commercial bank by enterprises, together with the slowness of many of the commercial banks to develop credit risk assessment capabilities, has depressed incentives for banks to take deposits. As a result, commercial banks effectively survive on income from commissions charged for foreign exchange services.

3. Progress with legal reforms

The legislative basis for basic business transactions is being strengthened, but inexperience in enforcement of the existing bankruptcy law and basic contracts has also dampened the desire of commercial banks to provide new credits. The situation is particularly acute in the agricultural sector. Farmers have certificates formalizing the right to use particular areas of land and these certificates can legally be traded, leased, or used as collateral. However, no commercial bank would use these certificates to secure a loan, as it is unknown how a court of law would react if the bank took a farmer to court to seize land for the nonpayment of debt obligations.

^{1/} Twenty nine of the largest debtors in the state enterprise sector were formally placed under a specially created Enterprise Restructuring and Resolution Agency (funded by the World Bank). Production was halted at these enterprises during 1994 while diagnostic studies were conducted to evaluate the future potential of these enterprises. As part of this program these enterprises were not allowed to receive new bank credits.

4. Tax administration system

The level of enterprise deposits has decreased with the decline in production that has occurred. However, even successful enterprises that are not seeking to avoid tax obligations have a fairly strong incentive not to place money on deposit at commercial banks. This disincentive stems from the effective use of the banking system as a tax collection agency--the tax authorities have largely unlimited access to banking system records and, under a decree in force since February 1994, are empowered to remove money directly from enterprise settlement accounts to cover tax arrears. This is often done without obtaining the prior consent of the enterprise manager and sometimes without even informing the enterprise manager. This problem is particularly acute for an enterprise running a tax arrear since any receipts into the settlement account would be diverted directly to the tax authorities. However, under the new tax code that was approved in June 1996, tax authorities will be able to obtain access to banking records only after submitting a written request, and there are much stronger safeguards to protect depositors from abuse of such information. In addition, tax courts have been established to provide tax payers with a forum in which they can register complaints against the tax authorities.

5. An expanding informal sector

The presence of a significant informal sector can prevent the realization of recorded financial deepening even in the presence of extensive financial sector reform by pulling resources away from the formal banking sector. However, the degree to which the growth of the shadow economy has influenced financial intermediation is difficult to ascertain since, by its nature, the shadow economy is largely unrecorded. Official national accounts data produced by Goskomstat include an estimated share for the shadow economy at just 6 percent of GDP for 1993-95. Goskomstat acknowledges that this share is too small and detailed surveys produced revised estimates for 1994 ranging from 16-20 percent of GDP, though this higher figure has not yet been included in the official GDP calculation due to concerns over the accuracy of the estimates.

Kyrgyz Republic: Summary of the Tax System, 1995

| Tax | Nature of Tax | Exemptions and Deductions | Rates |
|---------------------|---|--|--|
| Personal income tax | <p>This tax is payable on monetary and in-kind income--global income for residents and income earned in the Kyrgyz Republic for nonresidents.</p> <p>Since February 1, 1995, taxpayers must file individual tax declarations.</p> | <p>Exemptions from the tax base include:</p> <ul style="list-style-type: none"> - state allowances, pensions, stipends, salaries from internships, alimonies, amounts received for blood donations; - income of physical persons involved in the extraction of precious metals; - compensation payments for work accidents; - income from sale of apartments, residential houses, cars, jewelry, pieces of art with value of less than 500 times the minimum wage; - inheritance, lottery winnings; - interest income, insurance compensations, in-kind gifts from enterprises, emergency financial assistance, moving allowances for workers, separation and severance payments; - housing and food allowances; - income from agricultural activity during the first two years of the existence of a farm; - unemployment benefits and retraining allowances; - dividends reinvested in an enterprise for technical reconstruction; income from sale of privatization coupons; - salaries earned abroad within established limits; - child allowances paid by enterprises for sanatorium stays; - incomes of heroes of social labor; income of soldiers performing compulsory service; income of invalids, veterans and participants in World War II and the Afghan war. | <p>Up to 2 min. wages: Nil</p> <p>From 2 to 10 min. wages:</p> <ul style="list-style-type: none"> - 10 percent <p>From 10 to 20 min. wages:</p> <ul style="list-style-type: none"> - Amount due up to 10 min. wages + 15 percent for the amount over 10 min. wages <p>From 20 to 30 min. wages:</p> <ul style="list-style-type: none"> - Amount due up to 20 min. wages + 20 percent for the amount over 20 min. wages <p>Over 30 min. wages:</p> <p>Amount due up to 30 min. wages + 30 percent for the amount over 30 min. wages</p> <p>Over 40 min. wages:</p> <ul style="list-style-type: none"> - Amount due up to 40 min. wages + 40 percent for the amount over 40 min. wages |

