

**Kyrgyz Republic: Request for Purchase
Under the Rapid Financing Instrument and
Disbursement under the Rapid Credit
Facility-Press Release; and Staff Report**



KYRGYZ REPUBLIC

May 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT AND DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; AND STAFF REPORT

In the context of request for purchase under the Rapid Financing Instrument and disbursement under the Rapid Credit Facility for Kyrgyz Republic, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 8, 2020, following discussions that ended on April 22, 2020, with the officials of Kyrgyz Republic on economic developments and policies underpinning the IMF arrangement under the Rapid Financing Instrument and Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 29, 2020.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.



IMF Executive Board Approves a US\$121.1 Million in Emergency Assistance Under the Rapid Financing Instrument and Rapid Credit Facility for the Kyrgyz Republic to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The Executive Board of the IMF approved US\$ 121.1 million in emergency assistance to the Kyrgyz Republic. This is the second IMF emergency loan under the RFI/RCF for the Kyrgyz Republic since the outbreak of the pandemic:
- The IMF emergency support addresses the urgent balance of payments need, shores up confidence, and catalyzes donor support.
- To ensure that the financing provided is efficiently spent on addressing the crisis, the authorities have committed to strengthen procurement rules.

Washington, DC – May 8th, 2020 The Executive Board of the International Monetary Fund (IMF) approved a purchase of the Kyrgyz Republic under the Rapid Financing Instrument (RFI) equivalent to SDR 59.2 million (US\$ 80.7 million, 33 percent of quota) and a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 29.6 million (US\$ 40.4 million, 17 percent of quota) to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

This is the second IMF emergency assistance under the RFI/RCF for the Kyrgyz Republic since the outbreak of the pandemic: on March 26, 2020, the IMF Executive Board approved a disbursement of US\$ 120.9 million (see [IMF Press Release No. 20/115](#)) before it doubled the access of the annual access on emergency financing under the “exogenous shock” window of the RCF to 100 percent of quota on April 6, 2020 (see [IMF Policy Paper No. 20/018](#)). This additional disbursement brings the total IMF emergency loan to the Kyrgyz Republic to address the COVID-19 pandemic to US\$ 242.0 million.

The outbreak of the pandemic has weakened the macroeconomic outlook and opened a balance of payments gap estimated at about US\$500 million. There is an unprecedented high level of uncertainty surrounding this projection. The IMF emergency support will finance health and economic relief, shores up confidence, and catalyzes donor support. To ensure that the financing provided is efficiently spent on addressing the crisis, the authorities have committed to strengthen procurement rules.

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, made the following statement:

“The COVID-19 pandemic has hit the Kyrgyz economy very hard and increased an already urgent balance of payments need. All sectors are being severely affected while measures are being taken to stop the spread of the virus. Given the unprecedented high level of uncertainty, IMF emergency support under the Rapid Financing Instrument and the Rapid Credit Facility is expected to help finance health and economic relief, shore up confidence, and catalyze donor support. Expeditious additional donor support is needed to close the remaining balance of payments gap and ease the adjustment burden. In this context, the authorities’ intention to

apply for the Debt Service Suspension Initiative, supported by the G-20 and Paris Club, and use released resources to finance spending on COVID-19 related health or economic relief, is welcome.

The health care contingency plan and the initial package of economic measures already adopted by the authorities to provide health and economic relief are welcome, as is the second, larger, package of measures under preparation.

To ensure that financing provided is efficiently spent on addressing the crisis, the authorities will strengthen public procurement rules by publishing an ex-post validation of delivery along with the name of awarded companies and their beneficial owner(s) for all public procurement contracts.”



KYRGYZ REPUBLIC

April 29, 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT AND DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. The outbreak of the COVID-19 pandemic has weakened the macroeconomic outlook. The authorities have launched a health care contingency plan and an initial package of economic measures, together totaling \$31 million (0.4 percent of GDP), and are preparing a second, larger package of economic measures of about \$400 million (5.2 percent of GDP). To help address an urgent balance of payments need arising from the pandemic, estimated at about \$500 million, the authorities request an additional purchase under the Rapid Financing Instrument (RFI) of 33.3 percent of quota (SDR 59.2 million) and a disbursement under the Rapid Credit Facility (RCF) of 16.7 percent of quota (SDR 29.6 million) under the “exogenous shock” window of the RCF. This follows Board approval on March 26, 2020 of the authorities’ earlier request for the same amounts, before the doubling of the annual access on emergency financing under the “exogenous shock” window of the Rapid Credit Facility (RCF) to 100 percent of quota was approved on April 6, 2020. This additional request will bring the total purchases under the RFI and the disbursements under the RCF to 100 percent of quota in 2020.

Policy recommendations. In their attached letter of intent (LOI), the authorities remain committed to temporarily loosening macroeconomic and financial policies to finance health and economic relief and support a recovery. They have also made additional commitments to strengthen procurement rules, including steps to enhance transparency, to help ensure that financing received is efficiently spent on addressing the crisis.

Risks of external and public debt distress are moderate.

Capacity to repay the Fund is adequate.

Approved By
**Subir Lall (MCD) and
 Gavin Gray (SPR)**

The staff team comprised Christian Josz (Head), Iulia Teodoru and Ali Alreshan (all MCD), Emmanuel Mathias and Maksym Markevych (LEG), Irina Goncharova (World Bank procurement specialist), Tigran Poghosyan (resident representative), Lilia Kadyrberdieva and Erkeaim Shambetova (local economists), Tolgonai Osmongazieva (local press officer) and Aigerim Toigonbaeva (local administrative assistant). The team met remotely with Minister of Finance Jeenbaeva, Chairman of the National Bank of the Kyrgyz Republic Abdygulov, and other senior officials. Paul Inderbinen and Chorobek Imashov (OED) participated in the discussions.

