

KYRGYZ REPUBLIC

**Interim National Strategy for Poverty Reduction,
2001–2003**

Prepared by the Kyrgyz authorities
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*“Our task is not only to reduce poverty,
but also to create such an enabling
environment in which each citizen capable
of work would have an opportunity to earn
for a living and to improve his well-being”
President Askar Akaev, 15 February 2000.*

I. INTRODUCTION

1. The Government has made significant efforts to develop a Comprehensive Development Framework in line with its vision of economic and social development for the period till 2010. In extensive discussions on the drafting of the Comprehensive Development Framework for Kyrgyzstan the task of overcoming poverty was determined to be the central objective. It was recognized during the discussions that sustainable high rates of economic growth throughout the period, supported by social measures to mitigate temporary effects of economic adjustment on poor layers of the population would be needed. In view of this, the National Strategy for Poverty Reduction (NSPR) for 2001–2003, which comprises the first stage of the long-term Comprehensive Development Framework, will include measures required to support economic growth, and key initiatives in the social sphere.

2. The second half of 90s was an important stage for the country in strengthening the framework of the market economy. At the outset, the strategy focused on establishing a framework that would sharply differentiate the respective roles of the public and private sectors and ensure an adequate flow of resources to facilitate economic recovery. The Government’s reform and liberalization measures received effective support from countries and international financial institutions (the IMF, the World Bank, the Asian Development Bank), which assisted in the reorganization of the industrial and agricultural sectors of the economy, the financial sector, in improving corporate governance and education, and in the implementation of investment and technical assistance projects. The UNDP and other UN agencies rendered and continue to render significant support to the Government on poverty reduction and satisfaction of needs of vulnerable groups of the society. As a result, the average annual growth of GDP over the last 5 years was more than 5 percent, and the rate of inflation decreased to 9,6 percent by end-2000. However, the incidence of poverty increased over this period from 43,5 percent up 52 percent. In the Government’s opinion, the poor quality of management is one of the reasons for this development. Accordingly, to effectively undertake the challenging task of poverty alleviation an increase in the implementation capacity of government is urgently needed, and initiatives to improve governance will be an important component of such efforts.

3. Governance reforms are also needed to create an enabling environment for the growth of private investments. Thus, the three pillars of the CDF—poverty mitigation, economic growth and governance reform—are also the three most important elements of the NSPR.

4. The authorities are committed to reducing poverty. Our reform agenda encompasses a wide range of structural measures which we have made an effort to compile in this interim NSPR, prepared through a consultative process involving Parliament, local authorities, NGOs, businesses, the academic community, the media and the donor community. This interim NSPR should also serve as the basis for the third year program under the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF), and should facilitate the preparation of the World Bank's Country Assistance Strategy (CAS). In addition, the interim NSPR document is expected to form the basis for the Poverty Reduction Partnership program between the ADB and the Government.

5. The preparation of the NSPR has been undertaken in conjunction with the drafting of the CDF, and so has been enriched by wide participation of the interested parties in 3 CDF seminars and a regular exchange of views between the donors and the Government. In particular, numerous studies carried out by consultants, financed by the World Bank and the Asian Development Bank (ADB), formed the basis for the development of sectoral strategies, turned out to be of great help.

6. Building on the substantial work already undertaken for this interim-NSPR, the Government plans to prepare a full NSPR by spring 2002.

II. SCOPE OF POVERTY

7. More than half of the country's population is poor and nearly a quarter of the population lives in extreme poverty. In addition, the consumption of the poorest sections of the population, in percent of the level of consumption consistent with the poverty line for the country—an indicator of the depth of poverty—was under 20%. All of these numbers increased substantially from their levels in 1996, but remained virtually unchanged between 1998 and 1999. Poverty in rural areas is higher than in urban areas. In 1998 around 80 percent of the workers employed in agriculture were among the poor. People employed in such sectors as services, in the public utilities, construction, transport and communications were less likely to fall under the category of the poor.

Table 1: Poverty in urban and rural areas
(in percent)

Years	Poor			of these, very poor			Poverty Gap ¹	Acuteness of poverty ²
	Total	Urban	Rural	Total	Urban	Rural		
1996	43.5	30.3	49.6	19.1	10.3	23.3	15.9	7.9
1997	42.9	22.2	55.3	14.8	4.9	20.7	13.9	6.3
1998	54.9	42.2	62.4	23.0	18.3	25.8	19.5	9.2
1999	53.3	42.4	60.0	23.3	17.1	25.6	19.8	9.8

Note: See Glossary for a definition of these poverty measures.

8. The high level of income inequality is also an important cause of poverty in the Kyrgyz Republic. During the period from 1996–1999, the consumption level of the wealthiest groups of the population was nearly 7 times that of the poorest sections of the population. The uneven distribution of income is also reflected in the Gini's coefficients reported in Table 2.

Table 2: Gini coefficients (for consumption)

	1996	1997	1998	1999	2000
Total	0.370	0.410	0.360	0.372	0.326
Urban areas	0.370	0.380	0.364	0.371	0.322
Rural areas	0.350	0.360	0.341	0.362	0.323
Ratio of Consumption Level of the wealthiest 20 percent of the population relative to the poorest 20 percent of the population	6.8 times	7.5 times	6.8 times	6.8 times	...

Note: Data for 2000 is very preliminary.

9. A major concern in the Kyrgyz Republic is the large number of children that live in poverty. Poorer families tend to have larger number of children, and children under 14 comprise

¹ Average shortfall in consumption, defined as the distance from the poverty line for the total population below the line divided by the total population.

² Average of the squared poverty gap for each individual household.

nearly 30 percent of the total population of the republic. Of these more than 61 percent live in poor families. Children with one parent are in a particularly difficult position. The poverty rate among such families is as high as 73 percent.

10. According to results of a survey of living standards in the country for 1998, the rate of unemployment among the able-bodied population was 11.5 percent. In cities and urban communities unemployment is much higher than in the countryside. The rate of unemployment of women in urban regions is higher than that of men. In the countryside, the situation is quite opposite - unemployment among men is higher. The highest rate of unemployment was registered among young people of ages from 16–25 years.

Table 3: Unemployment by poverty level, 1998
(in percent)

	Level of unemployment			Level of unemployment by age groups			
	Urban	Rural	Total	16–25	26–35	36–55	56–60
Non-poor	18.5	11.0	14.9	21.5	15.7	11.4	5.1
Poor	15.5	6.3	8.8	9.3	7.7	9.7	7.7
<i>of which: very poor</i>	12.2	5.7	7.4	6.9	5.8	9.0	13.1
Total population	17.3	7.9	11.5	13.8	11.0	10.6	6.3

11. According to the NSC data for 1999, average life expectancy in the Kyrgyz Republic is 67 years, and both birth and death rates have declined in recent years.³ On the whole the majority of the people assess their health as “good” (69.3 percent). Very poor people assess their health as “very good” two times more often than the non-poor do. However, the public health system in the country, access to which varies considerably between the poor and non-poor, is characterized by the use of outdated approaches, and urgently requires fast and effective reform. Charges paid by patients, both official and unofficial, as well as payments for medicaments have increased as public financing of the health sector has decreased. The cost of medical services places a heavier burden on the poor, which makes it more difficult to access such services for this category of population.

³ The birth rate declined from 29.3 births per 1,000 people in 1990 to 21.4 births in 1999. The total mortality rate declined from 8.2 deaths per 1,000 people in 1995 to 6.8 deaths per 1,000 people in 1999.

Table 4: Health condition of the population depending on the poverty level and access to medicines
(in percent)

	Total	Non-poor	Poor	Of these very poor
Very good	22.1	11.3	20.5	28.2
Good	69.3	70.7	68.1	62.0
Bad	7.9	16.8	10.9	9.7
Very bad	0.6	1.2	0.6	0.1
Total	100	100	100	100
<i>of which:</i>				
Can purchase medicine	94.7	95.6	93.7	92.0
Cannot purchase medicine	5.3	4.4	5.6	8.0
<i>because:</i>				
the price is too high	81.9	73.8	89.8	45.6
the pharmacy is far off	5.2	10.5	-	-
for other reasons	12.9	15.7	10.2	54.4
Total	100	100	100	100

12. Just 2 percent of the population in the republic has not had any access to education, and these are primarily aged people (according to the NSC survey data for 1999). Nonetheless, against the background of a high level of general education, there are differences in access to education depending on age groups and poverty status. Access to basic education but also the dropout rate from schools is very high. This is true irrespective of poverty status. However, once children reach the age of 16 years, there is a sharp drop in the enrollment ratio, and there emerges a difference in access to education among children living in families with different levels of income. Monitoring of children's access to education during the last two years showed that the most socially vulnerable categories of pupils and students are orphans and children who lost one of their parents (30.7 thousand children), children without parental care (2.3 thousand), mentally-retarded and physically handicapped pupils (3.2 thousand).

Table 5: Level of access to education by age groups and poverty status, 1998
(in percent)

Age groups	Total	Non-poor	Poor	of these, very poor
7–17 years	91.6	93.2	90.8	89.2
7–10 years	98.4	98.8	98.2	98.5
11–15 years	96.5	97.4	96.1	94.4
16–17 years	63.9	75.2	57.3	50.2

13. The survey data show that the non-poor households have a better access to various public utilities. Electricity is the most accessible type of public utility: practically all the country's population uses it.

Table 6: Access to public utilities by poverty status, 1998
(in percent)

Utilities	Total	Urban	Rural	Poor	Non-poor	of these, very poor
Water supply	67.7	89.3	55.8	59.7	75.8	52.4
Electricity	99.4	99.2	99.4	99.0	99.7	98.6
Central heating	19.0	40.5	1.6	7.7	30.3	4.4
Telephone	40.0	...	...	33.8	46.3	34.5

14. The quality of rendered services is not always high; and many households receive a limited scope of such services, or on an irregular basis. As regards access to clean water, almost one-fifth of the rural population consumes drinking water from rivers and irrigation ditches, which represents a serious health hazard.

Table 7: Sources of water supply depending on place of residence and poverty level, 1998

	Total	Central. Water supply	Private water supply	Well	River, stream, etc.	Trans- ported (barrel)	Other sources
Total	100.0	70,8	4.7	3.8	13.5	4.7	2.4
Urban	100.0	89.3	2.2	2.1	2.0	3.0	1.4
Rural	100.0	55.8	6.8	5.2	22.8	6.1	3.3
Non-poor	100.0	78.8	5.6	2.8	8.4	3.3	1.2
Poor	100.0	56.6	2.2	7.4	19.3	8.8	5.7
Very poor	100.0	60.2	3.6	5.2	20.3	6.6	4.1

15. Families with pensioners are more likely to be experiencing poverty. Some 61 percent of such families are poor, while nearly 30 percent are very poor. The level of poverty also varies with the sex of the head of the family, with the probability of being poor lower in families where a woman is the head of the family.

16. According to the data of the Ministry of Labor and Social Protection, 487.5 thousand people received the Uniform Monthly Benefit (UMB) and the average size of imputed benefits totaled Som 47.3 a month (US\$ 1.2). It is almost impossible for households which receive UMB to avoid extreme poverty. At present, the UMB is not even sufficient to prevent poverty from deepening.

III. GOAL AND GENERAL VISION OF THE STRATEGY

17. Over the past decade, many radical reforms have already been carried out by the Kyrgyz Republic, resulting in the resurgence of GDP and income growth after five years of recession. However, in this process, the nation has faced a number of serious problems, the principal ones being an increase in the level of poverty and a growing burden of international debt. A clear strategy to overcome these and other impediments to further renewal of Kyrgyzstan, is currently required, and we intend to mobilize the entire population in the fight to alleviate poverty.

18. We have adopted the International Development Goals as the most important objectives of poverty alleviation. These goals, which specify key targets to be achieved by 2010, include: (a) a halving of total poverty; (b) a reduction of infant and child mortality by two-thirds; (c) the introduction of preventive measures to preserve the level of basic education; (d) the provision of access to a basic package of medical care for individuals of all age groups; and (e) ensuring that the progress made on gender equalities over the past decades are not eroded, particularly as regards education and women's health.

19. The strategy we have developed aims to achieve these objectives by creating an environment within which the private sector can develop, flourish and provide the employment necessary to raise incomes and reduce poverty. The state will, at the same time, focus its activities in the social sphere, with more efficient and effective approaches to caring for the needy and disadvantaged in the community. A significant improvement in the administration of the state is also needed, to contribute to a favorable environment for private investment.

20. We are keenly aware that macroeconomic stability is the most important precondition for encouraging private sector investment, and to achieve this objective the country will continue to implement tight monetary policies, target a substantial fiscal adjustment, and maintain a flexible exchange rate regime. We recognize that the size of the external debt is a threat to the maintenance of macroeconomic stability, particularly in the next few years. For this reason, we have developed a strategy to address the external debt problem, and its implementation will be an important task during the period covered by the NSPR.

21. We understand that the implementation of structural reforms will be necessary to eliminate the many impediments to the growth of private investment that characterize the present environment. In particular, a reform of the financial sector is urgently required. A modern infrastructure is also essential, but in this area we will have to establish clear priorities for what the role of the government would be, in view of the limited budgetary resources to fund the operation and maintenance of the existing infrastructure and the investment costs of new infrastructure. We will seek to overcome, to the extent possible, the budgetary constraints by initiating private sector involvement in infrastructural development. In this regard, the restructuring and privatization of enterprises in the energy, telecommunications and air transportation sectors, all of which will have a significant impact on the growth potential of the economy, will be pursued. We will also seek to further promote investment through the process of privatizing the remaining state enterprises, which should increase the overall utilization of installed capacity in manufacturing. All of these reforms will be supported by the maintenance of an open and liberal trading regime. We are also committed to undertaking reforms to eliminate impediments to growth in the agricultural and the small and medium enterprise (SME) sectors. The extent of poverty in the rural areas is particularly high, and the government expects that the creation of conditions for the rapid output growth in the agricultural sector can pay particularly rich dividends in terms of generating employment and alleviating poverty in rural areas. Similarly, the development of the SME sector, which has the potential to be a major source of employment, and whose development can be undertaken with relatively small levels of investment, could also have a positive impact in resolving poverty.

22. The measures to create the conditions for private sector led growth will have to be complemented by major initiatives in the social sectors, mainly aimed at increasing the benefits from the current envelope of resources on the poor. In view of the existing levels of unemployment and poverty, it is imperative that there be adequate social safety nets in place to mitigate the adverse impact on many sections of the population. In addition, we believe that inadequate access to good health care and educational facilities are also a manifestation of poverty. Accordingly, we are committed to making efforts to provide appropriate health and

education facilities for all sections of the population. In this regard, we also understand that a healthy and well educated population contributes to the development of a more productive and motivated labor force. In addition, we are also committed to undertaking initiatives targeted specifically to the poorer sections of the population. These include social mobilization programs designed to promote self-sufficiency and self-assistance among the poor. We will also seek to further promote the growth of micro-crediting facilities, credit unions, credit cooperatives and similar institutions, which have proven to be a very successful in the country thus far.

23. Reforms to address weaknesses in the area of governance must also be implemented. We envisage undertaking reforms across a broad front in this area, covering in particular public administration reform, decentralization of government, improvements in the management of public finances, the establishment of a transparent tax system, improvements in corporate governance, and judicial and legislative reform. Such reforms are expected to help reduce both, the incentive and avenues for corruption to emerge, by helping to create a suitably compensated civil service, and by establishing transparency in the system and management of public finances. These reforms should also help improve the efficiency of the civil service, and thus also the capacity to implement the whole set of reforms envisaged in the poverty reduction strategy. These changes, alongside the envisaged judicial and legal reforms, are also expected to create a better environment for private investment, and thus contribute to accelerating real GDP growth in the country. By promoting the decentralization of public administration we expect to empower local communities, thus mobilizing more fully the population in the fight to alleviate poverty in the country.

IV. PRO-POOR ECONOMIC GROWTH

A. Macroeconomic Policy⁴

24. We are targeting an average annual real GDP growth of about 5 percent over the period 2001-2003. To achieve the projected growth rates, we realize that investment has an important role to play, but that such investment must be mobilized from the private sector. This is necessary not only because sustainable growth must be led by the private sector, but also because the substantial accumulation of external debt places an extremely heavy burden on the budget of the country. For this reason, efforts will be directed to mobilizing domestic resources and attracting foreign direct investment.

25. Gross investment is projected to stay unchanged at 16.0 percent of GDP in the medium term, despite the expected reduction in PIP financing. Although government investment is expected to fall from 8.5 percent of GDP in 2000 to 3.8 percent of GDP by 2005, the adverse impact on growth is likely to be small, as we expect efficiency of public investment to improve

⁴ The fiscal data in this section correspond to the government's revised budget proposals for 2001 submitted for consideration by the parliament.

with better prioritization of investment projects. Such decline in public investment will be compensated by higher private investment fostered by the macroeconomic stability and structural measures discussed below. Financing of this investment will require an increase in the rate of domestic savings from 9.7 percent of GDP in 2000 to 10.8 percent of GDP by 2003, which will be generated by a considerable fiscal adjustment. In view of the difficulty associated with raising private savings rapidly, development of an effective mechanism to raise the level of domestic savings in the economy will be a major task.

