

Mapping a brighter future for the Kyrgyz Republic

How can the Kyrgyz Republic reduce its heavy debt burden and step up its poverty reduction efforts? This question formed the basis of discussion among delegates of the Jogorko Kenesh, the Kyrgyz Republic's parliament, and IMF staff and representatives of other international financial institutions on May 19–20 at a high-level seminar in Bishkek. The event was organized by the IMF's External Relations Department in cooperation with the National Bank of the Kyrgyz Republic.

Over the past decade, the Kyrgyz Republic has made substantial economic progress, with per capita income almost doubling to \$473 from the mid-1990s to 2005. Prudent macroeconomic policies have reduced inflation to low single-digit annual rates, growth has averaged 4 percent a year since 2000, and the poverty rate declined from 63 percent in 2000 to 46 percent in 2004. Moreover, despite a difficult political climate since the March 2005 “Tulip Revolution,” the government has been able to consolidate economic stabilization and press on with reforms. But public debt is still high; poverty remains widespread, particularly in rural areas, where three-fourths of the poor live; and income inequality has worsened.

Designing an economic road map

Participants agreed that it is important to accelerate structural reforms to achieve rapid, sustained improvements in living standards. This includes enhancing fiscal sustainability, modernizing the financial system, and creating a regulatory and legal environment that fosters private sector-led growth. Further efforts to strengthen tax administration, as well as debt relief under the IMF–World Bank Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative should also make the external debt burden more manageable and create fiscal space for poverty-reducing spending.

IMF participants stressed the vital role legislators could play in advancing the reform agenda by finalizing tax reform and the new tax code, approving the financial sector reform package—including bills to increase central bank autonomy—privatizing the Kyrgyz Agricultural Finance Corporation, and taking steps to curtail money laundering and the financing of terrorism.

On the issue of debt, delegates debated whether the Kyrgyz Republic should apply for debt relief under the enhanced HIPC Initiative. Some expressed concern that participation in the HIPC Initiative would damage the country's reputation and



At the Bishkek seminar (from left): Marat Alapaev (Chair, National Bank, Kyrgyz Republic), Marat Sultanov (Speaker of the Parliament), David Owen (Senior Advisor, IMF Middle East and Central Asia Department), and Paulo Neuhaus (IMF Mission Chief for the Kyrgyz Republic).

deter potential investors—a sentiment shared by wide sections of the country's civil society. David Owen, Senior Advisor in the IMF's Middle East and Central Asia Department, addressed a number of misconceptions about the HIPC Initiative and pointed to the potential benefits of participation, including the opportunity to boost poverty-reducing spending.

Need for greater participation

While the process of designing the country's national poverty reduction strategy had been commendably open and inclusive, delegates called for a greater role in economic decision making, in particular with regard to the current economic program supported by the IMF's Poverty Reduction and Growth Facility. Parliament Speaker Marat Sultanov called for greater parliamentary scrutiny of the policies agreed to under the IMF-supported program.

Participants also underscored the importance of broad participation of parliament and civil society as the country updates its poverty reduction strategy through 2010. In the meantime, as member of parliament Bolotbek Maripov noted, “it is not easy to design a successful road map, but we need to do a better job in aligning the goals of the national poverty reduction strategy with the budget and government expenditure policies.” ■

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For more information about the seminar, please see Press Release No. 06/108 on the IMF's website (www.imf.org).