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RECENT ECONOMIC DEVELOPMENTS, OUTLOOK AND RISKS

- The outbreak of the COVID-19 pandemic has continued to dampen macroeconomic activity.** As of April 29, there were 729 confirmed cases of COVID-19 in the country. Real GDP growth slowed down to 1.5 percent during the first quarter of 2020, owing to the contraction of industry, transport, construction and retail trade. Inflation rose to 5.9 percent in March year-on-year (y-o-y) owing to food prices. Remittances decreased by 12 percent y-o-y in January-February. The exchange rate of the KGS vis-à-vis the US\$ strengthened by 6 percent since March 24, reducing the depreciation to 14 percent so far this year, while the central bank sold foreign exchange in an amount of \$217 million, or 50 percent more than during the whole of last year. Tax revenue declined by 11 percent during the first quarter y-o-y owing to a drop of indirect taxes and customs duties.
- The authorities have been implementing health and economic measures to address the COVID-19 pandemic.** To contain the spread of the pandemic, they have declared a state of emergency imposing a lockdown for all non-essential movements and businesses until May 10. In collaboration with international organizations, the authorities have designed and adopted a health sector contingency plan, with an estimated cost of \$16 million (0.2 percent of GDP), including training for health-care workers, the procurement of personal protective equipment, medical tests, and respirators, the buildup of quarantine facilities, and a communication plan about measures to contain the pandemic. To ease the impact on the economy, they adopted an initial package of economic measures totaling \$15 million (0.2 percent of GDP) including the postponement of tax payments, time-bound exemptions of property and land taxes, temporary price controls on 11 essential food items, and food distribution to the poorest segments of the population. They are also preparing a second package of economic measures totaling around \$400 million (5.2 percent of GDP), including cash transfers to the poorest segments of the population, subsidized credit lines to banks to provide funding to small and medium-size enterprises, and the rebuilding of food buffer stocks that have almost been depleted by recent food distributions to the poor.

Text Table 1. Kyrgyz Republic: Selected Economic Indicators, 2017–25

| | 2017 | 2018 | 2019 | 2020 | | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------|-------|-------|---------------------|------------|-------|-------|-------|-------|-------|
| | | | Est. | Proj. ^{1/} | Rev. Proj. | | | Proj. | | |
| Real GDP (growth in percent) | 4.7 | 3.5 | 4.5 | 0.4 | -4.0 | 8.0 | 8.0 | 4.0 | 4.1 | 4.1 |
| Consumer prices (12-month percent change, average) | 3.2 | 1.5 | 1.1 | 10.6 | 10.6 | 7.2 | 5.3 | 5.0 | 5.0 | 5.0 |
| Overall balance (net lending/borrowing, in percent of GDP) ^{2/ 3/} | -3.7 | -0.6 | -0.1 | -7.8 | -8.8 | -6.4 | -3.0 | -3.0 | -3.0 | -3.0 |
| Total public debt | 58.8 | 54.8 | 54.1 | 65.9 | 69.0 | 67.9 | 64.8 | 63.1 | 61.3 | 60.1 |
| Current account balance (in percent of GDP) | -6.2 | -12.1 | -9.1 | -14.5 | -13.1 | -8.9 | -8.1 | -7.9 | -7.7 | -7.6 |
| Gross International reserves (in millions of U.S. dollars) ^{4/} | 1,971 | 1,919 | 1,832 | 1,950 | 1,936 | 2,117 | 2,329 | 2,478 | 2,606 | 2,918 |
| Gross reserves (months of next year imports, eop) ^{4/} | 4.0 | 3.9 | 4.5 | 4.4 | 4.5 | 4.7 | 4.9 | 4.9 | 4.9 | 5.2 |

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ IMF Country Report No. 20/90. Kyrgyz Republic--Request for Purchase Under the RFI and Disbursement under the RCF.

2/ General government comprises the State government, the Social Fund, and the Mandatory Health Insurance Fund. The State government comprises central and local governments.

3/ Includes loans on-lent by the State government to state-owned enterprises in the energy sector.

4/ Gross international reserves exclude reserve assets in non-convertible currencies.

3. **The COVID-19 pandemic has weakened the macroeconomic outlook further and opened an urgent balance of payments need now estimated at about \$500 million (around \$400 million in [IMF Country Report No. 20/90](#))** (LOI, ¶2, Text Tables 1-2, and Tables 1-2). Under the assumption that the impact from COVID-19 will last for the first half of 2020, real GDP is now expected to contract by 4 percent in 2020 (+0.4 percent growth in previous staff report). Average headline inflation is expected to reach 10.6 percent. The budget deficit of the general government is expected to widen to 8.8 percent of GDP (7.8 percent in previous staff report) and public debt to increase to 69 percent of GDP (66 percent in previous staff report). The current account deficit is expected to widen to 13.1 percent of GDP (14.5 percent of GDP in previous staff report) owing to a drop in remittances and tourism receipts.¹ An urgent financing gap of about \$500 million (\$406 million in previous staff report) is expected to open up. With the financing gap filled by the Fund and development partners, official reserves could be maintained at about 4.5 months of prospective imports of goods and services and the exchange rate depreciation could be contained to a manageable level.² The impact of the COVID-19 pandemic on the Kyrgyz economy is subject to a considerable margin of uncertainty and could be worse than estimated in this report.