26. Sound implementation of macroeconomic policies and the attainment of macroeconomic stability will be critical if the targeted levels of GDP growth and private investment are to be achieved. With this in mind the Government will target a lowering of the inflation rate from 9.6 percent in 2000 to 6.0 percent by 2003. The achievement of macroeconomic stability will promote an increase in the level of public confidence in the national currency, and allow the level of international reserves to be maintained close to 3 months of imports, despite the substantial debt service costs in the period under consideration. A tight stance of monetary policy and the continued implementation of a flexible exchange rate mechanism will be key to the achievement of the inflation and international reserve targets. The NBKR expects that broad money growth will be maintained at 16.8 percent in 2002 and at around 10 percent in 2003. These growth rates of broad money are consistent with the inflation and real GDP growth targets, and some decline in the velocity of circulation as the confidence in the currency improves. The NBKR will continue to implement a flexible exchange rate regime, with interventions in the foreign exchange market directed only to maintaining the level of reserves at their targeted levels and to smoothing out temporary fluctuations in the exchange rate. In this regard, the NBKR is prepared to allow a depreciation of the som if unanticipated pressures on the currency threaten to lower significantly the level of reserves. In this case, the NBKR will seek to restore confidence in the som by tightening further the stance of monetary policy.

27. Tight fiscal policies lie at the heart of the Government's program of macroeconomic policies. A considerable projected reduction of the primary deficit is needed not only to allow for the substantial debt service costs, but also to ensure that the NBKR is able to pursue tight monetary policies while leaving room for the growth of credit to the private sector. For this reason, a key aspect of the fiscal adjustment is the projected reduction in the PIP in order to put a brake on the accumulation of external debt. The overall fiscal deficit is targeted to decline from 9.7 percent of GDP in 2000 to 4.4 percent of GDP in 2003, with the primary balance (taking into account PIP) changing from a deficit of 6.8 percent of GDP in 2000 to 2.1 percent of GDP in 2003.

28. The government targets an increase in revenues from 12.3 percent of GDP in 2000 to 13.7 percent in 2003. To this end, the Government will implement the following measures: (a) an improvement in the capacity of tax administration taking into account that a plan to modernize and reform the customs administration has already been developed; the Tax Inspectorate will become the only agency to carry out tax administration and exert control over compliance with tax laws; (b) the complexity of the tax system will be reduced to allow for more effective administration and to encourage better compliance; (c) an extension of the base

for the VAT; and (d) refusal of granting tax exemptions to specific economic entities as well as to groups (sectors) of entities to allow for implementing the principle of fairness.

29. The major objective of the policy of public expenditures is to fully and timely finance all of the social guarantees of the state and to create favorable conditions for pro-poor economic growth. To this end, the Government will target a lowering of the level of current expenditures from 18.1 percent of GDP in 2000 to 17.0 percent of GDP in 2003. Key initiatives in this respect will be the efforts to hold down the growth of the public sector wage bill, and most critically, a decrease in interest payments with the implementation of the strategy to lower the external debt (see below). Moreover, expenditures will be incurred with a close eye to the revenues that have been collected, and if cuts from planned expenditures are needed, the Government will ensure that priority expenditures, including social expenditures such as health and education, are met before incurring commitments on other categories. To enable the Government better control expenditures, it will establish a reliable spending records commitment mechanism.

30. In the forthcoming three years the government will take steps to increase the transparency of public expenditures and its medium-term expenditure planning capacities. Accordingly, it will introduce (a) a Treasury system reform, including of its network of regional branches, and a transition to international standards of accounting; (b) improvement of reporting on PIP expenditures; (c) further improvement of a mid-term financial planning technique; (d) strengthening and increase in efficiency of state purchases; (e) improvement of a mechanism of financial relations between the republican and local budgets aimed at giving incentives to local administrations to increase revenue and efficiency in spending resources; (f) improvement of the system of targeted support for the poor, especially pensioners and invalids; (g) rationalization of Government expenditures through taking stocks of social programs for their financial security and priority.

B. Mid-term Financial Projection

Revenue

31. With a view to undertaking the reforms described above, the government has already initiated a preliminary medium-term financial planning exercise. Tax revenue is projected to increase from 13.3 percent of GDP in 2001 to 14.2 percent of GDP in 2005. However, non-tax revenue in 2001–2005 will remain broadly stable at 3.0 percent of GDP. At the same time, the grants will decrease from 2.1 percent of GDP in 2001 to 1.0 percent of GDP in 2005. In 2001–2003, non-PIP related external credits for financing of the state budget will decrease. For 2004–2005 such foreign credits are not included in the projection, which means that the resources of the state budget by 2005 will be almost fully financed from internal sources.

Table 8: Projection of financial resources of the state budget.
(million som)

	2000	2001	2002	2003	2004	2005
State budget revenue	9,288.0	11,601	13,451.0	15,028.2	16,675.5	18,508.8
External assistance	2,212.0	3,557.1	2,528.3	1833.0	1,133.0	1,150.0
Foreign credits	1,604.0	2,045.3	1,641.0	883.3	0.0	0.0
Grants	608.0	1,511.8	887.0	950.0	1,133.0	1,150.0
Total	11,500.0	15,158.1	15,979.3	16,861.0	17,808.5	19,658.8

Distribution of state budget resources

32. When implementing the state expenditure policy in the mid-term, the Government will be guided by the principle of timely financing of its obligations (state debt and internal co-financing of PIP) and prioritization of discretionary expenditures.

33. In 2001, the obligatory spending of the state budget for debt servicing and PIP co-financing will increase significantly. The share of the obligatory spending of the state budget will decrease somewhat in 2002, and will remain stable in 2003–2005. Therefore, the increase of state budget resources will allow discretionary spending by the Government and local executive bodies to increase. For the purpose of poverty level reduction and promotion of economic growth, the state policy for discretionary spending aims at prioritized financing of social sectors, infrastructure and energy sector. Thus, in the medium-term by 2005, we plan to significantly increase spending in the following sectors:

- education - 2 times (by 2,281 million som);
- health care - 2.1 times (by 1,457 million som); and
- social insurance and social protection - 2.1 times (by 1,205 million som).

In addition, we plan to raise spending in the energy and transportation complex, albeit by smaller amounts.

34. The spending for education and health care will increase respectively from 3.7 percent and 2.1 percent of GDP in 2000 to 4.2 percent and 2.5 percent of GDP in 2005. The main financing for these sectors will be provided through the extension of grants to local budgets for payment of salaries to personnel engaged in primary and general education and health care

institutions located in rural regions. The financing of the social insurance and social protection will increase in 2001–2005 from 1.8 percent of GDP to 2.1 percent of GDP.

35. Due to limitation of the budget resources, in 2000–2005 the budget spending will be reduced for a number of sectors. In connection with the state management reform, the state budget spending for financing of general state services will decrease from 2000 to 2005 by about one percentage point of GDP. In addition, budget spending will be lowered as a percentage of GDP in a number of other sectors such as: housing and utilities; recreation, culture, and religion-related activities; agriculture, irrigation, forestry, fishing and hunting;

36. The very substantial external debt-related payments will continue to place a very heavy burden on the budget in the medium-term. Thus, the government has developed a strategy to lower the external debt, that will allow resources to be re-directed to priority areas.

C. External Debt Management Strategy

37. We understand that in the absence of a determined effort to address the external debt problem the country will face serious liquidity and solvency problems in the coming years. With this in mind we have adopted a fiscal adjustment program that will lead to the achievement of a large positive primary balance by 2005. In order to make the external debt burden sustainable over the medium-term, we will undertake a fiscal adjustment aimed at achieving a primary fiscal surplus (excluding the PIP) of 3.7 percent of GDP by 2005. We will also seek to lower the foreign financed PIP from 7.1 percent of GDP in 2000 to 3 percent of GDP by 2005. In this regard, we are firmly committed to containing the foreign financed PIP to 6 percent of GDP in 2001, but will review on an annual basis the five year rolling PIP plan. During each such review we will establish a firm target for the following year, and indicative targets for the remaining four years of the plan.

38. We will also undertake active negotiations with creditors on rescheduling current net debt and outstanding external arrears⁵. In cases, when negotiations on debt restructuring are not acceptable, we will repay ahead of schedule non-concessional debt through the next stage privatization receipts. With respect to new external borrowings, the financing will be provided for only programs that are fully consistent with our I-NSPR, which will be highly prioritized and should satisfy high concessional terms of borrowing; in particular, in the short-term period attraction of new borrowing will be restricted to loans that have a grant element of at least 45 percent. For repayment of external debt the Government intends to complete privatization of large state enterprises, in particular, “Kyrgyz Telecom”, “Kyrgyz Gas”, “Kyrgyz Airlines Company”, and electricity distribution companies under the “Kyrgyz Energy Company” by 2005. As privatization is likely to take time, we will continue our reform efforts in these sectors, including introducing elements that would increase the likelihood of a successful privatization,

⁵ In April 2001 an agreement was reached on restructuring forthcoming payments in 2001-2002 relating to the debt to Russia, and on restructuring of the entire debt to Turkey on concessional terms.

such as a strengthened regulatory framework, cost reflective prices, sector unbundling, and improved efforts on billing and collection. These efforts should help to reduce the quasi-fiscal deficit created by the utilities enterprises.

D. Structural Reform

39. We recognize that macroeconomic stability alone will not be enough to ensure achievement of the targeted growth rates. To create the conditions in which private savings can transform into investment for the economy, the government will have to undertake structural reforms to overcome impediments such as a land-locked geographical location of the country, insufficiently capable institutions engaged in development of economic strategies, unfavorable business environment for economic activities, dependency of the country's economy on constantly changing conditions of regional trade and policies regarding distribution of water and energy resources, as well as national security issues. In this regard, as noted earlier, the priorities will be financial sector reform, a modernization of infrastructure, including through the privatization of key strategic enterprises, the maintenance of a liberal trading regime, and reforms to accelerate growth in the agricultural and SME sectors.

Financial Sector Reform

40. Inherited from the Soviet Union, the banking system has undergone a radical reform resulting in the emergence of a new structure of the banking sector by the mid-1990s. A small number of private banks started operations in the period from 1995 to 1998, and are engaged mainly in financing trade. The regional financial crisis in the middle of 1998 revealed the vulnerability and fragility of the banking sector. At the end of 1999, the country's largest banks were compelled to close, and we had to intervene to carry out the capital restructuring of two small banks. The situation was further aggravated when it became known that the remaining 22 banks lacked sufficient working capital.

41. Against this background our near-term strategy for the banking sector consists of three distinct elements. First, we have initiated steps that will lead to the recapitalization of the remaining insolvent banks by their private shareholders or will be liquidated. At the same time, the minimum capital requirements for existing banks has been raised to 100 million soms, effective July 31, 2001. For new banks the minimum capital requirement will be 300 million soms. Together, these steps should contribute to making the banking sector stronger and healthier. The increase in the minimum capital requirement is also expected to reduce the number of banks in the banking system by forcing the merger of smaller banks.

42. The second key step consists of strengthening the debt recovery capacity of the Debt Recovery Agency (DEBRA). To this end, DEBRA will become the exclusive liquidator of failed banks, and obstacles to debt recovery and realization on debt collateral by DEBRA will be eliminated. These reforms should send a strong signal of our intention to pursue the recovery of financial assets from debtors, and thus provide a strong incentive for banks to manage judiciously their financial positions and resources.

43. Finally, the third pillar of our reforms in the banking sector will be to improve the effectiveness of bank supervision. The key measure in this context will be the adoption of a Regulatory Response Policy (RRP) that will clarify the timing and amount of minimum action that the NBKR will take under different circumstances. We will also be submitting to parliament amendments to existing legislation needed to strengthen the hand of bank supervision in the conduct of their functions. With these measures we hope that any emerging weaknesses in banks can be spotted at an early stage, and prompt action taken to correct the problems.

44. We are also investigating options to establish a system of deposit insurance, which we believe is necessary to increase public confidence in the banking system. However, we recognize that such a scheme must be postponed until the time that a strong and healthy banking sector has been established, and the effectiveness of bank supervision improved.

45. Over the longer term the commercial banking sector will have to become the primary vehicle for the mobilization of investment and savings. To achieve this goal, we are promoting entries of specialized bank and non-bank financial institutions which would eventually compete on an equal footing among themselves and with other bank and non-bank institutions. In this regard, the Investment and-Credit Bank, which is almost entirely managed by the private investor is expected to start operations shortly. We have also established the Kyrgyz Agricultural Financial Corporation, a fully state owned institution which is run autonomously, as a way to provide needed credit to the agricultural sector. We will initiate soon the task of designing ways to attract private investment and know-how to this institution. These efforts will be supplemented by fostering micro-credit institutions that should meet the credit requirements of small borrowers. These institutions are expected to grow larger in tandem with the growth of their clients' businesses.⁶ There are at present a large number of micro-credit organizations operating in the country, and repayment rates on loans extended by them have been very high. On this basis, we believe that there is significant potential to expand their activities without having to resort to directly funding these from the budget. Finally, we are keen to ensure that banking services are available to the entire population. For this reason, we are exploring options to convert the Savings and Settlement Corporation (SSC) to a postal giro system. We are also considering the privatization of the SSC, but will ensure that the access to banking services in the remote areas is maintained. We have also initiated a program to support the development of credit unions that could in due course result in the formation of cooperative banks.

⁶ One case in mind is that of the FINCA, an NGO operating in the microcrediting sector of the Kyrgyz Republic since early 1996. FINCA has recently entered into a partnership with the International Financial Corporation and requested a license to intermediate larger volumes of credits.

Privatization

46. As a result of the reforms undertaken in recent years state ownership has undergone a marked transformation. There was an essential change in the composition of property and property relations. At the moment, the level of privatization as measured by the contribution of fully or partially privatized enterprises to production in the country is: in industry – 88.63 percent, construction – 58.77 percent, transportation – 56.95 percent, trade and catering – 97.05 percent, consumer services – 99.9 percent, non-production sphere – 41.66 percent. The share of private farms in agricultural production is also very high.

47. In February 2001, the Government approved the state property privatization concept and program for 2001–2003, which establish privatization priorities, restrictions in its implementation, and procedures for a transfer of state property to individuals and legal entities. The Concept has been submitted to Parliament for approval. The program will come into force after its approval by Parliament.

48. The basic medium-term privatization priorities are a completion of privatization of basic strategically important sectors of the economy. These include the joint-stock company “Kyrgyz Telecom”, the joint-stock company “Kyrgyz Energo”, the joint-stock company “Kyrgyz Gas”, and Kyrgyz Airlines. The government is keen to attract investment necessary for development of privatized enterprises while maintaining state control over some components of strategic enterprises of national importance, such as the generation and transmission functions of Kyrgyz Energo. The government will ensure that all enterprises under state control are restructured, with a view to increasing their efficiency; and with a view to accelerating the privatization program the Government will bring the legislative and legal base in line with the international legislation and eliminate contradictions in the effective legislative acts. It will also promote wide participation of small and medium-size businesses at the final stage of the privatization process. Finally, it will transfer all receipts from the privatization program to the republican budget during 2001–2003.

Infrastructure

49. Over a number of years the basic infrastructural network of the country has deteriorated significantly. However, in view of the scarcity of available resources the most important task will be to identify the priorities for infrastructure-related investment. This will entail a task of making the correct choice for locating the investment, both geographically and by sector. Such a strategy of infrastructure development reflects its dual role of (a) promotion of economic growth and (b) maintenance of access for the poor population to basic services. In addition, creation, maintenance and operation of infrastructure objects are an important source of employment and thus have a direct impact on poverty reduction.

50. Budget restrictions prevent sufficient state investments for the restoration of existing infrastructural assets and the implementation of new projects. Therefore, the Government intends to create conditions that are favorable for the attraction of private investment, including

direct foreign investment, and for the promotion of participation of the users in the infrastructure projects. The opportunities for this purpose are available in a different degree in various infrastructure sectors. As a first step the sectors and components for injection of private investment will have to be identified. Then, it may be possible to expand its scope over the medium-term period by strengthening a legal, institutional and regulatory environment to promote greater private participation in the infrastructure projects. Due to imperfect legislative framework, the level of attraction of direct foreign investment remains low and insufficient to ensure growth of output in the real sector. The work will be launched to improve the legislation along these lines.

51. *Surface transport.* Maintenance and restoration of roads, especially, strategically important and traffic intensive sites require immediate attention. In this plan it is necessary: a) to complete the reconstruction of the Bishkek – Osh road; b) to develop legal, regulatory and institutional measure for involving private sector in the road tax payment; c) The establishment of the National Road Fund to ensure sufficient technical servicing of the road network and partial improvement thereof; d) to define segments of roads or road assets for private investments or joint ventures with state resources; e) to develop a comprehensive restoration plan with involvement of the private sector for the Kyrgyz railway to improve its share in cargo transportation for foreign trade; f) to make railways cargo transportation attractive for small and medium-size enterprises; g) to study the possibilities of regional cooperation for integration of roads and the network of railways of the Kyrgyz Republic in regional networks in order to make use of the advantage of the republic being a strategically important transit country.