| Tax | Nature of Tax | Exemptions and Deductions | Rates |
|-----------------------|---|--|---|
| Enterprise profit tax | <p>The tax applies to all legal entities engaged in business activities in the Kyrgyz Republic.</p> <p>The taxable base is the profit of the enterprise, defined as total revenue earned less total expenses.</p> <p>Taxable profits include that portion of the wage bill that exceeds ten average monthly wages, excluding the amount of income (dividends, interest) earned from the shares of members of work collectives and their investments in the property of their enterprise.</p> <p>There is no separate provision for loss carryover.</p> <p>Enterprises make advance payments of the profit taxes on a quarterly basis.</p> | <p>Exemptions include:</p> <ul style="list-style-type: none"> - enterprises producing prophylactic medicines, and baby foods. <p>Deductions:</p> <p>Taxable profit is reduced by:</p> <ul style="list-style-type: none"> - purchases of raw materials and intermediate goods. - wages and salaries up to 10 times the minimum wage, as well as allowances and in-kind services (fully or partially); - the amounts allocated for environmental protection; - charitable contributions to ecological and rehabilitation funds, and to public associations of invalids (up to a maximum of 5 percent of taxable profits); - amounts allocated for technological re-equipment, reconstruction and expansion of existing enterprises; - accelerated depreciation; - profits gained from the sales of waste and secondary raw materials | <p>The standard rate is 30 percent of taxable profit, also applicable to the profits of joint ventures with at least a 30 percent foreign participation.</p> <p>Exceptions:</p> <ul style="list-style-type: none"> - income of casinos, video theaters and shows, gaming machines, and the staging of public concerts: 70 percent; - trade and procurement, intermediary services, show and sporting activities: 50 percent; - banks: 45 percent; - agricultural enterprises: 25 percent; - training, health care, cultural activities, sports, tourism, publications, agricultural processing: 15 percent; - income of enterprises from shares and securities: 15 percent; - intermediary production of industrial cooperatives: 10 percent |
| Property tax | <p>The tax is applied to enterprises, associations and organizations. The tax base is the book value of their fixed assets.</p> | | <p>1.2 percent of the book value of fixed assets.</p> |

Kyrgyz Republic: Summary of the Tax System, 1995

| Tax | Nature of Tax | Exemptions and Deductions | Rates |
|------------------|--|--|---------------------|
| Value added tax | Applicable to any legal entity, using an invoice-based credit system, and allowing the crediting of VAT paid on input goods at their purchase. VAT liability is incurred upon shipment of goods (accrual principle). | <p>Exemptions:</p> <ul style="list-style-type: none"> - internal deliveries of goods; - sales of precious metals to the NBK; - city and rural transportation services; - utility services to the population; - sale of postage stamps; - issue and transfer of loans; - bank, foreign exchange, and securities transactions; - actions of specially authorized agencies on which state duty is collected; - services for pre-school children, the sick, and the aged; - insurance and re-insurance; - funeral services; - education services; - sales of human organs, blood and milk; - sales of journals and newspapers; - vouchers for sanatoria, health resorts, vacation homes, boarding hotels, and summer camps; - transport of personal property of military serviceman, discharges and their families; - prophylactic medicines, and medicines sold to mental institutions; - budget-financed works and services; - humanitarian aid; - pensions and social benefits; - services of religious organizations. | Uniform 20 percent. |
| Retail sales tax | In theory, applicable to all retail sales not subject to the VAT, but in effect, applied cumulatively with the VAT. | | Uniform 5 percent. |