| | 2020 | | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|-------------------------------|------------|-------|------|------|------|------|
| | Proj. ^{1/} | Rev. Proj. | Proj. | | | | |
| | (In millions of U.S. dollars) | | | | | | |
| Financing Gap | 405.6 | 500.4 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |
| Identified budget support | 128.6 | 382.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| World Bank | 5.0 | 17.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ADB | | 120.0 | | | | | |
| IMF RFI/RCF disbursement | 123.6 | 245.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unidentified budget support | 277.0 | 117.9 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |

Sources: Kyrgyz authorities and IMF staff estimates and projections.
^{1/} IMF Country Report No. 20/90. Kyrgyz Republic—Request for Purchase Under the RFI and Disbursement under the RCF.

4. **Fund emergency financing is catalyzing donor support** (Text Table 2). Compared to the last staff report and including the current request of IMF emergency financing of 50 percent of quota under the RFI and RCF, the unidentified budget support has been reduced from \$277 million to \$118 million thanks to the approval of a health sector project by the World Bank for \$12 million, and the preparation of a health emergency operation to buy medical equipment and two budget support operations by the Asian Development Bank for a total of \$120 million.

POLICY DISCUSSIONS

5. **The authorities plan to temporarily loosen macroeconomic and financial policies to provide health and economic relief and support an economic recovery in the second half of the year** (LOI, ¶3). As explained in their LOI of March 24, they plan to: allow flexibility of the

¹ The impact on the fiscal and external balances of the sharp downward revision to growth compared to the previous RFI/RCF report is expected to be attenuated by the halt of all non-essential spending, as has been decided by the government, and identified budget support grants.

² All tables in this report assume a blended purchase under the RFI and disbursement under the RCF of 50 percent of quota in addition to the ones approved by the Board on March 26, 2020 for the same amounts, i.e. a total access of 100 percent of quota under the RFI and RCF in 2020 (¶16).

exchange rate and keep monetary policy data dependent considering significant uncertainties; urgently seek donor financing to close the remaining balance of payments gap and help ease the adjustment burden; stand ready to provide liquidity to the financial system, while ensuring that transparent information is available on eligible collateral; provide health and economic relief, accommodate a widening of the fiscal deficit, provided enough financing is mobilized, and develop a plan to bring the deficit below 3 percent of GDP once the crisis abates; use banks' capital and liquidity buffers to absorb credit losses and the liquidity squeeze and, once these buffers are exhausted, show some flexibility on the timing of bringing capital and liquidity above the minimum required.

6. **The authorities will strengthen procurement rules, including through steps to enhance transparency, which will help ensure that the aid received is efficiently spent on addressing the crisis** (LOI, ¶13). To ensure the quality of emergency spending in the health and other sectors, the authorities will subject all procurement of urgently needed supplies to an ex-post audit by the Audit Chamber, of which the results will be published on the website of the Ministry of Finance. In addition, they will publish bidding documents for competitive and single tender procurement, including those of state-owned enterprises and joint stock companies with state shares of more than 50 percent and their subsidiaries, on the [Public Procurement portal](#). They will take the necessary measures within the government's prerogative to publish ex-post validation of delivery along with the name of awarded companies and their beneficial owner(s) for all public procurement contracts. They will also ensure that the Independent Complaints Review Commission on procurement can collect fees to adequately finance its operations.

7. **The authorities intend to request debt service suspension from official bilateral creditors in line with the term sheet in the April 15, 2020 Communiqué of the G20 Finance Ministers and Central Bank Governors** (LOI, ¶15). They will use the fiscal space released by that debt service suspension to finance spending on COVID-19 related health or economic relief and monitor and report on such spending. They will disclose the debt of public sector borrowing entities (as defined in 2014 Government Finance Statistics Manual) to the IMF and the World Bank within 3 months. According to preliminary estimates, the suspension of debt service to Paris Club and G20 creditors could fill about \$54 million of the balance of payments financing gap in 2020.³

ACCESS, MODALITIES, AND CAPACITY TO REPAY

8. **With the requested level of access of 50 percent of quota, the risk of debt distress remains moderate and the capacity to repay the Fund remains adequate** (Table 3). Staff estimates that an access level of 33.3 percent of quota (SDR 59.2 million) under the RFI and 16.7 percent of quota (SDR 29.6 million) under the RCF will be needed given the magnitude of the financing requirement. This request is made under the "exogenous shock" window of the RCF. The Kyrgyz Republic needs blended financial support under the RCF and RFI because per-capita gross

³ The tables of this report do not incorporate the impact of debt service suspension to Paris Club and G20 official bilateral creditors.

national income now exceeds the operational cut-off of the International Development Agency and the risk of external debt distress remains moderate as in the previous request. The authorities' track record of strengthened macroeconomic and financial sector stability under eight successive Fund-supported programs and the size of the financing gap, which is estimated at slightly more than twice this level of access, justify such access. The authorities have requested channeling the expected RFI purchase and RCF disbursement directly to the budget (LOI, ¶12). Budget support provides the fastest way to both reduce the financing gap in the balance of payments and soften the hit on the budget. Capacity to repay the Fund under such access would remain adequate. Fund credit outstanding would peak at 19 percent of gross international reserves and 16 percent of exports of goods and services.