52. *Air transport.* Air transport is crucial for the development of the significant tourism potential of the Kyrgyz Republic. Improved aviation access is also important for attraction of foreign direct investments. There are also large opportunities for the participation of the private sector in the development of air transport infrastructure. The conditions necessary for the above mentioned are large investments and institutional reforms promoting effectiveness of work of the sector. The work of airports, air traffic control and commercial aviation shall be clearly separated by types of activities. The key to this is radical restructuring and privatization of the Kyrgyz Airlines. This, in addition to the budget burden reduction, will significantly enhance the effectiveness of work of the sector. The following is needed for development of the infrastructure of air transport: a) improvement of navigation and meteorological equipment for air traffic control; b) modernization of airport infrastructure for passenger and cargo transportation and air fleet maintenance.

53. *Telecommunications.* The policy in the area of telecommunications will take into account those broad opportunities for convergence of communications and information technologies, which may help the country. Improvement of telecommunication services requires an integrated approach, which will allow using huge capabilities of information technologies for improvement of management at low costs, and may provide essential social and administrative services for remote territories in a transparent and economically effective way. As a key step in the sectoral reform strategy we will reduce further the monopoly on then fixed lines communication networks, building on steps already taken towards reducing the monopoly of

Kyrgyz Telecom in the provision of such services, in line with the country's commitments under the WTO. The early privatization of Kyrgyz Telecom will also enhance the efficiency of the sector. The activity of the unified sector will be regulated with a view to exploiting the potential of quickly developing technologies. We also intend to promote competition in this sector, and in view of their mutual interlinkages, prepare an integrated plan of actions for the development of communication and information technologies.

54. *Water supply and sewerage.* About 28 percent of rural population do not have access to safe and reliable water supply. It is estimated that even in those places with existing systems of water supplies, 70 percent of these systems are in need of rehabilitation and reconstruction. Rural areas do not have access to sewerage and even in urban areas, in the best case, their network covers only 60 percent of the population. State resources are not efficient to alleviate this problem in the nearest future. The Government will provide support to local communities, which participate in partial repayment of capital expenses and took over a major part of obligations on maintenance of these facilities, using services of NGOs. Assessment will be undertaken for identification of suitable low-cost sewerage technologies, for safe treatment of wastewater and waste products of human vital activities, and their introduction in rural areas. Within the next three years the access by population to safe portable water will be increased [up to 75 percent].

Energy Sector

55. The energy sector in the Kyrgyz Republic faces a complex set of problems. At present the Kyrgyz Republic exports hydroelectric power, in connection with its exports of water, to Uzbekistan and Kazakhstan. In return, it imports fossil fuels to meet its winter energy requirements, the value of which consistently outstrips its energy exports. Furthermore, hydroelectric energy exports are weather related, and can vary substantially from year to year because of the fluctuations in the water requirements of Uzbekistan and Kazakhstan. Domestic consumption (particularly of power but also gas) is highly subsidized relative to any measure of cost recovery. It generates substantial volatility in the financial activities of the enterprises in the power and gas sectors, which have run substantial losses (under international accounting standards) especially during 'wet' years.

56. For the hydroelectric power sector, such volatility has resulted in a badly deteriorated infrastructure which now requires substantial investments. At current levels of rehabilitation and operation and maintenance expenditures, the almost 100 percent access to electricity that our population currently enjoy will soon fall back to the much lower levels of decades ago. We are already feeling the impact of such deterioration, particularly among the poorest part of the population. In fact, according to recent assessments the poor face much longer period of blackouts and other service interruptions than the non-poor. The financial position of the gas sector (which serves both the district heating and cooking needs in our two major cities) are even worse. In order for these sectors to generate the required resources for rehabilitation and operation and maintenance internally, we are committed to enhance their revenue potential and ensure costs are reduced. In this regard, we are aware that a substantial increase in domestic

electricity prices will have to take place over the medium-term. We have, thus, developed a 5 year tariff framework for the domestic consumption of electricity and gas. In this context, we have already increased prices in 2000 and, most recently, in March 2001, but we are still far from price levels that would attract private capital towards the financing of these sectors' investments needs. At the same time, the State Energy Agency is closely monitoring billing and collection efforts made by the enterprises in the sector and have provided sufficient instruments to apply a fair disconnection policy. We will also, by end-October 2001, submit to parliament a new law which will reduce by 20 percent the number of energy users eligible for special privileges under the existing electricity tariff structure. To mitigate the impact of price increases and collection efforts on the poor, we have designed a lifeline tariff for a basic level of electricity consumption. This scheme of social protection in tariffs will supplement general programs of social assistance (i.e., the pension system and the unified monthly benefits), which we are also making an effort to pay on time.

57. In addition, we will seek to enhance the technical, commercial, and financial efficiency of the energy supply entities, rationalize the consumption of energy by consumers, in particular electricity, and develop indigenous sources of energy. This will mainly be done through the unbundling of these sectors and the creation of transparent mechanisms for trading between generation, transmission and distribution. We will also seek to mobilize resources through private sector equity investments associated with the privatization of key enterprises in the energy sector. In particular, we are committed to offer the first distribution company of Kyrgyzenergo for sale next year. However, the public sector may still have a role to play where the possibility of attracting private capital is less likely, such as in the rural areas. In this regard, we understand that the conventional energy supply mechanisms to sparsely populated areas are costly and unaffordable since the level of poverty in these areas is the highest.

58. As regards the regional energy trade, we will begin the process of formulating an energy trading policy to rationalize energy imports and reduce the volatility of electricity exports. Specifically, we will seek to initiate a dialogue with Kazakhstan and Uzbekistan, with a view to entering into a multi-year energy trade agreement based on commercial principles, and a de-linking the energy and water issues. It will seek to ensure a rational system of compensation to be received by the Kyrgyz Republic for the storage of water and the maintenance of irrigation infrastructure. The Government will implement measures to restore the integrity of the pipeline for the transit of gas through the northern part of the country, and take measures to settle the issue of non-payments to our suppliers.

Agrarian sector

59. Kyrgyzstan is rich in agricultural land, water resources, has a broad system of irrigation, favorable natural-and-climate conditions. Structural reforms have made impressive progress. Yields and productivity of newly established private farms (individual and joint family) have yields that are 20–30 percent higher than state and collective farms notwithstanding the abrupt reduction of usage of fertilizers, which, due to financial problems and problems of sales faced by farmers, was lower than the level of the 1980s by 80 percent. The Government has also

ceased to control prices and limited state procurements. Nevertheless, productive resources are underutilized, as shown by the existence of arable and even irrigated land that is not cropped, by highly qualified labor that is hardly remunerated, and farm profitability and revenues that are on average very low. At the same time, rural income per capita has fallen substantially despite the recovery in agricultural production and despite agricultural value added in 1999 being some 5 percent above 1990 levels. This has been due to a roughly 40 percent increase in agricultural employment, which has absorbed most of the redundant labor shed due to a reflow of labor resources. Almost half of the country's workforce is currently employed in agriculture, up from about 33 percent in 1990. As a result, poverty in rural areas has increased from 59 percent in 1996–71 percent in 1998.

60. Agricultural producers still do not have sufficient knowledge and skills on marketing and finance, and the environment for new entries of agri-services and agri-businesses, which in market economies connect farmers with markets and bring new technologies to farmers, has deteriorated substantially due to local and national bureaucratic procedures. At the same time, demand for farm produce has deteriorated abroad and domestically. For instance, the processing of agricultural products decreased from 20 percent of GDP in 1992 to 10 percent of GDP in 1999. During recent years, export of agricultural products has constituted only 5 percent of total agricultural production.

61. The challenge therefore is to create the conditions for new entries of agribusiness (food processing, trading and exports) that would reinvigorate demand for agricultural products and promote exports. In many ways, this challenge is one and the same as promoting the development of SMEs throughout the country. At the same time, there is a need to maintain the integrated development framework that we have developed over the past few years. In this context, the State will make especial efforts to: (i) ensure that water will continue to flow to farmers (through rehabilitation of main irrigation facilities, and promotion of Water User Associations), (ii) increase farmer's know-how and use of technologies through RADs services, the extension services of the Ministry of Agriculture and Water Resources, (iii) ensure that working capital is available to those farmers and agri-businesses which show greatest prospects for grow (through promotion of micro-crediting, credit unions and further development of the Kyrgyz Agricultural corporation and the overall banking sector); (iv).further promote the development of markets for land, having already achieved substantial progress in this front, including through the strengthening of the land registry system; (v) rapidly creating the infrastructure for export certification of seed and wool in accordance with international standards; and (vi) further foster the development of sheep breeders associations, which are the key to unfold the potential the Kyrgyz Republic has in these products.

62. Over time it is expected that the share of agriculture would fall to 30 percent of GDP, as services (including agri-services) and manufacturing (including food processing and other agri-businesses) develop on the basis of a strong private farming sector that has already flourished in the country.

63. Within the limits possible, there will be removed the remaining legislative barriers for the farmers' participation in the resources market (production means) and markets for finished agricultural products.

Small and Medium Enterprises

64. Quick development of small and medium enterprises (SME) has a significant potential for poverty reduction in the Kyrgyz Republic due to generation of employment and promotion of economic growth, which is a sustainable precondition for strengthening the market economy. Meanwhile the environment for private business is still far from favorable. A recently conducted poll demonstrated that weak financial infrastructure, problems with transportation, taxation system for SME, corruption and state regulating are the main barriers for business in the Kyrgyz Republic.

Major Problems:

- 1) Lack of the *effective financial infrastructure* is the main impediment to meet the need for short-term working assets, requirements of long-term financing and for promotion of inexpensive and reliable transfer of funds. Operational charges for banking system transfers are very high. These factors force a significant part of domestic and even regional trade to use informal channels and make payments in cash or in kind.
- 2) *Transportation expenses* were cited to be the second problem. Typically, actual transportation expenses include a variety of direct costs to delays associated with passage through neighboring countries. The problems are more acute with respect to motor transport. A majority of small exporters couldn't use the advantages of low costs of railway transportation, as there are no agents for freight forwarding, which could unify small batches of cargo for railway transportation.
- 3) *State regulating and corruption*. The procedure of opening business is still bulky and tiresome. Inspectors of regulating and licensing bodies do not always have clearly defined authorities, because sometimes regulations do not envisage the criteria of inspections and compliance with standards. In this respect it is necessary to gradually reduce the system of licensing down to an absolute minimum; to develop inspection codes and to simplify and reduce inspections to the minimum; to promote self-regulations in those cases where applicable and to simplify the burden of regulation and information requirements for businesses.
- 4) *Commercial legislation* in the country is comprehensive, but it is implemented ineffectively. Provisions contradicting each other in different parts of commercial legislation impede implementation of commercial reforms, especially in the banking sector. In order to overcome these problems salaries of judges were increased, but not significantly. Educational programs and tests/examinations are held to strengthen professional competence of judges.

65. Nonetheless recently the Government moved forward significantly in solution of a number of the above mentioned problems. By today a number of measures were taken to promote the growth of private sector. In particular, the registration system in the sphere of entrepreneurship is now of a declarative character, the procedure of privileged conditions was defined for transfer of non-used areas to entrepreneurial entities. President's edicts were published, resolutions of the Government were issued to aim at simplifying registration to start entrepreneurial activities and streamlining inspections of subjects dealing with entrepreneurial activities. Preparation of statutory documents on simplification of the taxation system for small businesses on the patent basis is being completed. The very first steps are being made in legal, organizational and marketing provision on the regional level. Units for support of entrepreneurship have been established in regions to provide legal, management and marketing services. Following measures will be directed to further simplification and reduction of the license issuing procedure.

66. We intend to work in two directions: (a) creation of a maximum favorable environment for development of SME; (b) promotion of the processes of education for entrepreneurs.

67. *Tourism* has the greatest prospects for development since there is a rich natural-and-recreational and ecological potential in the country. Presently entrepreneurial activities in the sphere of tourism involve about 200 private tour companies. As a result the dynamics of visits by foreign tourists to Kyrgyzstan increases each year by 12–14 percent on average. The President of the country declared the year of 2001 as the Year of Tourism Support and Development in Kyrgyzstan. State policy in the sphere of tourism will be conducted in the following directions: (a) sequential activation of information-and-advertising campaign at major tourism markets; (b) creation of favorable administrative-and-legal environment for tourists stay in the republic; (c) denationalization and privatization of facilities of resort-and-recreational economy and tourism; (d) formation of infrastructure for tourism services; (e) attraction of direct foreign and domestic investments into the sphere of tourism; (f) creation of favorable conditions for cooperation of tourism, banking, transportation and hotel structures, (g) support for development of local entrepreneurship in the sphere of tourism; (h) creation of alternative tourism taking into account the aggregate of national, cultural, social and economic and natural specifics of regions.

Foreign economic activities

68. We declare our commitment to maintaining a liberal foreign trade policy. With the purpose of creating favorable conditions for export growth as one of the necessary conditions for economic growth, we intend to use our WTO membership to search for alternative trade partners in order to achieve sustainable balance of payment position. Active participation of Kyrgyzstan in all world economic relations will promote the enhancement of its status as a state with a sustainable and predictable trading policy, which in its turn, will have a positive impact on both business and investments activities of commodity producers.

69. Export will be developed further with the purpose of achievement of a positive trade balance and improvement of the balance of payments. The Government intends to provide all possible support for development of this priority direction. The main products for export will be still electric power (due to completion of construction of two HEPS) and products of gold mining (due to putting into operation of two new deposits), as well as products of tobacco industry and cotton processing industry. Nonetheless, we are committed to explore ways to foster the development of all other exports.

70. Import of oil products, which have a great impact on final indicators of foreign economic trade and the rate of inflation, will be gradually reduced through greater efforts towards attracting private capitals into exploration and by moderating domestic consumption through changes in the relative prices for energy.

V. GOOD GOVERNANCE AND LEGAL REFORM

71. The Government recognizes that although the economic growth is the major, but not the only condition for poverty reduction. Efforts of the Government and the society as a whole on provision for sustainable economic growth in favor of the poor may be equal to zero, if there is no effective governance. Previous programs aimed at poverty alleviation lacked a good governance structure. That is why the Government places among its priorities the task of strengthening institutional capabilities of the country for economic growth with the purpose of providing the strategy for the sake of the poor. The main elements of these reforms will include (a) state governance reform; (b) decentralization; (c) transparency of public finance management; (d) corporate governance.

A. Public Administration Reform

72. The Government recognizes the necessity of conducting a comprehensive reform of public administration. The new structure shall keenly respond to the needs of the Government in future, as well as it shall be able to pursue an effective policy of public administration. The Government recognizes the need for formation of professional, flexible and competitive public administration. The given task, taking into account political priorities, could be fulfilled only in a gradual and systematic way. The Government has already initiated the reform with respect to a reduction of a number of ministries and state agencies. Further reforming of the system of public administration, a blueprint of which is expected to be ready for the full NSPR, will be oriented at: (a) liquidation of still existing parallelism and duplication of functions on the basis of streamlining of the number of employees; (b) reduction of bureaucracy; (c) education of personnel consisting of competent professionals; (d) introduction of a new system of personnel assessment for identification of their qualification degree; (e) conducting of a review of a multi-level system of local administrative bodies and representative offices of ministries on the oblast level with the purpose of elimination of duplication; (f) introduction of a new system of wages to increase professionalism of civil service, attract talented specialists and enhance their position. The Government is aware the public administration reform is a long-term endeavor which needs to be carefully sequenced as well as accompanied by sufficient institutional

investments. We are, therefore, committed to being selective and tightly structured in the areas it addresses, and support public sector reforms with adequately long-term institutional building support arrangements

73. The main condition for enhancement of the effectiveness of public administration will be reporting by the Government to the people. Three directions will be the basis for strengthening a sensible dialogue of the State with the civil society in the process of reforming of the system of public administration: (1) establishment and broadening of feedback between the bodies of state power and public; (2) introduction of public control over activities of the bodies of public administration and local self-governance; (3) involvement of the civil society into the process of decision-making. This will allow creating a transparent environment where private sector will take over the necessary business-like initiative for poverty alleviation in the country.

B. Decentralization

74. The President and the Government pay special attention to the policy of strengthening the institute of local self-governance. In 2001 the Ministry of Local Self-Governance and Regional Development was established. The Government expresses its readiness to carry out decentralization of political and administrative structures for improvement of reporting and increasing of transparency and effectiveness of governance. The Government recognizes the advantages of local self-governance for fulfillment of such tasks as effective distribution of resources, redistribution and providing of social services. The main barrier on the way of development of local self-governance is extreme insufficiency of financial capabilities of local budgets.

75. That is why the main task of the Government for the forthcoming three years will be strengthening the financial basis of local self-governance, and proper formation of the foundation of the power directed at improving conditions of local communities will depend on its proper solution.

76. Decentralization represents a complex process, which will be implemented gradually and with caution, taking into account local opportunities, political priorities and possibilities of state financing. The Constitution provides the main basis for carrying out decentralization of political and administrative structures. However, the legislative basis requires further improvements, additions and amendments, the purpose of which will be to provide incentives for the interests of bodies of local self-governance in the growth of economic potential of local communities.