Kyrgyz Republic: Summary of the Tax System, 1995

| Tax | Nature of Tax | Exemptions and Deductions | Rates |
|----------------|---|---|--|
| Excises | <p>Applicable to certain domestically produced goods, irrespective of whether consumed locally or abroad.</p> <p>Also applied to certain imported goods.</p> <p>The tax is based on the wholesale price of the product, exclusive of the VAT.</p> | <p>Exemptions:</p> <p>Excisable goods imported by physical persons for personal use are duty-free below the following thresholds:</p> <ul style="list-style-type: none"> - 200 cigarettes or 200 grams of tobacco; - one bottle of perfume; - 2 liters of alcoholic beverages; - mail items with a value lower than US\$10. Imported personal clothing is duty-free. | <p>Imported goods:</p> <ul style="list-style-type: none"> - Coffee, cocoa, tea, etc.: 10 percent - Beer: \$0.15/liter - Wine: \$0.20/liter - Champagne: \$0.25/liter - Ethyl Spiritus: \$1.40/liter - Liqueurs: \$0.30/liter - Cognac: \$0.45/liter - Cigarettes <ul style="list-style-type: none"> Filtered: \$0.005/unit Unfiltered: \$0.002/unit - Gasoline: \$45.0/tonne - Electronic goods: 20 percent - Carpets: 35 percent - Crystal: 30 percent - Gold goods: 10 percent - Furniture set: 15 percent <p>Domestic goods:</p> <ul style="list-style-type: none"> - Liqueurs: \$0.30/liter - Cognac: 125 percent - Champagne: 75 percent - Fruit Wine: 55 percent - Beer: <ul style="list-style-type: none"> Canned/bottled: \$0.08/liter Beer in bulk: \$0.05/liter - Cigarettes: 40 percent - Fermented tobacco: 12 percent - Smoking tobacco: 18 percent - Petroleum products: 25 percent - Ethyl Spiritus: \$1.40/liter |
| Customs duties | Applied to nonexcisable imports. | <p>Exemptions:</p> <ul style="list-style-type: none"> - Goods imported from CIS-countries if produced within the CIS; - Imports by physical persons up to value of US\$100. | Uniform 10 percent of value. |

Kyrgyz Republic: Summary of the Tax System, 1995

| Tax | Nature of Tax | Exemptions and Deductions | Rates |
|--------------------|---|---------------------------|---|
| Payroll tax | <p>Levied on wages and salaries. The revenue is used to finance the Social Fund--85 percent of revenue to the Pension Fund and 15 percent to the Social Insurance Fund. In addition, employers pay a tax that funds the Employment Fund. Employees pay contributions to the Pension Fund and the Unemployment Fund.</p> | | <p>Employers contribution rates:</p> <ul style="list-style-type: none"> - To the Pension Fund: - In the state and enterprise sectors: 33 percent; - In collectivized agriculture: 23 percent; - Self-employed: lower rates are applied - To the Employment Fund; - 1.5 percent of wage bill. <p>Employees contribution rates:</p> <ul style="list-style-type: none"> - To the Pension Fund: 2 percent of wages. - To the Employment Fund: 0.5 percent of wage bill. |
| Road tax | <p>Applied to enterprises, associations and organizations, based on turnover on manufacturing and construction enterprises, and commodity turnover, for warehouses.</p> | | <ul style="list-style-type: none"> - For manufacturing and construction enterprises: fixed 0.8 percent of turnover; - For warehouses: fixed 0.08 percent of commodity turnover. |
| Extraordinary Fund | <p>Applied to enterprises, associations and organizations as a percentage of turnover. The revenue accrues to the republican budget and is used to fund natural disaster relief payments.</p> | | <p>1.5 percent of turnover.</p> |
| Land tax | <p>Applied to enterprises, associations and organizations (primarily agricultural enterprises) that lease or rent land.</p> <p>The revenue accrues to local budgets.</p> | | <p>Rates are nominal amounts per hectare that vary to reflect the quality and location of the land.</p> |