STAFF APPRAISAL

9. **Staff supports the Kyrgyz Republic's request for purchase under the RFI and disbursement under the RCF.** The RFI/RCF blend financing is justified because the balance of payments need is urgent and there is insufficient time to design and finance a program requiring upper credit tranche conditionality (LOI, ¶12). The Fund emergency support helps finance health and economic relief, shores up confidence, and is catalyzing donor support.

Table 1. Kyrgyz Republic: Selected Social and Economic Indicators, 2017–25

| I. Social and Demographic Indicators | | | | | | | | | | |
|--|-------|-------|-------|---|------------|-------|-------|-------|--------|---------|
| Population (in millions, 2017) | 6.3 | | | GINI Index (2017) | | | | | | 27.3 |
| Unemployment rate (official, in percent, 2017) | 6.9 | | | Life expectancy at birth in years (2017) | | | | | | 71.2 |
| Poverty rate (in percent, national definition, 2018) | 22.4 | | | Adult literacy rate (percent of popul., 2015) | | | | | | 99.5 |
| Per capita GDP (2018, U.S. dollars) | 1,322 | | | Under-five mortality (per 1000 live births, 2017) | | | | | | 20 |
| II. Economic Indicators | | | | | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | | 2021 | 2022 | 2023 | 2024 | 2025 |
| | | | | Proj. ^{1/} | Rev. Proj. | | | | | |
| Real sector | | | | | | | | | | |
| Nominal GDP (in billions of soms) | 530.5 | 569.4 | 590.0 | 649.6 | 620.7 | 724.8 | 824.1 | 899.8 | 983.1 | 1,074.5 |
| Nominal GDP (in millions of U.S. dollars) | 7,703 | 8,271 | 8,455 | 8,052 | 7,694 | 8,316 | 9,094 | 9,640 | 10,225 | 10,849 |
| Real GDP (growth in percent) | 4.7 | 3.5 | 4.5 | 0.4 | -4.0 | 8.0 | 8.0 | 4.0 | 4.1 | 4.1 |
| Nongold real GDP (growth in percent) | 5.1 | 3.5 | 3.8 | 0.4 | -4.3 | 8.4 | 8.0 | 4.2 | 4.3 | 4.3 |
| GDP per capita (in U.S. dollars) | 1,255 | 1,322 | 1,323 | 1,236 | 1,181 | 1,250 | 1,338 | 1,391 | 1,445 | 1,501 |
| Consumer prices (12-month percent change, eop) | 3.7 | 0.5 | 3.1 | 12.0 | 12.0 | 7.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Consumer prices (12-month percent change, average) | 3.2 | 1.5 | 1.1 | 10.6 | 10.6 | 7.2 | 5.3 | 5.0 | 5.0 | 5.0 |
| Investment and savings (in percent of GDP) | | | | | | | | | | |
| Investment | 30.7 | 27.7 | 27.7 | 28.4 | 29.5 | 28.6 | 27.6 | 26.0 | 25.5 | 25.4 |
| Public | 9.7 | 5.9 | 7.6 | 7.8 | 8.2 | 9.2 | 8.1 | 8.0 | 8.3 | 8.2 |
| Private | 21.0 | 21.8 | 20.1 | 20.6 | 21.4 | 19.4 | 19.5 | 18.0 | 16.9 | 16.2 |
| Savings | 24.5 | 15.7 | 18.6 | 13.9 | 16.4 | 19.7 | 19.5 | 18.1 | 17.8 | 17.7 |
| Public | 3.1 | 3.6 | 4.5 | -2.8 | -3.6 | -1.4 | 0.5 | 1.6 | 2.2 | 2.7 |
| Private | 21.5 | 12.1 | 14.1 | 16.8 | 20.0 | 21.1 | 19.0 | 16.5 | 15.6 | 15.0 |
| Savings-investment balance | -6.2 | -12.1 | -9.1 | -14.5 | -13.1 | -8.9 | -8.1 | -7.9 | -7.7 | -7.6 |
| General government finances (in percent of GDP)^{2/} | | | | | | | | | | |