77. The enhancement of the role of local self-government on all territorial levels is the main factor for successful implementation of the Strategy. In the regions, there exists an acute need for information about the planned actions of the Government and donors, about the mobilized resources, about the examples of partnership. The deepening of the informational interaction

between the state structures, local self-government and society is the main support in the struggle with poverty.

78. Within the next three years the steps towards decentralization will be clearly defined. Nonetheless, it is evident that concrete fulfillment of many tasks of decentralization will be carried out during the extended CDF period. The following measures are proposed: (a) transfer of a part of authority and functions to local bodies of state administration and local bodies of governance—city councils and ail okmotu—from line ministries and department: (b) elimination of some local representative offices of republican bodies with the purpose of cutting down the Government apparatus: (c) introduction of the practice of elections of the heads of local governance bodies for achievement of better reporting and effectiveness; (d) reforming of administrative-and-territorial division of the country; (e) establishment of the system of training and re-training for personnel of local self-governance bodies: (f) taking measures for strengthening the role of local budgets on the basis of introduction of an open and effective system of control. Fiscal decentralization will be aimed at establishment of a closer interrelationship between the system of governance and the population, granting certain authority to bodies of local self-governance in the sphere of taxation and spending of funds, a possibility to independently specify the parameters and structure of the expenditure part of the budget. There is a real possibility for transfer of a large amount of financial resources to local bodies of governance with simultaneous decentralization of political decision-making on the basis of the principles of independence, participation and transparency.

79. The Government will elaborate a strategy for introduction of a comprehensive process of decentralization and will continue working towards the institutional strengthening of local self-government bodies, which will be fully reflected in the final document for poverty reduction.

C. Public Finance Management and Reform

80. For establishment of a sustainable effective governance system it is necessary to improve fiscal transparency. The Government, with the support of the IMF, the WB and other donors, achieved some certain results. But there is still much to do on improvement of transparency and effectiveness of public finance, elimination from practice of non-purposeful use of public resources and making them of more targeted character. The Government develops its plans in this field, but the supposed key reforms on improvement include the following: (1) improvements in the legal framework for the budget; (2) improvements in the budget formulation process by further developing a Medium Term Financial Framework (MTFF); (3) improvements in the budget classification structure; (4) improvements in the budget execution systems by strengthening treasury operations (including the development of the system of accounting of expenditure orders aimed at obtaining information on payment arrears; (5) submission for discussion at the Parliament of more systemic and comprehensive information on budget documents; as well as (6) broader dissemination of basic elements of budget documents; (7) improvements in internal and external audit, and (8) improvements in intergovernmental finances.

81. We are committed to further develop our Medium-term Financial Framework for the budget, including the preparation of a 3 year rolling expenditure framework (a 5 year rolling framework for investments), to provide the basis for prioritizing the use of our scarce resources, and costing sectoral strategies and the overall poverty reduction strategy (NSPR). Such framework should also help us in maintaining aggregate financial discipline. Special emphasis will be given to the task of harmonizing the processes of budget preparation, execution and control for the recurrent and investment spending, which currently is carried out independently from each other. Full integration requires that: (1) the same strategic objectives drive the formulation of the recurrent and investment budgets; (2) the budget planning process at the sector level starts by considering options to achieve these objectives, and in that context, consider implications for recurrent or investment expenditures, based on a predefined resource envelope for the sector; (3) projects are selected based on a range of economic and non-economic criteria, in particular the role of the government within the sector; (4) the best projects to realize the sector programs are selected on the basis of adequate cost-benefit and cost efficiency analysis in an integrated fashion; (5) monitoring and evaluation of the budget programs is based on a unified budget classification structure that allows sensible analysis. Only thus will investment projects be an integral part of the medium term budget framework that is sent for approval at the highest decision-making level and the donor community, which ensures legitimacy of the programs. Finally, we also intend to design programs to strengthen expenditure management in the line ministries and local governments and substantially improve financial controls.

82. Within the framework of conducted fiscal policy the system of high tax rates together with high rates of deductions on social insurance places a very heavy burden of the population paying taxes. This, in its turn, provokes a situation when subjects try to avoid paying taxes and creates the atmosphere when corruption increases. The existing system of taxation fails to promote the development of private business, including high rates for insurance deposits, difficulties relating to VAT collection (when implementing the principle for VAT compensation to exporters, regulating of the VAT collection and bringing it in accordance with the systems of other countries, etc.), insufficiently efficient work of tax administration offices.

83. Taking into account the problems connected with tax administration, the Government believes that the country needs less taxes with lower rates and a broad taxation base, and that is why the concrete measures in this sphere are presented in Section 3. Such efforts, as it is assumed, will lead to a more strict observance of tax discipline on the part of taxpayers and improved tax administration. Streamlining of the taxation system undertaken in combination with strengthening the capabilities of taxation departments will promote the growth of collection of receipts. Consequently, the measures on improvement of the fiscal situation and elimination of management problems will strengthen each other.

D. Corporate Governance Improvement

84. The Government expresses its readiness to develop and introduce the second phase of Corporate Governance and Enterprise Reorganization during the following three years. On the

basis of the achieved results after implementation of the first phase of this project, the Government intends to continue the work for improvement of (a) standards of corporate governance and financial management; (b) legal processes and observance of legislative norms; (c) enterprise reorganization process.

85. To achieve these objectives the reforms will be aimed at: (a) strengthening the structural policy for promotion of effective corporate governance: simplification of taxation for enterprises to provide for an environment favorable for business; development of standards of property evaluation and combination of national accounting systems and audit with international standards; enhancing transparency and disclosure of financial-and-economic information; (b) strengthening confidence of state, domestic and foreign investors by improving legislative and legal basis; and (c) promotion of restructuring of loss-making but viable enterprises and liquidation of certain non-profitable enterprises.

E. Judicial and Legislative Reform

86. The Government states that the legislation envisages the right of citizens and legal entities to judicial protection of their rights. But the Government has to recognize that for poor layers of the population the protection of violated rights and the judicial settlement of disputes as a whole is not accessible, namely due to expenditures related to compulsory payments when filing complains to judicial bodies. Reform of judicial system has a purpose of establishment of a fair and strong judicial system. The following tasks will be solved: provision for independence of judicial system, as well as impartial and incorruptible execution of actions at law. Establishment of a reputable, self-dependent and really independent court in the country will become an effective instrument of statehood increasing and ensuring equal access to judicial protection, including for citizens having low income.

87. The Government also recognizes that economic activities are complicated due to the lack of statutory-and-legislative basis corresponding to market relations and proper control over observance of laws and statutory acts.

88. Laws shall clearly explain the rights and responsibilities of all citizens of the country involved into the process of vital activities. That is why the Government, within the forthcoming three years, will direct its efforts at strengthening and improvement of legislative-and-statutory basis. In this respect the following issues shall be solved: (a) systematization of the legislation; (b) streamlining and renewal of its structure; (c) identification of development directions; (d) improvement of the process of preparation and adoption of laws; (e) creation of an effective mechanism for implementation of laws and other legal acts. In future this will allow excluding adoption of contradictory legislative norms and introducing a reliable system on restriction of populist phenomena.

89. Improvement of legislation for further development of private sector by developing new and supplementing the existing laws with positive orientation on employer and growth of a number of enterprises will be a priority task in this direction.

90. Establishment of a state commission on coordination of law-drafting activities of state bodies consisting of representatives from the Parliament, the President's administration, the Government and judicial bodies will allow to coordinate the process of law-making activities.

91. It is supposed to fix the procedures for open discussion of most important political programs (as it was the case in the process of development of Comprehensive Development Basis and this Strategy), as well as assessment of the relevant results.

VI. POVERTY VULNERABLE LAYERS OF THE POPULATION, HUMAN DEVELOPMENT

92. Priority directions within the strategy framework will be those which have a direct impact on poverty alleviation: strengthening targeted social protection, promotion of employment of the poor and development of the sector of self-employment for extremely poor, access to education and health care services.

A. Social Protection and Gender

93. The existing system of social protection is a practical reflection of the principles declared by the state. It is the most complex institutional mechanism as its implementation directly or indirectly involves practically all Government institutions.

94. At present the assistance to poor layers of the population is provided in the form of payments of state allowances (allowances for poor, social payments) and granting of privileges to some categories of citizens: war veterans, invalids, people with special merits for the Kyrgyz Republic, etc., in-patient services for invalids and elderly people (at boarding houses), social services for lonely and elderly people provided at home.

95. In 1995 Kyrgyzstan started introduction of a targeted system of social assistance based on identification of the degree of need of the population. The Law "On State Allowances in the Kyrgyz Republic" was adopted in March of 1998. A declarative principle of the needy (the head of the family), their right to a means tested individual amount of benefits for each family forms the basis of this law. A guaranteed minimal level of consumption at Som 300, which has never been revised thus far, was established in this Law, while the extreme poverty line for 1999 was estimated according to the NSC data at som 321.

96. A uniform information system of social insurance—pension, medical, and unemployment insurance—is currently being developed. Social welfare certificates had been issued by 91.8 percent by the year of 2001.

97. Development of partnership with civic public organization is of great importance for rendering support to the Government when providing social services to poor layers of the population and ensuring broader openness and reporting by local bodies of self-governance. Taking this into account measures will be taken to strengthen the partnership between the Government and NGOs for fulfillment of this objective, as well as on ensuring an approach based on the needs of the society when developing projects, involvement of NGOs in schemes

aimed at providing support to poor layers of the population, strengthening NGOs and legislative bases.

98. Within the framework of reforming the system of social support for the poor, the Government underlines serious problems, including: (a) imperfect methodology of determining the need of families and citizens for state material support which results into assignment of state allowances not only to those people who need them badly; (b) a low level of a guaranteed minimum level of consumption that does not provide each member of a poor family with support of at least the level of the extreme poverty line; (c) granting of privileges by categorical indications without taking into account the actual need for them, as a result not so poor citizens obtain privileges in large amount than the poor; (d) payment of significant part of benefits in kind.

99. Taking into account limited budget resource which today do not allow for complete granting of all benefits envisaged by the effective legislation, in the current year of 2000 the process was started actively on streamlining of social benefits and transfer from the principles of granting benefits by categories to the principles of the need for state support.

100. Presently the Jogorku Kenesh (the Parliament) considers the draft Law "On State Social Allowances in the Kyrgyz Republic" which defines only six privileged categories, including the most needy families. Adoption and further implementation of this Law will serve for reorientation of state funds annually allocated for compensation of privileges for the sake of poor families.

101. With the purpose to form a database on different social categories of citizens, in 2001 an introduction of social passport was started for extremely poor and poor families. Purposeful regional programs of targeted social assistance with concrete measures on the level of aiyl okmotu (village councils) will be developed on the basis of these data. The main indicator of assessment of effectiveness of these programs will be reduction of the number of families referred to the category of extremely poor and poor. Social passports, supposedly, will cover more than 500 thousand families. The planned result – 10 percent of the reduction of the number of poor families by 2003.

102. The Ministry of Labor and Social Protection is searching for real sources of financing of these works, as the problem of provision of resources could become the main impediment for their promotion.

103. Taking into account the exclusive importance of the introduction of social passports, the Government intends to address international organizations with a request to render financial assistance in this work.

104. Another very important direction of the policy of social protection will be the introduction of a mechanism of social protection for poor layers of the population under the condition of increasing tariffs for energy sources. The Government intends to fulfill completely

the obligations undertaken on support of poor citizens through introduction of a lifeline for power and assistance with the payment of bills for district heating and gas.

Pension Reform

105. The system of pension provision is one of the important components in poverty prevention and decreasing of the needs of people who lost income due to old age, loss of abilities to work and loss of breadwinner.

106. The budget of the Social Fund is formed by insurance contributions by legal entities and individuals. The system of pension insurance is formed on the basis of the principle of direct dependence of amount of pensions paid on the amount of insurance contributions made. The gap between the amount of collected insurance contributions for pension insurance and the volume of necessary payments taking into account the privileges complicates the financial situation of the Social Fund, and as a consequence of the pension system.

107. Some work was done on long-term modeling of different options of the pension system (PROST) within the framework of the WB's SOSAC identifying the tendencies of long-term adjustments of the pension system, including the option of gradual transfer to partial financing of the pension system at the expense of compulsory partial payment of contributions.

108. Progress on transferring the accounting system of the Social Fund to international accounting standards was also made, but there is still work to be done in this respect..

109. The policy of strengthening financial stability of the Social Fund will be focused on the measures, including: (a) broadening of the basis of insurance contributions; (b) regulating of the rates of deductions from wages by further reduction of the rate with its transfer from the employer to an employee; (c) creation of a single information system all over the republic and assigning of identification codes to all population, including the newly born; (d) debt restructuring on insurance contributions (their collection through judicial bodies, using "the institute of bankruptcy" when working with debtors and auctions for selling property transferred to the Social Fund against repayment of arrears on insurance contributions); (e) improvement of the Social Fund asset management; (f) decreasing the share and further liquidation of payments of insurance contributions in kind.

110. Reform of the pension system in Kyrgyzstan is preconditioned by a number of reasons, including: (a) reduction of employment, which changes the ratio of workers to pensioners (while in 1990 there were three employed per one pensioner, by 1999 – only 1.6 employed); (b) narrowing of the base of insurance contributions due to reduction of the share of wages in the total structure of population's income and growth of the share of "hidden" payments of hired workers; (c) presence of multiple privileges for certain categories of citizens on advance retirement (the share of such pensioners is up to 12 percent).

111. The Government intends to accomplish the provision of social insurance for pensioners through an indexation of the total pension and an increase in the basic part of the pension following growth of average monthly wages, which, according to the legislation, will be maintained on the level of 12 percent of the average wage in the republic.

112. Development of the legislative basis for functioning of non-state pension funds will be accelerated, although clearly this type of institutions are expected to play a role in social security only after the overall financial sector is further developed..

Integration of Invalids into the Society

113. As of 1.01.2001 there were 114 000 invalids in the Kyrgyz Republic. The legislative basis for implementation of the state policy in the sphere of social protection for invalids is the Law “On Social Protection of Invalids in the Kyrgyz Republic” adopted in 1991 and adjusted in 1998, which envisages provision of invalids with possibilities equal to those of other citizens when realizing economic, political and other rights and freedoms envisaged by the Constitution of the Kyrgyz Republic Later on, according to Decree No 157 of the President of the Kyrgyz Republic as of June 29, 1999 the Council on Problems of Invalids under the President of the Kyrgyz Republic was established and the National Program of State Support for Invalids was approved. One of the directions of its implementation was establishment of rehabilitation centers of invalids from all regions. Presently more than 20 rehabilitation centers for invalids by different directions are operating in some regions, such as the Bishkek Rehabilitation Center, the educational center of vocational training for invalid children, and the children’s rehabilitation center of “Meerim” Fund and others. The majority of the established centers are located in Bishkek, the capital city, and there is no such establishment in remote rayons yet.

114. Active involvement of invalids in free labor market will be possible when implementing a number of measures including vocational training, reserved or purposeful employment, granting privileged rights to production, tax privileges, technical and financial assistance to enterprises hiring workers – invalids. In this case it is necessary to provide for: (a) employment of invalids by providing assistance to enterprises in organization of special working places; (b) reconstruction and requirement of social, cultural, etc. facilities and houses of invalids to provide for their accessibility; (c) development of the rehabilitation industry, production of technical means of rehabilitation for invalids which make their life easier; (d) access to public transport by invalids; (e) development of social-and-cultural sphere and sports for invalids for their rehabilitation and integration into society; (f) to provide for training of specialists on the issues of medical-and-social, professional and psychological rehabilitation of invalids. Part of the activities will be implemented beyond the year 2003 within the framework of the long-term strategy of Comprehensive Development Basis.

115. The Government of the Kyrgyz Republic intends to develop additional mechanisms for integration of invalids/disabled persons in society activities without attraction of the state funds. Solution of all these tasks would provide not only for the possibility to ensure own support for invalids, but to make an adequate contribution into development of the society.

116. Taking into account the acuteness of the problem of integration of invalids into the society, the Government, within the framework of the strategy, intends to provide maximum support in its implementation.

Children's Poverty

117. Issues of social protection of needy children in poor families take an important place in the work of the Government. State support is provided to them within the framework of the Law "On State Allowances in the Kyrgyz Republic".

118. Recognizing a significant scale of spreading of children's poverty during the recent years, especially in rural areas, the Government intends to start solving this problem within the framework of the programs already under implementation, as well as the ones developed in the sphere of education, health care and social protection.

119. Homeless children are a relatively new phenomenon for Kyrgyzstan, but the number of homeless children drastically increase within the last two years. That is why the Government intends to take a series of measures preventing growth of this phenomenon. Attention to protection of children deprived of parent's are will be strengthened. Presently such children are accommodated in children's specialized establishments. The Government intends to start development of a plan on establishment of special services on the regional level with the purpose to render assistance to children from troubled families, teenagers with psychic problems, children with physical defects and other vulnerable groups of children.

120. The development of the National Program on realization of children's rights has been started with participation of local bodies of state administration, non-Governmental and international organizations.