| Revenue | 33.3 | 32.5 | 34.0 | 28.6 | 29.3 | 30.2 | 30.1 | 30.4 | 30.7 | 31.0 |
| Of which: Tax revenue | 19.3 | 20.2 | 20.6 | 17.7 | 17.3 | 18.8 | 19.3 | 19.5 | 19.6 | 19.6 |
| Expense | 29.2 | 27.9 | 28.7 | 30.4 | 31.8 | 30.4 | 29.1 | 28.4 | 28.0 | 27.7 |
| Gross operating balance | 4.1 | 4.6 | 5.3 | -1.8 | -2.5 | -0.3 | 1.0 | 2.1 | 2.7 | 3.2 |
| Net acquisition of nonfinancial assets | 7.9 | 5.2 | 5.5 | 6.0 | 6.3 | 6.2 | 4.0 | 5.1 | 5.7 | 6.2 |
| Overall balance (net lending/borrowing) ^{3/} | -3.7 | -0.6 | -0.1 | -7.8 | -8.8 | -6.4 | -3.0 | -3.0 | -3.0 | -3.0 |
| Primary net lending/borrowing | -2.9 | 0.4 | 0.8 | -6.4 | -7.4 | -5.1 | -1.7 | -1.7 | -1.7 | -1.7 |
| Total state government debt ^{4/} | 58.8 | 54.8 | 54.1 | 65.9 | 69.0 | 67.9 | 64.8 | 63.1 | 61.3 | 60.1 |
| Of which domestic debt | 5.8 | 7.8 | 8.7 | 9.4 | 9.8 | 12.9 | 13.3 | 13.0 | 12.8 | 12.8 |
| Monetary sector | | | | | | | | | | |
| Reserve money (percent change, eop) | 16.9 | 6.3 | 11.0 | 15.1 | 8.7 | 34.6 | 20.9 | 11.4 | 15.4 | 17.4 |
| Broad money (percent change, eop) | 17.9 | 5.5 | 12.8 | 15.7 | 9.3 | 35.3 | 21.5 | 12.0 | 15.4 | 17.4 |
| Credit to private sector (percent change, eop) | 15.7 | 18.2 | 14.9 | 6.1 | -2.7 | 21.7 | 17.9 | 10.5 | 11.0 | 11.0 |
| Credit to private sector (in percent of GDP) | 20.8 | 22.9 | 25.4 | 24.5 | 23.5 | 24.5 | 25.4 | 25.7 | 26.1 | 26.5 |
| Velocity of broad money ^{5/} | 2.7 | 2.8 | 2.6 | 2.4 | 2.5 | 2.1 | 2.0 | 1.9 | 1.8 | 1.7 |
| Policy Rate | 5.0 | 4.8 | 4.3 | ... | | ... | ... | ... | ... | ... |
| External sector | | | | | | | | | | |
| Current account balance (in percent of GDP) | -6.2 | -12.1 | -9.1 | -14.5 | -13.1 | -8.9 | -8.1 | -7.9 | -7.7 | -7.6 |
| Export of goods and services (in millions of U.S. dollars) | 2,638 | 2,746 | 2,817 | 2,395 | 2,224 | 2,586 | 2,877 | 3,066 | 3,246 | 3,468 |
| Export growth (percent change) | 7.7 | 4.1 | 2.6 | -15.0 | -21.1 | 16.3 | 11.3 | 6.6 | 5.9 | 6.8 |
| Import of goods and services (in millions of U.S. dollars) | 5,113 | 5,913 | 5,836 | 5,135 | 4,845 | 5,115 | 5,454 | 5,742 | 6,024 | 6,389 |
| Import growth (percent change) | 6.8 | 15.6 | -1.3 | -12.1 | -17.0 | 5.6 | 6.6 | 5.3 | 4.9 | 6.1 |
| Gross International reserves (in millions of U.S. dollars) ^{6/} | 1,971 | 1,919 | 1,832 | 1,950 | 1,936 | 2,117 | 2,329 | 2,478 | 2,606 | 2,918 |
| Gross reserves (months of next year imports, eop) | 4.0 | 3.9 | 4.5 | 4.4 | 4.5 | 4.7 | 4.9 | 4.9 | 4.9 | 5.2 |
| External public debt outstanding (in percent of GDP) | 53.0 | 47.0 | 45.5 | 56.5 | 59.1 | 55.0 | 51.4 | 50.1 | 48.5 | 47.3 |
| External public debt service-to-export ratio (in percent) | 6.6 | 6.7 | 5.6 | 8.6 | 9.4 | 7.7 | 8.2 | 7.9 | 9.0 | 7.9 |
| Memorandum items: | | | | | | | | | | |
| Exchange rate (soms per U.S. dollar, average) | 68.9 | 68.8 | 69.8 | ... | | ... | ... | ... | ... | ... |
| Real effective exchange rate (2010=100) (average) | 97.3 | 100.8 | 101.0 | ... | | ... | ... | ... | ... | ... |

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ IMF Country Report No. 20/90. Kyrgyz Republic-Request for Purchase Under the RFI and Disbursement under the RCF.

2/ General government comprises the State government, the Social Fund, and the Mandatory Health Insurance Fund (MHIF). The State government comprises central and local governments.

3/ Includes loans on-lent by the State government to state-owned enterprises in the energy sector.

4/ Calculated at end-period exchange rates.

5/ Twelve-month GDP over end-period broad money.

6/ Gross international reserves exclude reserve assets in non-convertible currencies.

Table 2. Kyrgyz Republic: Balance of Payments, 2017–25
(in millions of U.S. dollars)

| | 2017 | 2018 | 2019 | 2020 | | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|--------|--------|--------|--------|--------------------------------|--------|--------|--------|--------|--------|
| | | | | Est. | Proj. ^{1/} Rev. Proj. | | | Proj. | | |
| Current account balance | -477 | -997 | -771 | -1,168 | -1,012 | -741 | -740 | -763 | -788 | -829 |
| Excluding transfers | -2,847 | -3,418 | -3,304 | -3,039 | -2,939 | -2,863 | -2,942 | -3,053 | -3,170 | -3,328 |
| Trade balance | -2,383 | -3,034 | -2,909 | -2,304 | -2,103 | -2,088 | -2,091 | -2,159 | -2,217 | -2,315 |
| Exports, fob | 1,814 | 1,916 | 1,965 | 1,876 | 1,809 | 1,987 | 2,195 | 2,314 | 2,425 | 2,565 |
| CIS countries | 772 | 938 | 895 | 765 | 650 | 761 | 844 | 918 | 988 | 1,075 |
| Of which: Energy products | 100 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 |
| Of which: Re-exports of consumer goods | 50 | 52 | 49 | 40 | 33 | 40 | 46 | 51 | 55 | 61 |
| Non-CIS countries | 1,042 | 978 | 1,070 | 1,111 | 1,159 | 1,227 | 1,351 | 1,397 | 1,437 | 1,490 |
| Of which: Gold | 700 | 664 | 787 | 862 | 942 | 960 | 1,048 | 1,065 | 1,076 | 1,087 |
| Imports, fob | 4,197 | 4,950 | 4,874 | 4,180 | 3,912 | 4,076 | 4,286 | 4,473 | 4,642 | 4,879 |
| CIS countries | 1,941 | 2,223 | 2,115 | 1,682 | 1,555 | 1,623 | 1,721 | 1,812 | 1,895 | 1,986 |
| Of which: Energy (including for re-exports) | 567 | 810 | 702 | 418 | 367 | 405 | 449 | 494 | 536 | 580 |
| Non-CIS countries | 2,256 | 2,727 | 2,759 | 2,498 | 2,357 | 2,453 | 2,565 | 2,661 | 2,746 | 2,893 |
| Of which: Goods for re-exports | 40 | 42 | 39 | 32 | 26 | 32 | 37 | 41 | 44 | 49 |
| Services | -92 | -133 | -111 | -435 | -519 | -441 | -486 | -517 | -561 | -607 |
| Receipts | 824 | 830 | 851 | 519 | 415 | 598 | 681 | 752 | 821 | 903 |
| Payments | -916 | -963 | -962 | -954 | -933 | -1,039 | -1,168 | -1,269 | -1,382 | -1,510 |
| Income | -372 | -251 | -284 | -299 | -318 | -334 | -365 | -378 | -393 | -407 |
| Interest payments | -76 | -77 | -73 | -68 | -66 | -76 | -84 | -93 | -105 | -116 |
| Other net income | -295 | -174 | -211 | -231 | -252 | -257 | -281 | -285 | -288 | -291 |
| Current Transfers (net) | 2,369 | 2,421 | 2,532 | 1,873 | 1,928 | 2,122 | 2,202 | 2,291 | 2,382 | 2,499 |
| Of which: Private | 2,263 | 2,375 | 2,417 | 1,873 | 1,873 | 2,084 | 2,164 | 2,253 | 2,344 | 2,461 |
| Capital Account | 134 | 95 | 96 | 117 | 117 | 121 | 72 | 75 | 79 | 82 |
| Official | 131 | 102 | 96 | 117 | 117 | 121 | 72 | 75 | 79 | 82 |
| Private | 3 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial account | 330 | 196 | 575 | 473 | 314 | 818 | 899 | 907 | 935 | 1,108 |
| Commercial banks | -19 | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Medium- and long-term loans (net) | 173 | -67 | 264 | 242 | 62 | 368 | 407 | 398 | 409 | 415 |
| Disbursement | 668 | 606 | 663 | 754 | 575 | 830 | 955 | 948 | 1,134 | 1,246 |
| Of which: Loan financed PIP (excl. energy investments financed by China) | 80 | 94 | 119 | 150 | 150 | 197 | 218 | 229 | 242 | 255 |
| Of which: Energy investments financed by China (PIP) | 243 | 36 | 68 | 86 | 86 | 113 | 122 | 129 | 136 | 144 |
| Amortization | -494 | -673 | -398 | -512 | -513 | -462 | -548 | -550 | -724 | -832 |
| Foreign direct investment | -78 | 139 | 211 | 231 | 252 | 450 | 492 | 509 | 526 | 693 |
| Portfolio investment | -25 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other (including SDR allocation) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net short-term flows | 279 | 89 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Errors and omissions | 131 | 307 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | 117 | -399 | -100 | -578 | -580 | 198 | 231 | 220 | 225 | 361 |
| Financing | -117 | 399 | 100 | 578 | 580 | -198 | -231 | -220 | -225 | -361 |
| Net international reserves | -153 | 159 | 100 | 301 | 439 | -198 | -231 | -220 | -225 | -361 |
| Gross official reserves (-, increase) | -141 | 188 | 124 | 202 | 217 | -173 | -207 | -144 | -123 | -306 |
| IMF | -13 | -29 | -24 | 99 | 222 | -26 | -24 | -76 | -103 | -54 |
| Exceptional financing (including arrears) ^{2/} | 36 | 240 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing gap | 0 | 0 | 0 | 277 | 141 | 0 | 0 | 0 | 0 | 0 |
| <i>Memorandum items:</i> | | | | | | | | | | |
| GDP (in millions of U.S. dollars) | 7,703 | 8,271 | 8,455 | 8,052 | 7,694 | 8,316 | 9,094 | 9,640 | 10,225 | 10,849 |
| Current account balance (percent of GDP) | -6.2 | -12.1 | -9.1 | -14.5 | -13.1 | -8.9 | -8.1 | -7.9 | -7.7 | -7.6 |
| Current account balance excluding official transfers (percent of GDP) | -7.6 | -12.6 | -10.5 | -14.5 | -13.9 | -9.4 | -8.6 | -8.3 | -8.1 | -8.0 |
| Growth of exports of GNFS (volume, percent) | 1.2 | -1.1 | 3.7 | -13.0 | -21.3 | 15.3 | 10.1 | 5.2 | 4.5 | 4.9 |
| Growth of imports of GNFS (volume, percent) | 0.9 | 7.9 | 1.4 | -4.1 | -7.6 | 4.6 | 4.7 | 3.2 | 2.4 | 2.8 |
| Terms of trade (goods, percentage change) | -1.2 | -2.6 | 1.5 | 4.9 | 7.6 | 0.0 | -0.5 | -0.5 | -0.9 | -1.1 |
| Gold price (U.S. dollars per ounce) | 1,257 | 1,269 | 1,392 | 1,500 | 1,640 | 1,667 | 1,684 | 1,703 | 1,721 | 1,739 |
| Fuel Price Index (2005=100) | 123.9 | 157.7 | 130.4 | 88.3 | 80.5 | 87.5 | 94 | 98 | 102 | 104 |
| External Public Debt (in millions of U.S. dollars) ^{3/} | 4,081 | 3,830 | 3,851 | 4,316 | 4,316 | 4,466 | 4,608 | 4,761 | 4,887 | 5,053 |
| As percent of GDP | 53.0 | 47.0 | 45.5 | 56.5 | 59.1 | 55.0 | 51.4 | 50.1 | 48.5 | 47.3 |
| External public debt service-to-exports ratio ^{3/ 4/} | 6.6 | 6.7 | 5.6 | 8.6 | 9.4 | 7.7 | 8.2 | 7.9 | 9.0 | 7.9 |
| Gross reserves ^{5/} | 1,971 | 1,919 | 1,832 | 1,950 | 1,936 | 2,117 | 2,329 | 2,478 | 2,606 | 2,918 |
| In months of subsequent year's imports | 4.0 | 3.9 | 4.5 | 4.4 | 4.5 | 4.7 | 4.9 | 4.9 | 4.9 | 5.2 |