121. The Government pays much attention to the problems of education and employment of young people from socially vulnerable layers of the population, In this direction the system of vocational education is the most accessible educational system. This system covers more than 600 orphan children, invalids and refugees.

122. Presently this system includes two rehabilitation centers where education is provided to 60 people. The purpose of establishment of rehabilitation centers from children from among orphans, invalids, refugees are to provide social guarantees and services on the part of the state. Rehabilitation centers include education on selected profession during the period of three years and further employment.

123. Establishment of such centers in all regions will allow providing for accessibility of education for children from among orphans, refugees, invalids.

124. The policy of the Government here will be strengthened to improve efficiency of training of specialists taking into account the needs of the labor market. In this direction it is

envisaged to establish business training centers, as well as an information system on opportunities to get training in the system of vocational education.

Gender

125. The Platform of actions adopted at the Beijing conference became a strong incentive in the history of sovereign Kyrgyzstan for establishing gender equality and development of new approaches in conceptualization of women's position in the society.

126. Being one of 185 countries-participants, the Kyrgyz Republic engaged itself:

- 1) to maintain priorities of gender equality in its policy;
- 2) to work out national mechanisms for pursuing a policy of gender equality and women's programs.

127. To achieve these goals, the work should be continued and expanded not to allow gender inequality, to implement measures aimed at ensuring women's equality, eliminating discrimination in hiring and dismissing them, as well as their more active involvement in the work of government bodies, maintenance and improvement of their professional skills.

128. Special attention will be paid to support and development of women's non-governmental organizations, first of all, of those whose activity is directed to defend women's rights, support children and disabled, and render social services.

129. We are to create and implement a mechanism of a gender examination of normative legal acts that are developed and to be approved, as well as the system of indicators reflecting results of the gender policy.

B. Social Sphere

130. The main direction to increase the effectiveness in the social sector will be a transition to a competitive basis in the social sphere. Establishment of social orientation may be of different property forms, but clients shall have the right to choose among them.

Access to Education

131. Accessible education shall become a central element of social policy.

132. Within the last five years the system of education underwent significant transformations on all of the levels of education.

133. With respect to educational sector reforms the Government took a number of concrete measures. In particular, a Master Plan on Education and Training developed with assistance of international institutions has been adopted. Credits from KfW and DANIDA have supported the

sector and key programs have included “Araket”, “Bilim” and “Jetkinchek”. Laws “On Higher and Post-Graduate Higher Education”, “ON School, Pre-School and Non-School Education” (the first reading) have been approved.

134. A large volume of work is being done on rendering targeted social support to children from vulnerable groups. Through public funds for support of educational establishments assistance is rendered to schools and pre-school establishments in solution of problems of education accessibility, including the problem of targeted assistance to children from poor families. Inclusive grades and groups are formed in general educational establishments for children having problems with development. Broadening of a network of social assistance for children from the “risk” group is intended for school, children within the President’s Program “Jetkinchek”. It is envisaged to allocate Som 25 million for implementation of this program for 2001.

135. A special direction of the strategy will be a pre-school sector. The problem of access to pre-school education lies in the fact that the worsening of the living standard does not allow parents to use the services of children’s pre-school establishments. Unemployment, low wages couldn’t allow a family to pay the amount necessary for support of a child in a kindergarten. Presently the number of children in pre-school establishments in the republic is 82 children as against 100 in the budget. This indicator is continuously decreasing and results in a closure of kindergartens. It negatively affects not only the general level of preparation of children for school, but their skills of communication in children’s collectives as well. That is why, within the framework of the strategy, the Government intends to provide support for strengthening the network of pre-school establishments.

136. Taking into account the Law “On Education” which guarantees free access for all students to secondary education, financing from the budget will be mainly oriented on primary and secondary education.

137. The level and quality of education on many positions lack behind the requirements raised by the real economy of the country. That is why modernization of the technical and educational basis of vocational training will be continued so that the graduates would be able to acquire specialties demanded by market. The National Educational Movement announced by the President of the country A. Akaev and named as a catalyst of the future progress and development will be aimed at elimination of this gap.

138. In the process of the NSPR implementation it is necessary to consider the most important policy issues, including further measures to be taken for ensuring sectoral sustainability and efficiency; development of private education, improvement of basic education: equal access for children from poor families to basic education: improvement and sustainability of vocational education and improvement of distant education.

Access to health services

139. Taking into account the abruptly deteriorated situation in the health care system in the first half of 90s, the Government, starting since 1996, has been conducting a purposeful work on health care reforms under the “Manas” Program aimed at improvement of health conditions of the population in the following directions: (a) improvement of the access for the population to medical assistance regardless of their income; (b) ensuring an equal access to medical assistance; (c) enhancement of the effectiveness and quality of medical services.

140. By 2001 more than 70 percent of the population was covered by a system of obligatory medical insurance, that created preconditions for social protection practically of all socially vulnerable layers of the population (pensioners, the unemployed people registered with employment services, children and recipients of benefits). With the purpose of providing the population with effective, safe and good medicaments, the Government approved a "State Medicinal Policy of the Kyrgyz Republic". In the recent years, due to growth of infectious and parasitic diseases, the Government approved National Prevention Programs on AIDS, illnesses transmitted through sexual contacts, and on tuberculosis.

141. The Government recognizes, that the condition of health of the country’s population was not improved essentially for the period of market reforms, for due to limited budgetary resources program reforms did not give the expected results to the full extent. Health indicators of the population of Kyrgyzstan and availability of medical aid to unprotected layers of the population remain low. The level of infectious diseases (tuberculosis, sexually transmitted illnesses, and parasitic diseases) remains high.

142. The rate of iodine-deficiency diseases increased in the last years. Artificial compensation of natural iodine deficiency with the help of iodized salt is not adjusted. The share of iodized salt consumed by the population makes only 17 – 20 percent.

143. The level of financing the health sector from the republican budget was reduced from 3,7 percents of GDP in 1990 to 2,5 percent in 1999. The volume of resources allocated from the state budget for health services for the last several years covers only about 50 percent of real needs of this sector. Another half of the cost of medical services turns out to be actually covered by a patient. Lack of any resources for the patient to pay for these services is a primary factor limiting access to medical services.

144. Considering the factor of real deterioration of the people’s health, the Government is going to focus its efforts on maintenance on a fair and equal access for everybody, including the most vulnerable layers of the society, to a minimal list of free-of-charge medical services. The policy of the Government in maintaining the access to services of the public health sector under this strategy will be focused on the following priority directions: (a) enhancement of the role of the public health sector in ensuring sanitary and epidemiological well-being; (b) improvement of medical aid; (c) re-structuring the system of granting medical services; and (e) development of a sustainable system of financing.

145. The greater part of measures under these priority directions in reforming the public health sector will require significant financing. Considering limited domestic resources, the reforms in the public health sector will be financed through external borrowings, a reasonable use of the limited PIP resources, and further mobilizing domestic resources, particularly co-payments. Leakage and abuse in handling co-payments has begun to be addressed through two pilot programs.. In particular, it is expected to implement in the following donor financed PIP projects in 2001–2003: a project “Public Health Services – 2” (WB), a project “Public Health Services – 2” (Switzerland), a Maternity and Childhood Protection Program II (KfW), a Program of Combat against Tuberculosis (KfW), and support of children's medical institutions (Japan).

Labor Market and Job Creation

146. During the previous years the labor market situation continued to remain labor-excessive. Under the circumstances of structural adjustment in the economy, a recession in many noncompetitive branches of production, a quantitative and structural discrepancy between the demand for labor and its supply, resulting in growth of unemployment.

147. A growing number of residents discharged during staff redundancies or those compelled to work in the mode of an incomplete working week or those on vacations under their management’s initiative represents a significant reserve to reinforce the ranks of the unemployed.

148. As of January 1, 2001 the supply of labor resources was 37 times higher than the demand. In early 2001 more than 78 thousand residents in search of work were registered with urban and district employment services of the republic, of whom 58,3 thousand residents have the official status of the unemployed (on 1.01.2000 the number was 54,7 thousand people). The level of general unemployment estimated in accordance with the WLO methodology increased from 7,2 percent up to 7,5 percent in the republic during 2000. More than half of the total number of the unemployed is the share of woman (31 thousand), that of the youth at the age of 16 to 29 years was 40 percent (23,2 thousand), and the share of rural residents was 49 percent or 28.8 thousand people.

149. The Government states that as the country preferred a fast transition to market relations, the public sector plays a less significant role from the point of view of creating workplaces. Only the private sector has that real potential for creating workplaces.

150. The role of the Government will consist in maintaining an appropriate environment that would develop and raise productivity of the private sector as well as in taking social protection measures with respect to registered unemployed citizens. Therefore, the Government took a number of measures for stabilization of the labor market situation, in particular, a Law “On Promotion of Employment of the Population” was drafted and approved and the base unemployment benefit was increased to Som 250.

151. Under this strategy and pursuant to this Law, strong efforts have been and will be taken in the labor market along the following directions: (a) an increase in payable public works; (b) professional training and retraining of the unemployed, especially those who lost their jobs as a result of privatization and reorganization of enterprises; (c) introduction and development of a micro-crediting system for the unemployed and organization of the unemployed into “credit unions”; (d) rendering assistance to the unemployed in their search of work; (e) strong measures for creating new workplaces in the countryside by promoting development of small and medium-size enterprises; (f) an increase in the share of women in the employment structure by outplacement of women; (g) development of social partnership in promotion of employment by establishing Tripartite Councils in the regions of the republic to regulate the above issues. For the preparation of the full NSPR, we will develop additional mechanisms to facilitate job creation by the private sector, including a review of the current labor code.

The Role of NGOs

152. A wide range of social and economic and cultural problems, which cannot be comprised by the state are a field of NGOs activities. Especially important such work is at the level of local communities. The mechanisms for cooperation of the society, NGOs and the government proved efficient when implementing the projects for water supply, rehabilitation of social and cultural objects, etc. Involvement of the population in management is deeply rooted in the people’s traditions. Use of such experience helps to form the civilized methods for the participation of the society in solution of the issues relating to development of the territories and exercise of control over the activities of local authorities, for instance based on Trilateral Commissions composed of the representatives of local authority, elders, and NGOs.

153. Involvement of NGOs in public activities is, in general, only through their participation in the donor projects. Such work has a local nature, but the potential accumulated by many organizations allows them to claim at more serious activities in the regional scope. To strengthen the dialogue with the civil society in the process of reformation of the state management system, there will be developed the following trends:

- expansion of the feed-back between the state management bodies and the public;
- introduction of public control over the activities of the state management bodies and local self-government bodies;
- involvement of the civil society in the decision-making process.

154. The Government managed to arrange self-employment for 2,6 thousand people; micro-credits were extended to 1,6 thousand people. Considering that income from self-employment for the poorest population is of greater importance, than for all of the other categories of the population, this sector will be expanded under this strategy through development of micro-crediting institutions and credit unions.

155. There are more than ten organizations extending micro-credits to residents in Kyrgyzstan. Branches of these organizations are located in all of the oblasts. It is possible to speak about a certain similarity in the activity of various micro-crediting organizations (further – MCO). Many MCO provide a similar set of services: training, consultation, crediting.

156. There is still inconsistency in actions between organizations extending credits and those arranging training and consultative services. The number of NGOs, engaged in training, consulting and rendering intermediary services for people who wish to get micro-credits is increasing. Credit organizations and NGOs spend significant resources on training seminars and consultations on similar issues. On the other hand, there is no mechanism that would allow creditors to exchange information or credit status assessments of clients, neither there is any system uniting all those information resources, directed for required assistance. As a result, the majority of the population does not have sufficient information on these programs. Micro-crediting programs could have been less effective than they are if they worked in close interrelation and coordination with each other and with the Government, local and international NGOs. Under this Strategy, a Micro-Crediting System Development Concept for the Kyrgyz Republic will be drafted in 2001. A specially established Agency for Micro-Credit Programs under the Government of the Kyrgyz Republic will become a key element of this system. This Agency will be empowered to coordinate activities of credit organizations, national and international NGOs. The Agency as agreed with the Ministry of the Finance will license all of the non-bank financial organizations and exert control over their activity. Though the Agency will be assigned with the responsibility of drafting a package of statutory acts in this area.

157. It is important to emphasize that to some extent the Agency will not participate in any credit programs. Control functions of the Agency should extend to organizations extending micro-credits, including local, international and foreign organizations. The principle that the activity of any micro-crediting organizations in Kyrgyzstan should be based on the Kyrgyz laws should become the basis of control functions of the Agency. The newly established Agency will become a member of a Micro-Financing Center for Central and Eastern European and CIS countries. A Training and Consultative Center is to be established under this Agency.

VII. EQUALIZATION OF REGIONAL DEVELOPMENT

158. Over the last years, there significantly increase the difference in social and economic development between rural and urban areas. The economic prerequisites for this are low productivity, absence of the mechanism for employment of the labor resources, limited access to credits and sales markets.

159. The comparative analysis of the rural and urban regions:

- towns and cities have such advantages and benefits as permanent wages and salaries, jobs, pensions, allowances, transportation network, mass media, health care institutions, education facilities, recreation; the relevant shortcomings include lack of land plot, high rent payment for utilities, expensive food products, unemployment;

- villages have such advantages as land ownership, private production of agricultural products; the relevant disadvantages include low level of consumer and health care services, poor communications, lack of mass media, delays in payment of wages and salaries.

160. The Government declares that a policy of equalizing development of regions is an integral component of strategy. For the last five years a significant volume of work was done in this direction. 1997 adjusted legislative and statutory acts of the Kyrgyz Republic on state guarantees, compensation of additional material and physiological costs for people living and working in mountainous conditions.

161. Programs of state support for high-mountainous and remote zones of the Kyrgyz Republic for 1997–1998 and 1999–2000 have been approved and are under implementation. With the purpose of state support for small cities and settlements of urban type, where the poorest layers of the population live, the Government works within the framework of the Program of social and economic development of small cities and settlements of urban type, since 1998.

162. The work on financing projects will be continued under the current PIP projects in the sector of processing agricultural produce, rehabilitation of water supply and irrigation systems, and in the sphere of services.

163. The UNDP Bureau "Gender in Development " will continue to make its own contribution into the process of development of the poverty reduction national strategy and when necessary will propagate human development and social mobilization, as an essential factor of poverty reduction.

164. In order to involve the NGOs in organization of rendering social and public services, it is necessary in the first place to provide the relevant information to them. The next step will be organization and consultative support. The considerable growth of the number of communal organizations, especially in the rural areas, is the potential, which when properly trained can work on a contract basis with local self-government bodies practically in all social areas.

165. The development of the relevant legal basis will be accelerated, and the experiences relating to adequate motivation of partner work will be summarized.

166. Summing up the above-stated, it may be said that the program partnership approach in practice implies:

- coordinated work of the institutions involved in implementation of the Strategy;
- development of the mechanisms for interaction with the organizations of civil society on all levels (transition to contracts, incentives for NGOs);

- organization of the services for coordination of activities in the poverty reduction domain directly in local communities;
- organization of information support to the Strategy;
- programs for training government bodies employees, NGO representatives and local government bodies staff.

167. Reduction of gap in social and economic development of individual territories of the country will remain one of the most important trends of the Government policies for the period until 2003.

VIII. ECOLOGY

168. Ensuring long-term ecological sustainability is a factor of special importance directly influencing the achievement of steady results in poverty reduction.

169. The quality of atmospheric air and water is a key determinant of human health conditions.

170. Healthy soil is necessary for production of foodstuffs, and their genetic variety promotes a selection of new varieties necessary to provide for growth of foodstuff production.

171. Taking into account the fact that the poor population in rural areas is especially threatened with a problem of exhaustion of natural resources, the Government will adhere to the National Environmental Action Plan (NEAP) approved in 1995 and aimed at supporting systems of water supply, irrigation and sanitary purification; improving the water resource management structure; training farmers in special techniques on soil protection; implementing a crediting program for agriculture and forestry; supporting the existing structures of forests and national parks; expanding a network of especially protected natural territories; developing a national strategy for preservation of a biological diversity and developing ecological tourism; reducing emissions by thermal-electric systems; and banning soil contamination by uranium, mercury and other heavy metals.

172. Also for the first time in Central Asia in February to May 2000 the Government carried out in cooperation with the UNDP a project “Potential of the 21st Century – the Program for the Kyrgyz Republic”. The purpose of this project was to help the country in protection of environment and rational use of natural resources.

173. The Government is currently revising under the Comprehensive Development Framework of the Kyrgyz Republic a new draft of the State Program on Environment Protection and Rational Use of Natural Resources for the period up to 2010. Implementation of major

directions of the policy as envisaged in this program would be one of the main tasks in poverty alleviation.

IX. SECURITY

174. Protection of the national interests by political and diplomatic means is the basis of external policy of Kyrgyzstan in ensuring domestic stability in the country and not allowing for growth of poor people.

175. The following tasks will be solved to implement the external policy: (a) strengthening stability and security in the region; (b) strengthening friendly relations with highly developed countries of the West and East; (c) development of cooperation with UN organizations and specialized institutions, regional international organizations, financial and economic institutions; (d) strengthening cooperation with developing countries and countries in transition.