Sources: Kyrgyz authorities and IMF staff estimates and projections.

^{1/} IMF Country Report No. 20/90. Kyrgyz Republic—Request for Purchase Under the RFI and Disbursement under the RCF.

^{2/} Russian debt write-off.

^{3/} Public and publicly-guaranteed debt.

^{4/} Net of rescheduling.

^{5/} Valued at end-period exchange rate. Gross international reserves exclude reserve assets in non-convertible currencies.

Table 3. Kyrgyz Republic: Indicators of Capacity to Repay the Fund, 2017–25 1/

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Fund obligations based on existing credit | | | | | | | | | |
| (In millions of SDRs) | | | | | | | | | |
| Principal | 18.3 | 20.7 | 17.5 | 15.5 | 17.1 | 16.2 | 38.4 | 42.9 | 20.8 |
| Charges and interest | 0.0 | 0.0 | 0.0 | 0.4 | 0.6 | 0.6 | 0.6 | 0.3 | 0.1 |
| Fund obligations based on existing and prospective credit | | | | | | | | | |
| (In millions of SDRs) | | | | | | | | | |
| Principal | 18.3 | 20.7 | 17.5 | 15.5 | 17.1 | 16.2 | 53.2 | 72.5 | 38.6 |
| Charges and interest | 0.0 | 0.0 | 0.0 | 1.0 | 1.2 | 1.2 | 1.2 | 0.7 | 0.1 |
| Total obligations based on existing and prospective credit | | | | | | | | | |
| In millions of SDRs | 18.3 | 20.7 | 17.5 | 16.5 | 18.4 | 17.4 | 54.4 | 73.2 | 38.7 |
| In millions of U.S. dollars | 25.8 | 28.6 | 24.2 | 22.9 | 25.5 | 24.3 | 76.0 | 102.6 | 54.4 |
| In percent of gross international reserves | 1.3 | 1.5 | 1.3 | 1.2 | 1.2 | 1.0 | 3.1 | 3.9 | 1.9 |
| In percent of exports of goods and services | 1.0 | 1.0 | 0.9 | 1.0 | 1.0 | 0.8 | 2.5 | 3.2 | 1.6 |
| In percent of debt service 2/ | 14.8 | 15.6 | 15.4 | 11.0 | 12.8 | 10.3 | 31.3 | 35.3 | 19.9 |
| In percent of GDP | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.8 | 1.0 | 0.5 |
| In percent of quota | 10.3 | 11.6 | 9.9 | 9.3 | 10.3 | 9.8 | 30.6 | 41.2 | 21.8 |
| Outstanding Fund credit 2/ | | | | | | | | | |
| In millions of SDRs | 140.6 | 129.5 | 102.4 | 261.3 | 244.2 | 228.0 | 174.9 | 102.3 | 63.8 |
| In billions of U.S. dollars | 0.2 | 0.2 | 0.1 | 0.4 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| In percent of gross international reserves | 10.1 | 9.3 | 7.7 | 18.7 | 16.0 | 13.7 | 9.9 | 5.5 | 3.1 |
| In percent of exports of goods and services | 7.5 | 6.5 | 5.0 | 16.3 | 13.1 | 11.1 | 8.0 | 4.4 | 2.6 |
| In percent of debt service 2/ | 114.2 | 97.5 | 90.2 | 173.4 | 170.0 | 135.4 | 100.8 | 49.3 | 32.8 |
| In percent of GDP | 2.6 | 2.2 | 1.7 | 4.7 | 4.1 | 3.5 | 2.5 | 1.4 | 0.8 |
| In percent of quota | 79.2 | 72.9 | 57.7 | 147.1 | 137.5 | 128.4 | 98.5 | 57.6 | 35.9 |
| Net use of Fund credit (in millions of SDRs) | 0.8 | -20.7 | -17.5 | 162.1 | -17.1 | -16.2 | -53.2 | -72.5 | -38.6 |
| Disbursements and Purchases | 19.0 | - | - | 177.6 | - | - | - | - | - |
| Repayments and Repurchases | 18.3 | 20.7 | 17.5 | 15.5 | 17.1 | 16.2 | 53.2 | 72.5 | 38.6 |
| Memorandum items: | | | | | | | | | |
| Nominal GDP (in millions of U.S. dollars) | 7,703 | 8,271 | 8,455 | 7,694 | 8,316 | 9,094 | 9,640 | 10,225 | 10,849 |
| Exports of goods and services (in millions of U.S. dollars) | 2,638 | 2,746 | 2,817 | 2,224 | 2,586 | 2,877 | 3,066 | 3,246 | 3,468 |
| Gross International Reserves (in millions of U.S. dollars) | 1,971 | 1,919 | 1,832 | 1,936 | 2,117 | 2,329 | 2,478 | 2,606 | 2,918 |
| Debt service (in millions of U.S. dollars) 2/ | 174.2 | 184.0 | 156.7 | 208.7 | 199.6 | 234.7 | 242.4 | 290.9 | 273.3 |
| Quota (millions of SDRs) | 177.6 | 177.6 | 177.6 | 177.6 | 177.6 | 177.6 | 177.6 | 177.6 | 177.6 |