X. INSTITUTIONAL STRUCTURE FOR NSPR

176. By its instructions the Government established a Governmental Commission on NSPR, carrying out general governance of strategy development. The commission reports to the Government headed by the Prime Minister. The structure of the Commission included, basically, the first officials (ministers) of key ministries, departments, and governors of all oblasts.

177. The Ministry of Finance was announced by the Government as an official institution to coordinate elaboration of the strategy, the Minister of Finance was appointed as an official coordinator of the country. Interdepartmental line working groups were established consisting of specialists of the Ministry of Finance, other ministries, representatives of science, culture, business, NGOs, representatives of regions who focused their efforts along specific directions under the NSPR.

178. The Coordination Council manages the work on the Comprehensive Development Framework headed by the Prime Minister and its membership includes members of the Government. This coordination council would have the responsibility converting this interim NSPR into a full NSPR. A proposed plan of action is attached at Appendix IV.

XI. BROAD PARTICIPATION PROCEDURE

179. The problem of poverty is the problem of national significance. That is why the process of strategy elaboration is oriented to a sound dialogue and unification of all concerned layers of the society in the direction of implementation of these principles. A solid foundation to build-up a consensus, partnership and cooperation was laid by involving broad layers of the population in the process of preparation of the NSPR and the CDF. Conditionally one can assume that July of 1999 was “a starting point” of the process of participation of all parties, when at the first National seminar the President of the country A. Akaev identified general approaches to the CDF development based on *consolidation and unity of the efforts of government, non-*

government structures and international organizations for gradual poverty reduction and sustainable economic growth. Thus, the NSPR was formed on the basis of broad and regular involvement of stakeholders of the society, including the Parliament of the Kyrgyz Republic and government entities, political parties and non-governmental organizations, scientific and international organizations, local communities and the private sector, mass media and other public organizations.

180. Thus, with the purpose of involvement of broad layers of the population into the process of preparation of the NSPR and the CDF, the government of the Kyrgyz Republic conducted **national workshops** on: 1) Poverty reduction and social protection (February 15–16, 2000); 2) Sustainable economic growth (May 16–17, 2000); 3) Good governance, legal and judicial reforms (July 6–7, 2000); and 4) Final workshop on CDF (December 8, 2000). Representatives of all structures of the society from all oblasts of the republic took part in the workshops, moreover, they submitted proposals on various aspects of the NSPR and the CDF.

181. Besides, during 2000–2001, with the purpose of active involvement of the civil society in discussions of aims and objectives of the NSPR and the CDF, numerous **round tables** with representatives of NGOs, political parties, local administrations, the private sector and mass media were regularly conducted in all oblasts of the republic. In the process of round table discussions, representatives of the civil society made many proposals and recommendations on such issues as poverty reduction, social security, sustainable economic growth, improvement of public governance, legal and judicial reforms, development of the civil society. All the proposals received were summarized and incorporated into the NSPR and the CDF, as well as reflected in the **Resource Book of Proposals**. Moreover, international organizations and donor countries provided technical assistance to the government of the Kyrgyz Republic for preparation of the NSPR and the CDF in the form of research work and reports on various aspects of the NSPR and the CDF. Thus, the process of NSPR and CDF preparation with active involvement of all stakeholders promoted partnership and achievement of a consensus among different structures.

182. As a result, the government initiated the process of stakeholders' involvement; there was a positive shift to a dialogue and cooperation of government and non-government structures, which have become of a sustainable and constructive character. However, it is worth noting that the given process, as it was quite new, was not always smooth. Thus, very often the government acted as the initiator of all arrangements on participation of stakeholders when preparing the NSPR and the CDF, and there was no active participation of other structures in the initiation of the partnership process. Quite often proposals and recommendation on identification of aims and objectives of the NSRP and the CDF from representatives of the civil society were of inadequate character, the measures on notification of the population of the NSPR and the CDF process were conducted weakly, especially in the regions; there was little feedback when using proposals and recommendations from stakeholders; there was weak participation of the private sector and political parties. At the same time, it is necessary to continue and intensify the process started on discussions and consultations with all stakeholders, promote regular and broad dissemination of information on the process of the NSPR and the CDF implementation,

to intensify the process of involvement of the society into joint implementation, monitoring and evaluation of the programs, as well as to use and develop the existing potential and capabilities of the civil society for achieving the goals and objectives of the NSPR and the CDF.

183. During February – March of 2001, with the purpose to determine the input of the civil society into the process of implementation of the NSPR and the CDF, a series of **round tables** was conducted in all oblasts of the republic. Representatives of the civil society proposed their forms and mechanisms of participation in implementation, monitoring and evaluation of the NSPR and the CDF. Thus, representatives of the civil society see their participation in informing the population of the NSPR and CDF implementation process, in defining the needs of the population, in strengthening the democratic basis of the society and building of the lawful state, in promotion of development of education, science, health care, employment, agriculture, micro crediting, small and medium-scale business, in support for socially vulnerable and the poorest layers of the population, as well as solution of ecological problems. Moreover, they also proposed to provide assistance in joint planning and implementation of programs and projects at the level of local authorities and in preparing the budget, they also expressed a great interest in joint monitoring and evaluation of the NSRP and the CDF outcome. The **Partnership Plan** was prepared as a result of the participation process and partnership of all layers of the society, which describes in more detail the process of participation of various structures in elaboration of the NSPR and the CDF, as well as forms and mechanisms of participation of stakeholders in program implementation and monitoring were proposed on the basis of round tables held with the civil society.

184. The **Partnership Matrix** (Appendix II) was developed to define the basis for future partnership of all structures in the NSPR and CDF implementation, which distinguishes the following *partnership objectives*: 1) dissemination of information; 2) conducting of regular consultations and discussions; 3) increasing the responsibility of concerned structures; 4) broad involvement of all structures into implementation, monitoring and evaluation; 5) ensuring of transparency and reporting; 6) strengthening of the potential of stakeholders; 7) education and strengthening of ownership of the program; 8) achievement of the consensus among the society; and 9) orientation to achievement of the results. The Matrix distinguished relevant forms, mechanisms, expected outcome, stages and process participants for achieving these partnership goals.

185. Thus, the government of the Kyrgyz Republic will continue adhering strictly to the principle of partnership and participation of all concerned structures in implementation, monitoring and evaluation of the NSPR and the CDF. In particular the partnership principle will be based on business cooperation and social partnership of all stakeholders with the purpose of achieving a common consensus, active participation and regular informing of the population, delegation of the authority and responsibility for implementation of programs and projects, succession and continuity of actions taken, comprehensive and constant monitoring and independent evaluation of the outcome of program implementation.

XII. MONITORING AND ASSESSMENT

186. One of the most important aspects of implementing the NSPR will be to regularly assess (or monitor) the progress being made against the stated policy and program goals to alleviate poverty in the Kyrgyz Republic. It is understood that in order to effectively monitor and report on progress being made, each policy area included as part of this interim NSPR will identify a set of performance indicators to be tracked on a regular basis with regular reports made to the Ministry of Finance. The selected indicators and related reporting periods will be identified for each policy area over the next three months. Particular attention will be given to the carry out of annual living standards monitoring surveys as well as the improvements of the quarterly household budgets, both of which should provide the needed basis for evaluate the overall set of programs.

187. Performance indicators included in the NSPR will be both qualitative and quantitative in nature and encompass three broad areas: 1) Impact indicators – measures of longer term changes benefiting the Kyrgyz people—such as mortality rates; 2) intermediate indicators—measures likely to be seen over a three-year time frame and directly related to implementing the relevant strategies and programs identified in this NSPR; and 3) national indicators—measures that reflect the Kyrgyz Republic’s development on a micro level.

188. Each performance indicator will be supported by a reliable and valid system of data collecting and reporting. The National Statistics Committee will have a primary role to support this effort as will individual line ministries, such as the Ministry of Health in the area of health data and statistics. Over the next several months, the ability of the Kyrgyz Government to collect and report on performance data will be assessed and an improvement plan will be identified as necessary.

189. **Institutional arrangements.** The Ministry of Finance will coordinate the monitoring of the PRSP indicators along with the continued coordination of the CDF and overall NSPR activities. The MOF will develop a plan to be followed by ministries and agencies for submitting results on the key indicators tracked.

190. The results of the monitoring and assessment of progress against the NSPR goals will be published annually and provided to all interested parties in an accessible format and in accessible languages. The Ministry of Finance will (along with line ministries and agencies) also identify shortcomings of the government’s programs with the intent of making regular improvements and modifications to these programs.

GLOSSARY (Definitions)

Absolute poverty means inability of the family to satisfy its basic needs in food, clothes and housing with the current earnings. Thus, that person is considered to be poor whose income is below some established level. This minimum is called a **poverty line**. To define the poverty line, "a consumer goods basket" is made up and its value is estimated.

Relative poverty: a person or a family is qualified as poor if they couldn't afford the lifestyle accepted in the society they live in with the money they earn. The PRSP defines **the relative poverty line** as a proportional part of average income of a person (in various countries the relative poverty line is defined at 40 percent to 60 percent of average per capita income). Unlike absolute poverty, relative poverty states irremovable, unavoidable character of this social phenomenon.

Certain limitation is inherent in **Income/expenditure poverty**. Income estimates do not reflect the degree of satisfying these or those needs. Lack of opportunity or vaguely formulated needs could deprive a person of education or appropriate medical aid.

Income poverty is complemented with poverty defined through **relative deprivation**: groups of people could be called as poor if their resources are insufficient for adequate food, housing and services, which form a part of the publicly accepted and approved lifestyles. Poverty estimates through relative deprivation base on the degree to which needs are satisfied in a specific society. Experts assisted by respondents make the list of deprivations. Thus **the living standard** is a sum total of income and the essential components: health, education, housing and other affordable social services.

So, poverty should be considered as a multi-facet phenomenon and couldn't be defined as insufficient income only. If human development is viewed as wide opportunities for a decent, creative and healthy life, then poverty is lack of these opportunities and lack of choice. The qualitative poverty monitoring bases on indicators measuring *income* poverty and *deprivation* poverty.

The KR National Statistics Committee uses the following working definitions:

Extreme poverty line (breadbasket poverty line) measures extreme poverty and sets the consumption level at which all the resources used for food couldn't ensure the minimum of 2100 Kcal.

Poverty line (general poverty line) is the minimal consumption level, including both food and non-food needs: the minimal breadbasket (extreme poverty line) plus "essential non-food expenses".

Population Poverty Index (PPI) is an aggregated index measuring deprivations in the three essential components: life span, knowledge and decent lifestyle.

Economically active population is the part of the population, which ensures labor supply for manufacturing goods and providing services. Economically active population are both employed and unemployed.

Population Economic Activity Rate: reflects the share of the economically active population in the total age group.

Unemployment rate reflects the share of the unemployed people in the total population active from the economic point of view.

Official unemployment rate is the share of the officially registered (at the Employment Centers) unemployed people in the total population active from the economic point of view.

LIST OF ACRONYMS

ADB – Asian Development Bank
OPDD – Out-Patient Diagnostic Department
ATS – Automated Telephone Station
GDP – Gross Domestic Product
WB – World Bank
HEI – Higher Educational Institution
WTO – World Trade Organization
HES – Hydro-Electric Station
STI – State Tax Inspectorate
SCI – State Customs Inspectorate
SD – State Department
CS – Civil Service
FDG – Family Doctor Group
GTZ – German Technical Assistance Center
EBRD – European Bank of Reconstruction and Development
UMB – Uniform Monthly Benefit
CPI – Consumer Price Index
HDI – Human Development Index
PPI – Population Poverty Index
GFDI – Gender Factor Development Index
KR – Kyrgyz Republic
CDF – Comprehensive Development Framework
KAFC – Kyrgyz Agricultural Financial Corporation
TPI – Therapeutic-Preventive Institution
PL – Power Lines
IMF – International Monetary Fund
MCB – Minimal Consumer Basket
SMB – Small and Medium Businesses
NBKR – National Bank of the Kyrgyz Republic
VAT – Value Added Tax
NSC – National Statistics Committee
NGO – Non-Government Organization
NSPR – National Poverty Reduction Strategy
OMI – Obligatory Medical Insurance
PIP – Public Investment Program
TVS – Technical Vocational School
UNDP – UN Development Program
POPCP – Poverty Overcoming Potential Creation Program
DFI – Direct Foreign Investment
PRP – Poverty Reduction Program
CIS – Commonwealth of Independent States
MM – Mass Media
MTFP – Mid-Term Financial Projections
USA – United States of America
AIDS – Auto-Immuno Deficiency Syndrome

LTPSSM – Long-Term Pension System Simulation Models

EPF – Employment Promotion Fund

SOSAC – Social Sector Adjustment Credit of the World Bank

Table 1. Kyrgyz Republic: Key Economic Indicators

	Actual	Preliminary	Projection				
	1999	2000	2001	2002	2003	2004	2005
Gross investment	18.0	16.0	16.0	16.0	16.0	16.0	16.0
public investment	10.5	8.5	7.0	6.3	5.9	4.9	3.8
of which PIP	9.4	7.1	6.0	5.5	5.0	4.0	3.0
private investment	7.6	7.5	9.0	9.7	10.2	11.1	12.2
Gross domestic savings	2.4	7.5	10.0	10.6	11.9	10.1	11.4
public savings	-3.2	-2.2	0.2	0.7	1.1	2.1	2.3
private savings	5.6	9.7	9.8	9.8	10.8	8.0	9.1
GDP in current prices (million som)	48,744	62202	71282	80727	90490	100163	110457
Consumer prices (end-of-period)	39.9	9.6	8.0	7.0	6.0	5.0	5.0
GDP per capita (USD)	254	263	282	317	351	385	421
Real growth of GDP (%)	3.7	5.0	5.0	4.5	4.5	4.2	4.0
GDP deflator	37.6	21.5	9.1	8.4	7.3	6.2	6.0
Current account (million USD)	-194.8	-103.1	-84.8	-87.5	-74.1	-116.9	-99.7
Reservs in month of imports	3.4	3.7	3.3	2.9	2.9	2.8	2.9
State government finance (% of GDP)							
Total revenues and grants	17.7	15.9	18.4	17.8	18.1	18.7	18.3
<i>Of which:</i> tax revenues	12.3	12.3	13.3	13.7	13.7	14.0	14.2
Total expenditure	30.4	26.1	24.3	22.6	22.5	21.4	19.7
<i>Of which:</i> interest payments	2.9	2.9	2.4	2.2	2.3	2.2	2.1
State government balance (cash basis)	-11.9	-9.7	-5.9	-4.9	-4.4	-2.6	-1.4
General government balance	-10.6	-9.6	-5.9	-4.9	-4.4	-2.6	-1.4
Debt and debt service							
Public debt /GDP	109.0	121.4	110.4	103.4	97.4	91.7	85.1
Social indices							
Number of population (million people)	4.86	4.92	4.96	5.01	5.06	5.11	5.17
Poverty (% of population)	55.3	52.3	49.4	46.9	44.4	42.0	39.8
Unemployment (%of population)	12.0	11.5	11.0	10.6	10.2	9.9	9.6

* for 1999 year by population census

Table 2. Kyrgyz Republic: State Budget Projections 2001-2005
(In percentage of GDP)

	2000	2001	2002	2003	2004	2005
Total expenditure of state budget	18.2	18.3	17.1	17.5	17.4	16.7
I. General purpose public services	3.2	2.9	2.7	2.6	2.5	2.2
II. Defence	1.9	1.5	1.4	1.4	1.4	1.3
III. Law and order	1.2	1.1	0.9	0.8	0.8	0.8
IV. Education	3.7	3.9	4.0	4.1	4.2	4.2
V. Health protection	2.1	2.3	2.4	2.5	2.5	2.5
VI. Social insurance and welfare	1.8	2.1	2.1	2.1	2.1	2.1
VII. Housing and utility	1.1	1.0	0.9	0.9	0.8	0.7
VIII. Recreation, cultural and religious activities	0.5	0.4	0.2	0.1	0.1	0.1
IX. Fuels and energy	0.0	0.0	0.0	0.0	0.0	0.0
X. Agriculture, water resources, forestry, fishery, and hunting	0.8	0.9	0.7	0.5	0.5	0.4
XI. Mining, mineral resources, and manufacturing	0.1	0.1	0.1	0.1	0.1	0.1
XII. Transport and communications	0.7	0.8	0.7	0.8	0.7	0.8
XIII. Other services and economic activities	0.1	0.1	0.1	0.1	0.1	0.1
XIV. Expenditures not included with principal	1.0	1.7	1.5	1.8	1.9	1.9
State budget deficit	9.7	5.8	4.9	4.4	2.6	1.4
Funding sources	9.7	5.8	4.9	4.4	2.6	1.4
Domestic funding	0.4	0.1	-1.1	...	...	...
External funding	9.3	5.8	5.9	...	...	...

Matrix of Measures⁷ for the National Poverty Reduction Strategy in 2001-2003

Objectives	Assumptions	Projected Results
Macroeconomic policy		
GDP		
1.1. Ensure stable GDP growth	GDP growth in 2000 achieved 5 percent.	Ensure average annual GDP growth at the level of 5 percent in 2001-2003
1.2. Achieve and maintain price stability	Consumer's Price Index amounted to 9.6 percent in 2000	Attain and maintain inflation rate of less than 8 percent.
Monetary policy		
1.1. Carry out a strict monetary policy	Growth in Broad Money aggregate amounted to [11.9 percent] in 2000	Ensure Broad Money aggregate growth by [10.2 percent] in 2003.
Investment policy		
1.1. Develop effective mechanism for the involvement into the production of: businesses' funds; individuals' funds; DFIs' funds.	Limited investment resources. Private investment proportion in GDP amounted to 8.6 percent in 2000.	Increase private investment to over 10 percent of GDP by 2003.
1.2. Search for Direct Foreign Investors (DFI)	In 1999 the proportion of operating businesses with foreign equity participation was a little more than 55 percent of the total number of registered businesses Insufficient information on business opportunities in Kyrgyzstan.	Attain the proportion of operating businesses with foreign equity participation of minimum 65 percent of the total number of registered businesses. Dissemination of information on business opportunities in Kyrgyzstan, conduct investment conferences.
1.3. Informing potential investors of business environment in Kyrgyzstan through Internet, embassies of the Kyrgyz Republic and other channels.		
1.4. Improve legislative and regulatory bases to attract direct investments	Inadequacy and insufficiency of regulatory and legal base.	Adopt in 2000 the Law on Government Support to Direct Investments. Make necessary amendments to the Tax and Customs Codes.
1.5. Revision of trade representatives operation.	Trade representatives have independent legal status.	Place trade representatives under the jurisdiction of embassies.
Fiscal policy reform		
1.1. Reduce budget deficit (taking into account external PIP)	Budget deficit in 2000 (including external PIP) accounted for 9,5 percent of GDP. Relatively high budget deficit volume. Insufficient control over the targeted and efficient use of budgetary funds.	Reduce budget deficit (including external PIP) to [3.8 percent] of GDP by 2003. Ensure budget spending of less than 16,4 percent of GDP by 2003. Shift to program-based budget formation by 2003.
1.2. Ensure full and timely financing of social commitments of the Government.	Level of budget revenues (16 percent of GDP in 2000) do not allow to finance current social expenditures timely and on the projected level. Incomplete and untimely financing of the government social guaranties	Ensure budget revenues of 18 percent of GDP 2003. Ensure social expenditure financing of no less than 10 percent of GDP by 2005.
1.3. Increase level of tax revenues	Tax revenues in 2000 amounted to 7675,8 million soms, which is 12.3 percent of GDP.	Increase the proportion of tax revenues to 14 percent of GDP 2003.
1.4. Improve administration of taxes and customs duties	Complicated administration of taxes Weak material and technical base of Tax and Customs Inspectorates of the Kyrgyz Republic Inadequacy of tax system	Transfer the right to develop and approve instructions, and publish clarifications to the Ministry of Finance during 2002-2003. Create computerized information system in the tax and customs authorities by 2004. Repeal these taxes by 50 percent in 2003, and by 100 percent in 2004.
1.5. Repeal in a phased manner the tax on road use and allocations to the Emergency Fund		
1.6. Introduce property tax	Lack of uniform land and property registration system and their assessment	Adoption of this draft law by the government and Jogorku Kenesh beginning from 2002
1.7. Introduce a tax on the use of subsoil	Lack of tax on the use of subsoil	Amending Tax Code

⁷ The specifics of the measures will be worked out in the process of preparing the final NSPR document.

Objectives	Assumptions	Projected Results
1.8. Repeal customs privileges in the form of exemptions, deterrent or installment payment of duties and taxes on imported goods	Significant volume of customs privileges in respect of goods imported by legal entities and individuals.	Make amendments to the Customs Code of the Kyrgyz Republic on cancellation of customs privileges in 2001 and for the subsequent years
<i>Strategy of External Debt Management</i>		
1.1. Reduce tax burden and ensure effective management of government debt	By the end 2000 the amount of government external debt achieved 110.67 percent of GDP.	Reduce the proportion of nominal government debt to the safe level below 80 percent of GDP by 2003.
1.2. Regulation of loan attraction and sovereign guarantying	Inadequacy of regulatory base and lack of single policy in respect of foreign borrowings	In 2001, develop government debt management strategy and regulatory documents, regulating borrowings and issuance of government guaranties; adopt the law on government and non-government debt.
1.3. Creation of government debt monitoring system and ensuring inter-institutional discipline in collection and provision of information.	Lack of single database on external debt Problems in collection of information on loans and guaranties.	Create government debt monitoring system in 2001. Develop uniform reporting formats by April 2001.
Structural Reform		
<i>Financial Sector Reform Strategy</i>		
1.1. Improve financial intermediation functions	Aggregate capital of operating banks amounted to 864.4 million soms, as on 01.01.2001 Insufficient development of banking service market in the regions of the republic. As on 01.01.2001 there were 9 branches of KAFC with credit portfolio of 507 million soms. Underdevelopment of non-banking financial institution sector (private pension funds and insurance companies). As on 01.01.2001 there were 14 investment funds (authorized capital of 12 million soms), 2 pension funds, and 34 insurance companies. Need for the further credit union development, and provision them with the right to attract deposits and borrow from the Financial Corporation for the Support of Credit Unions in a greater proportion to their own capital. As on 01/01/2001: 191 credit unions with authorized capital of 47 million soms.	Bring banking system to a sound condition Ensure accessibility of banking services in the regions.
1.2. Introduce voluntary and mandatory deposit insurance system after the stabilization of banking sector and creation of favorable conditions for financial sector	Lack of mandatory insurance system for the individuals' deposits in domestic currency.	Increase confidence in banking system
Privatization		
1.1. Continue the work on privatization and preparation for the privatization of large government monopolies (National Airlines, Kyrgyz Telecom, Kyrgyzenergo, Kyrgyzgaz) and other government property	The Program of Denationalization and Privatization of Government Property for 1998-2000 is accomplished.	Issue a GKR Resolution in approval of an action plan and a privatization schedule with respect to monopolists. Implementation of the GKR Resolution "On State Property Privatization Program of the Kyrgyz Republic for 2001-2003"
1.2. Facilitate the entrance of stock companies to the securities market in Kyrgyzstan and outside the country.	State Property Fund has sold through the Kyrgyz Stock Exchange the government shares (from 0.32 percent to 25 percent) in 4 companies, and placed with the KSE the government shares in 49 stock companies for sale	Transfer of state shares in joint stock companies unsold through auctions to the stock (from 1 до 95 percent)
1.3. Assist in restructuring of inefficient but viable enterprises, and liquidate non-viable ones; develop asset assessment standards. Assistance to enterprises in privatization and post-privatization enterprises in their adaptation to market mechanisms.	Insufficient effectiveness of the established forms of corporate governance of stock companies. Economic unattractiveness of enterprises for the investors.	Improve corporate governance Establish a data base with involvement of the mass media and Internet media to attract domestic and foreign investors
1.4. Improvement of legal and regulatory base in conformity with the international law.	Inadequacy of legal and regulatory base	Make the appropriate amendments to the legal base

Objectives	Assumptions	Projected Results
Infrastructure		
1.1. Improve technical condition of the roads of general use by capital repair, reconstruction and rehabilitation; overcome geographical isolation of the regions; ensure access to economic centers.	Volume of completed works on trunk roads: million soms 1999 2000 Capital repair 47,3 38,0 Reconstruction (rehabilitation) 220 310	Ensure annual increase in the volume of capital repair and reconstruction of trunk roads in 2001-2003 by 5 percent.
1.2. Improve technical condition of local (rural) roads at the expense of the Road Fund. Initiate legal, regulatory and institutional steps to involve private sector. Identify segments of roads or road assets for direct private investment or in partnership with the government resources. Increase the volume of road construction works.	Volume of completed works on repair and maintenance of local roads: 1999 15.0 million soms 2000 20,0 million soms. Local roads repaired in 2000 121 km.	Ensure annual increase in the volume of repair of local (rural) roads in 2001-2003 by 10 percent annually.
1.3. Ensure around-the clock passability of the main trunk and rural roads	Closure of roads in 2000: 200 days	Reduce closure of roads 2001-2003 to 100 days per year.
1.4. Ensure all-the-year-round passage bypassing the territories (enclaves) of the neighboring countries, improve transport connection between the rayons of the Batken and Osh oblasts.	Road construction works have been accomplished in the course of project implementation in 2000 for 20 million soms.	Complete construction of the Kok-Talaa - Pulgon - Burgandy - Batken in 2003. Disburse 95 million soms in 2001, 150 million soms in 2002, and 5 million soms in 2003.
1.5. Improve technical condition of man-made installations on motor roads.	Volume of repair and maintenance of man-made installations in 2000: 9.0 million soms.	Increase the volume of construction works on man-made installations in 2001-2003 by 10 percent annually.
1.6. Improve functioning of urban passenger transport.	On the repair of main roads, the following volumes of works have been carried out in 2000: Bishkek - 23 million soms Osh - 31 million soms Jalal-Abad - 3 million soms	Complete the implementation of the urban passenger transport project in Bishkek, Osh and Jalal-Abad jointly with the World Bank in 2003.
1.7. Improve passenger services quality in local railroad transportation to stimulate trade and commercialization.	Volume of passenger and passenger turnover in local railroad transportation: ... 1999 2000 number of passengers(thous. people) 324,6 424,0 passenger turnover (mil. passenger kilometers) 14,5 19,0	Increase passenger traffic in 2001-2003 by 5 percent annually.
1.8. Ensure reliable air communication with the regions and foreign countries. Restructure and privatize National Airlines in order to ease the budget burden and improve sector efficiency.	Air traffic ... 1999 2000 number of passengers(thous. people) 312,0 285,0 passenger turnover (mil. passenger kilometers) 531,6 550,0	Increase passenger traffic volume in 2001-2003 by 1 percent annually.
1.9. Develop and modernize postal and telecommunication networks and communication services. Phased computerization and automation of postal communication. Eliminate communication network monopoly and develop regulations pursuing complex policy in communication and information technologies.	In 2000, 25 digital telephone switches have been put into operation with the installed capacity of 39,392 lines in Chui oblast and 28,300 lines in Osh. The Kyrgyz segment of the Trans-Asian fiber-optical communication line is completed in construction, with the installed facility of 175 km and asset value of 88,659,100 soms.	Increase the volume of paid telecommunication services to individuals by 2 percent annually; introduce additional telecommunication services.
Insufficient number of information units in all oblast central offices of Post Department and the Bishkek International Postal Enterprise.	Complete by 2003 computerization of all regional and urban postal centers with the introduction of terminal computer networks for data processing and transfer from host computers at the central regional post offices of the Post Department. Establish wide-ranging network of postal terminals.	
1.10. Ensure access of the population to the world information resources.	Lack of systematization and integration of information resources and databases.	Outline the uniform government program in the area of informatization by 2001.
1.11. Enhance land-improvement and irrigation condition of fields: partial restoration of irrigation infrastructure and repair of damaged dams.	Deterioration of irrigation and land-improvement systems.	Improve water supply to 100,000 hectares of arable lands in 2003. Complete the construction of seasonal regulation pond on Chanach-Sai river in Ala-Buka rayon. Continue the construction of irrigation facility on Ala-Buga river in Ak-Tala rayon.

Objectives	Assumptions	Projected Results
1.12. Improve systems of irrigation water distribution and supply to farms.	Main role in water distribution is held by government organizations.	Establish a wide network of water user associations.
1.13. Improve the system of payment for water use domestically and abroad. Stimulate water users associations to compensate costs and provide supervision over the management and maintenance of irrigation assets by water users.	The issue of payment for the use of water remains unresolved.	Adopt a law on the participation of water users in maintenance of water distribution facilities.
Energy sector		
1.1. Development of energy sector	In 2000, the share of energy sector in the industrial production was 16 percent.	Increase the share of energy sector in the total industrial production to 18 percent by 2003.
1.2. Increase volumes of electricity export	The volume of electricity export in 2000 was 3,1 billion kWh.	Increase export of electrical power to 4 billion kWh by 2003.
1.3. Seek for achieving the level of self-repayment. of the sector.	Sale of electricity at the domestic market below the production cost.	Reduce quasi-fiscal deficit in power sector.
Agricultural sector		
1.1. Develop processing industries.	The share of processing industry in total industrial production was 20 percent in 2000.	Increase the share of processing industry sector in the total industrial production to 21 percent by 2003.
1.2. Improve agricultural production technology.	Obsolete technology, insufficient equipment and low intensity of production.	Increase the production of food products per capita no less than by 8 percent by 2003.
	At present, 27 kg of mineral fertilizers in the acting substance are introduced per hectare of land on average	To increase the share of fertilizers delivery per 1 ha of arable up to 50 kg of the acting substance
	In 2000, the grain cultures on the area 606,7 thousand hectares were sown by conditioned seed	90 percent of the crop area to sow by conditioned seeds
	The introduction of planting of virus-free potatoes is initiated recently on a small area of 27 hectares	The area for planting of virus-free potatoes to increase up to 1 thousand hectares
1.3. To improve financial maintenance: to attract the investments and other financial assets in agricultural processing branch and agricultural business	Deficiency of circulating assets, limitation and inaccessibility of the credits for the bulk of the farmers and enterprises of agrarian business in the agricultural manufacturers processing branch	To increase the credit portfolio Kyrgyz Agricultural Financial Corporation up to 1 billion soms and to create a wide network of representations of KAFC in the countryside
1.4. To create adequate legal base of credit and financial organizations for the agricultural manufacturers and enterprises agricultural business	Inadequacy of legal base of credit and financial organizations for financial support of the agricultural commodity producers and enterprises agrarian business	To attract funds of the farmers and agricultural businessmen to credit unions
1.5. To make restructuring of the state debts of transformed enterprises	Availability of bad debts of the transformed or not completely transformed agricultural enterprises	To make restructuring of the debts of the poor stratum of the farmers relating to the budget loans for the amount of- 285,4 million soms which came from the transformed collective farms and state farms
1.6. To conduct of agrarian and land reform, to develop the markets of a private landholding and leases of agricultural lands	Inadequate management of land resources	To introduce the market relations in the domain of use of agricultural lands
1.7. To ensure a timely solution of conflict questions relating to land and receivership proceeding, to restore justice in distribution of property and land	Availability of the shortcomings in implementation of agrarian and land reform	To eliminate all revealed shortcomings in accordance with the established procedure

Objectives	Assumptions	Projected Results
1.8. To finish privatization seed farming, pedigree farming and other agricultural enterprises and re-structuring of collective farms	As of October 1, 2000 there were 15 pedigree farming and seed farming, which were not denationalized, as well as 43 other agricultural enterprises	By 2003 to complete the privatization of seed farming and pedigree farming
1.9. Expansion of a network of consultation services to the farmers	Insufficient level of knowledge of the farmers about farming business	Annual scope of provision of consultation services should comprise not less than 10 percent of the farmers
1.10. Perfection of information system concerning the market for agricultural products, provision of access of the farmers to the information	Backwardness of sale markets and absence of the information about such markets which could be available for the farmers	To expand a information services network to the country's regions
1.11. To expand the network of agricultural businesses and processing enterprises	Backwardness of the processing enterprises and agrarian businesses in the countryside and unsatisfactory provision of services to the farmers, backwardness of the trading companies and other auxiliary services	To have one job in the enterprise providing services and in the agrarian businesses per each 10 agricultural producers
<i>Small and medium enterprises</i>		
1.1. To simplify up to the minimum a system of licensing, to reduce to minimum the number of inspection checks; to increase availability of the information to the subjects of business	Imperfection of legislative and normative bases for activities of the subjects of business	To increase a share of small and medium businesses in GDP up to 44 percent by 2003
1.2. To create new economic and organizational conditions for the accelerated development of small business	Complexity and non-transparency of the taxation system for the subjects of small business	For certain types of economic activity to introduce in the period from May to June 2001 the tax payment on a patent basis
1.3. To improve the mechanism for transfer of the premises, equipment to the subjects of small and medium businesses	Insufficient resource base for private sector	By 2003 to transfer to the subjects small and medium businesses free premises and idle equipment
1.4. To develop and to introduce the national standards of the financial accounting and audit	Inadequate international standards of the financial accounting normative base of book keeping	To develop and to adapt the national standards of the financial accounting and audit according to the international standards of the financial accounting and to create a favorable climate for attraction of the investors
1.5. To create an information system regarding the amendments made in normative and legal documents (laws and bylaws)	Absence of transparency in the financial accounting for the investors Weak data support to the businessmen regarding changes in normative and legal sphere	To create by 2003 an information system for normative and legislative activity of the subjects of business
1.6. To expand the state financial support to small and medium businesses. To enhance a role of regional business centers	Imperfection of financial policy (inadequacy of access to the credits) relating to support small and medium businesses	To reduce the interest rates of credit lines and simplify a system for issue of loans
<i>Foreign trade activities</i>		
1.1. Realization of the active exports orientated policy	Volume of export in 2000 increased by 11,2 percent and amounted to \$ 504,5 million	Annual growth of volume of exports by not less than 5-7 percent
1.2. Development of marketing	Lack of sales markets	Creation of an information center (data base) promoting improvement of trade and economic ties
1.3. To settle with the neighboring countries the export tariffs and rates for transit of agricultural products and to conclude the agreements on decrease(reduction) of barriers at their export	Irregularity of the export tariffs and rates for transit of agricultural products through the neighboring states of Kazakhstan and Uzbekistan	The government should make an agreement with neighboring states on lifting off or reducing the barriers on the way to export of agricultural products
1.4. Financial re-structuring of promising types of production	The debts of the previous years	Improvement of financial policy at the enterprises
<i>State management reform</i>		
1.1. To develop the Program for legislative activities of the state authorities for the period from 2001 to 2003	Absence of the coordinated plan for legislative activities of public authorities	To develop in 2001