Sources: IMF staff estimates and projections.

1/ Includes two purchases under the RFI of 33.3 percent of quota each and two disbursements under the RCF of 16.7 percent of quota each in 2020.

2/ Total external public debt service includes IMF repurchases and repayments.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
USA

Bishkek, April 28, 2020

Dear Ms. Georgieva:

1. On behalf of the Kyrgyz authorities, we would like to express our deep appreciation to the International Monetary Fund for the support of our request under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) that the Board approved on March 26, 2020. Early support from the IMF has helped catalyze donor resources and create room for essential health and economic relief to address the COVID-19 pandemic.
2. As explained in our Letter of Intent of March 24, 2020,¹ the outbreak of the pandemic has opened an urgent financing gap in the balance of payments, the amount of which is now estimated at US\$ 500 million compared to around US\$ 400 million previously, as the impact of the crisis on the economic outlook has worsened. To address the health and economic consequences of the pandemic, we request another purchase under the RFI of 33.3 percent of quota (SDR 59.2 million) and an additional disbursement under the RCF of 16.7 percent of quota (SDR 29.6 million) under the “exogenous shock” window of the RCF. We make such request because there is insufficient time to design and finance a program requiring upper credit tranche conditionality and the IMF Executive Board meanwhile approved the doubling of the annual access on emergency financing under the “exogenous shock” window of the RCF on April 6, 2020. We also request that the full amount of the purchase and disbursement be made to the account of the Ministry of Finance at the National Bank of the Kyrgyz Republic (NBKR) to provide immediate budget support.
3. To address the economic and health consequences caused by the COVID-19 crisis, we are implementing the broad set of measures that we outlined in the March 2020 Letter of Intent. In addition, we will increase procurement transparency to ensure that the aid received is efficiently spent on addressing the crisis. To ensure the quality of emergency spending in the health and other sectors, we commit to subject all procurement of urgently needed supplies to an ex-post audit by the Audit Chamber, of which the results will be published on the website of the Ministry of Finance. In addition, we will publish documentation on all direct procurement and bidding documents for competitive procurement, including those of state-owned enterprises and joint stock companies with state shares of more than 50 percent and their subsidiaries, on the [Public Procurement portal](#). We will take the necessary measures within the government’s prerogative to publish ex-post validation of delivery along with the name of awarded companies and their beneficial owner(s) for all public

¹ See [IMF Country Report No. 20/90, Kyrgyz Republic, Request for Purchase under the Rapid Financing Instrument and Disbursement under the Rapid Credit Facility](#), Appendix I.

procurement contracts. We will ensure that the Independent Complaints Review Commission on procurement has sufficient means to operate by including its fees on the list of government payable services.

4. The risk of debt distress for the Kyrgyz Republic remains moderate owing to our commitment to bring the fiscal deficit below 3 percent of GDP over the next two years. Our capacity to repay the Fund remains adequate. The NBKR and the Ministry of Finance have signed a Memorandum of Understanding to outline the necessary steps to ensure that we continue meeting our financial obligations to the IMF on a timely basis.

5. We intend to request debt service suspension from official bilateral creditors in line with the term sheet in the April 15, 2020 Communiqué of the G20 Finance Ministers and Central Bank Governors. We commit to spend the fiscal space released by that debt service suspension on COVID-19 related health or economic relief and to monitor and report on this. We commit to disclose the debt of public sector borrowing entities (as defined in 2014 Government Finance Statistics Manual) to the IMF and the World Bank within 3 months.

6. The Government of the Kyrgyz Republic values its cooperation with the IMF. We do not intend to introduce measures or policies that would exacerbate balance of payments difficulties. We do not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance of payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of Agreement.

7. In line with IMF safeguards policy, the NBKR is committed to undergo a safeguards assessment before the approval of any new subsequent arrangement by the IMF Executive Board. It will continue to provide IMF staff with access to its most recently completed audit reports and to authorize the NBKR's external auditors to hold discussions with IMF staff.

8. We hereby grant our permission for the publication of this Letter of Intent, the staff report and related documents for the request for purchase under the RFI and disbursement under the RCF.

Sincerely,

/s/

Mukhammedkalyi Abylgaziev
Prime Minister
of the Kyrgyz Republic

/s/

Baktygul Jeenbaeva
Minister of Finance
of the Kyrgyz Republic

/s/

Tolkunbek Abdygulov
Governor of the National Bank
of the Kyrgyz Republic