Objectives	Assumptions	Projected Results
1.2. Introduction of an effective system of state management with precise division of authorities and completeness of the responsibility of the state bodies	Low efficiency of administration of government and absence of feedback	To introduce a system and rigid mechanism of monitoring of functions and authorities. (2000-2003). To create a body coordinating the state management reform
	Duplication of functions	To reduce the number public officials to 30 percent by 2003.
1.3. Creation of effective normative and legal base for the Civil Services system	Imperfection of normative and legal base	Adoption of the Code "On Civil Service".
<i>Decentralization</i>		
1.1. To develop the Strategy and Program for decentralization and development of local self-government for the period of 2001-2003	Lack of the Strategy and Program for decentralization and development of local self-government for the period of 2001-2003	To develop the Strategy and Program in 2001
1. 2. To develop and adopt the following laws "On Local Self-Government and Local State Administration"; "On Financial and Economic bases of Local Self-Government"; "On Communal Property"; "On Municipal Service in the Kyrgyz Republic"; "On Division of Natural Resources into State and Communal Property"	Imperfection of normative and legal base	Adoption of the laws
1.3. Introduction of a system of election of the heads of local governments (aiyl okmotu)	Absence of a possibility of local community to participate in management	To introduce the direct elections of the heads of local governments and heads of cities of regional subordination in 2001-2002
1.4. Acceptance of the laws regulating republican and the local budgets and optimizing a tax system	The formation of the local budgets is done on the top level of government	To adopt the laws in 2001-2002
<i>Improvement of corporate management</i>		
1.1. Improvement of the management system at the enterprises - to accelerate adoption of the Law of the Kyrgyz Republic "On Joint-Stock Companies "	Imperfection of the management structure	Introduction of corporate management
<i>Reform of a judicial and legislative system</i>		
1.1. Reforms of the judiciary branch of the state power	Dependence of a judicial branch of the state authority on the executive branch of the state authority	To make respective amendments to the Constitution, Laws on Government, local government, civil service and other legislative acts
1.2. To develop and adopt the following laws : "On the Status of Judges"; "On the Status of Court Executives"; "On Elections of the Judges in the Kyrgyz Republic"; "On People's Representatives in Court"	Imperfection of normative and legal base	Adoption of the laws
1.3. Creation of effective legislative and legal base aimed at struggle against corruption	Corruption of the civil servants at all levels and branches of a state authority	To adopt the law "On Combating Corruption", to develop the national program for struggle against corruption
1.4. To reduce a level of corruption	Kyrgyzstan holds 87 place out of 99 by the "Transparency International" index Growth of the black and criminal economy. Large volume of smuggling related to excised goods	To reduce an index of corruption
	Low level of trust of the population in all branches of the state authority	To make amendments to existing normative and legal base with the purpose of introduction of provisions for administrative and criminal liability/prosecution for smuggling To involve civil society in development of the state development programs and programs for struggle against corruption

Objectives	Assumptions	Projected Results
1.5. Protection of the rights of the intellectual property: reduction of volumes of sales contraband and false production in the country	The market of Kyrgyzstan is filled with contraband and false products and commodities The normative and legal acts (laws and bylaws) are not efficient	To introduce respective alterations and to supply(ensure) an effective operation of the normative - legal act regulating right of the intellectual property in Kyrgyzstan
Social Protection		
<i>Pension reform</i>		
1.1. Adoption of the law “On Non-State Pension Funds “ 1.2. Perfecting of normative and legal base for pension provision of the workers of agrarian sector	Absence of legal base for activity of non- state pension funds Low receipts of the insurance premium payments from the population engaged in individual labor activities and in the agrarian sector. Non-conformity of pension payments in agrarian sector to the size of the brought in insurance premium payments and insurance practices.	To adopt the law by 2003. To develop the normative and legal acts on pension insurance of the workers of the agrarian sector
<i>Integration of the invalids in society</i>		
1.1. Provision of privileges according to the principle of neediness 1.2. Opening of rehabilitation centers for the invalids	The privileges are not targeted, they are granted by categories, irrespective of a degree neediness 20 rehabilitation centers operate in Bishkek and in Chui oblast	To adopt the law “On State Social Privileges in the Kyrgyz Republic” Opening in 2002 of 3 and in 2003 – 4 rehabilitation centers in all regions of the Kyrgyz Republic By 2002 to make amendments to the Tax Code
1.3. Amendment of the Tax Code regarding the privileges of the enterprises using the invalid workforce 1.4. Satisfaction of the need for invalid's wheel chairs	Absence of the mechanism for granting privileges to the enterprises employing the invalids The need for invalid's wheelchair is annually satisfied only for 20 percent because of lack of budget financing	By 2003 to provide wheelchair to 75 percent of invalids in need of such facilities
<i>Children's poverty</i>		
1.1. Preparation and adoption of the National program “New Generation”	Increased scope of distribution of children's poverty, infringement of the rights of children	In 2001 to adopt the State Program “New Generation”
<i>Social sphere</i>		
<i>Availability of education</i>		
1.1. To increase access to the programs of preschool and school education	Percentage of scope by the programs for preschool education constitutes less than 10 percent In 1999, 0,4 percent of total of children of school age did not visit general school Low level of knowledge and skills of learning in rural schools	To increase up to 12 percent by 2003. To reduce a share of children who are not visiting school by regions and by a level of poverty up to 0,2 percent To develop and to realize the National Program “Village School”
1.2. To ensure the equality of educational services in urban and rural schools 1.3. Use of the remote form of teaching, conversion training and improvement of professional skills of the teachers	Imperfection of a system of training and retraining pedagogical staff	Perfecting of a system within the framework of the Law “On the Status of Teacher” Realization of the Presidential Program “Jetkinchek”
1.4. Support of the children from the socially unprotected stratum of the population, children - orphans who have stayed without custody of the parents 1.5. Provision of schools with the textbooks and teaching aids	Insufficiency of budget funds for provision of educational services to children from the unprotected stratum of the population	To publish 120 titles of the school textbooks of new generation
1.6. To ensure the targeted support to the children from the socially unprotected stratum of the population, children – orphans	Provision by the textbooks of schools with Kyrgyz language of teaching is 75 percent, with Russian - 86 of percent, with the Uzbek language - 82 percent The funds are established at 900 schools, which is 46 percent of the total number of schools	To increase an amount of Public funds to support educational institutions up to 60 percent
<i>Access to public health services</i>		
1.1. Enhancement of the institute of family doctors and abatement of a bulky network of hospital establishments	The plans for re-structuring of medical institutions in the regions are developed	Important of the plans of re-structuring of medical institutions in the regions of the country

Objectives	Assumptions	Projected Results
1.2. Repairing of medical institutions and provision of the necessary medical equipment	Out-of-date material and technical base, lack of funds for repair and maintenance of the medical equipment, bad availability status of buildings	To equip the hospitals and clinics with the basic medical and laboratory equipment
1.3. Reform of a sanitary and epidemiological service, integration into the system of the fundamental medical and sanitary assistance	Poor material and technical base of sanitary and epidemiological stations: irrational spending of funds	Effectively operated system of public health services saves the budgetary funds
1.4. Increase of the level of knowledge of the population about improvement of one's health and leading a healthy way of life, including preventive measures against AIDS, drug addiction, alcohol addiction	14 percent of the population have access to sanitary literature; 44 percent of the people receive the information on health weekly through TV; 35 percent of the population weekly - through the newspapers and journals	Improvement and increase of access of the population to the sanitary and health educational information distributed through mass media
1.5. Implementation of planning family, improvement of health of the mother and child	Provision of contraceptives among all women - 33,9 percent, among pregnant - 48,9 percent. 42,4 percent of the women do not know about availability of methods contraception -; 24,5 percent of the women do not know how to use them The maternal death rate - 46,1 per 100000 of born children (1999) The infantile death rate - 22,7 per 1000 of born children (1999)	Provision of contraceptives: more than 60 percent of the women of genital age. To increase the number of the women informed about the methods of contraception and able to use contraceptives up to 90 percent To reduce parameters: the maternal death rate up to 40,0 on 100000 of born children, infantile death rate up to 21,0 on 1000 of born children
1.6. Medical care of children through preventive inoculations	95 percent of children is covered by an immunization	To cover by an immunization 98 percent of children
1.7. Reduction of parameters of a morbidity and death rate from infectious diseases	Parameters of a morbidity per separate infectious diseases per 100 thousand people: a tuberculosis - 793; grippe - 3747; OKI - 354,4; AIDS - 53 cases (from them 14 - citizens KR)	Reduction of parameters of a morbidity from infectious diseases
1.8. Application of measures for expansion of food products containing iodine	17-20 percent products of domestic output contain iodized salt 50 percent of such products are imported	Annually to increase by 2 percent a share of the population provided with the salt containing iodine
1.9. Improvement of monitoring of the quality of drinking water, products of power supply and background radiation of an environment	12,4 percent of samples of drinking water do not conform with the requirements of the standard 12 percent of products made in the country, do not meet the sanitary standards	Reduction of deviations in the quality of drinking water by microbiological parameters up to 9 percent To reduce a share of products having deviation from the standards up to 5 percent To organize interregional radiological laboratories
1.10. Creation of an information data base on risk factors, system of a monitoring and estimation	There is no appropriate data base for both systems of monitoring and estimation	Data base on risk factors effectively operating system of a monitoring and estimation
1.11. Revision of the educational programs of medical high schools with the purpose of improvement of the quality of training of medical staff	During 2000 - 1409 doctors of FDG have been retrained	2309 doctors of FGP by 2003, i.e. plus 900 doctors
1.12. Introduction of a system for certification of the medical personnel	The system of certification is absent	To conduct certification 25 percent of the experts
1.13. Development of the clinical protocols for granting medical, disease-prevention service based on evidential medicine	70 clinical protocols on individual diseases are developed	To introduce 15 clinical protocols in the pilot regions at a fundamental level
1.14. Improvement of a system of medical services, rational use of medicines	The State medicinal policy is approved	Improvement of the system for ensuring the quality of medicines; perfection of the system of purchases, licensing and registration of medicinal preparations; maintenance of availability of the vital medicine To increase a share of financing of public health services up to 3 percent by 2003
1.15. To develop a stable system of financing of public health services	The share of costs on public health services was 2,5 percent of GDP in 1999	
1.16. To redistribute funds for less wasteful initial medical care	Expensive stationary medical care: 70 percent - hospital service, 8 percent - initial medical care, 22 percent - other services of public health system	Ratio: 50 percent - hospital service, 30 percent - initial medical care, 20 percent - other services
1.17. A step-be-step introduction of the system "of the uniform payer" and development of information systems"	Multilevel system of financing of public health services underdeveloped information network system	Even distribution of funds in the regions, financing of hospital and clinics by final results, creation of regional informational and analytical centers
1.18. Development of the program for the state guarantees for provision of medical and sanitary assistance	The draft program for the state guarantee for provision of the citizens with the medical and sanitary assistance is developed	To adopt the program for the state guarantee for provision of the citizens with the medical and sanitary assistance in the Kyrgyz Republic

Objectives	Assumptions	Projected Results
1.19. Creation of a system for monitoring and indicators for estimation of informal payments of the population for services of public health services. The further implementation of the strategy for replacement of informal payments by regulated formal payments.	At present, there is no system of monitoring and estimation	Reduction of the indicator for assessment of informal payments by 10 percent annually
1.20. Further development of a system for obligatory medical insurance: expansion of scope of obligatory medical insurance	The obligatory medical insurance covers 70 percent of the population (410 FDG of 810 FDG, 82 hospitals)	To cover by obligatory medical insurance 80 percent of the population
1.21. Increase of the tariffs for the insurance premium payments, including the insured citizens	The tariff of the insurance premium payments is 2 percent of the wages fund of institutions, enterprises, and organizations. For the retirees and unemployed pays the Social Fund, while the republican budget makes payments for children, social allowances beneficiaries and the students	To increase up to 4 percent To increase up to 1,5 minimum wages annually for each person To increase up to 1,5 minimum wages annually for each person
Employment of the population, labor market and creation of jobs		
1.1. To increase seizure unemployed at the expense of issue of the micro-credits	In 1999, at the expense of Fund for promotion of employment and local budgets there were issued micro credits in amount of 1,6 thousand soms to the unemployed The number of those trained in the basics of entrepreneurship in 1999 amounted to 202 persons Number of ones who has been trained for basics of entrepreneurial activities has reached 202 people in 1999	In three years to treble the amount of micro credits issued annually By 2003 to increase the number of annually trained by 10 percent Till 2003 increase the number of trained in one year by 10 per cent.
1.2. Increase the rate of job placement of unemployed women	30.7 unemployed women have been registered in 1999, of which 42 per cent have been job placed.	Over three years bring the rate of job placement among unemployed women to 50 per cent of women registered as unemployed.
1.3. Enhance the number of labor exchanges for young people	The labor exchanges for young people are in operation in the cities of Bishkek, Karakol, Balykchi, Osh, Chui-Tokmok, Jalal-Abad. Out of 22000 people applied 8900 have been job placed.	Annually increase the number of job placed young people by 5 per cent as compared to the previous year
1.4. Improve the system of state employment services by means of creating an information and counseling center which also maintains a databank concerning existing vacancies and training courses	Unavailability of access for unemployed in Bishkek to a single source information concerning existing vacancies and training courses	Set up an information and counseling center in Bishkek by 2002
1.5. Connect employment services units into one computer network	Unavailability in the country of a single source database on unemployed, databank on existing vacancies	Set up a single source database on unemployed in the country and databank on existing vacancies
1.6. Further automation of operation of employment services and replacement of outmoded fleet of computers and office technology	Physical and moral obsolescence of existing equipment which do not allow to properly maintain computer database on employed	Improve operation of employment services and maintain the Trud database on employed
1.7. Develop social partnership in regulation of employment promotion issues	On the national level, the Tripartite Council has been in operation since 1999 members to which are employers and trade unions.	Set up such tripartite councils on oblast and rayon levels
1.8. Create conditions for orphans, disabled, refugees to have an access to vocational training and be job placed following such training	There are only two rehabilitation centers in the country	Set up 6 rehabilitation centers in all oblasts of the country by 2003.
1.9. Raise efficiency of training of specialists taking into account the labor market demand	There are no centers which train for entrepreneurial skills There is no database 55 per cent of 1999-2000 academic year graduates have been job placed	Set up 3 centers training for entrepreneurial skills by 2003 Set up a database on the system of vocational education by 2003 Increase the number of the rate of job placement of graduates by 10 percent
1.10. Decrease rate of accident frequency at work and costs related with compensating labor injuries.	There is no center, which provides training and methodology. There are no laboratories	Set up a center which provides training and methodology under the State Labor Inspectorate in 2001-2002 Set up two specialized laboratories by 2003 to make expert assessment of work conditions at work places

Objectives	Assumptions	Projected Results
1.11. Adopt the Law on Mandatory Social Insurance against Accidents at Work and Occupational Decease	There no such law yet	Adopt the law
1.12. Raise efficiency of targeted social protection	51 per cent of total number of families who need public support has been issued social passports by 1.11.2000 Size of public benefit paid to needy is about 5 per cent of minimal consumption budget, and social benefits to disabled – 15 per cent of minimal consumption budget	Provide for 100 per cent coverage with social passports by 2002. By 2003 increase the size of guaranteed minimal level of consumption by 60 percent through improvement of targeting in entitling the benefits
Regional development		
1.1. Set up genuinely efficient local self-government: form legal and financial & economic framework for local self-government which is based upon principle “from bottom up”	Imperfect legal framework which regulates the local self-government	Adopt the Law on Financial and Budgetary Foundation of Local Self-Government in Kyrgyz Republic.
1.2. Set up a system for training and retraining staff for local self-government bodies	Shortage of highly skilled personnel for local self-government bodies	Completely cover demand for highly skilled personnel in regions
1.3. Narrow the gap in extent of development of regions	Equalizing grants are paid to all the regions except Bishkek, Chui and Issyk-Kul oblasts, as in 1999, per capita income in cash were by 35.3 per cent – Osh oblast, 44.4 per cent – Batken oblast, 44.5 per cent – Naryn oblast, 51.5 per cent – Talas oblast and 62.7 per cent – Jalal-Abad oblast lower than that of the national level.	
1.4. Rehabilitate Osh city airport	Limited capacity for landing of more planes. Moral and physical obsolescence of equipment.	Rehabilitate the pavement of the airfield, install light signaling equipment, install new meteorological equipment, build an airport terminal building equipped with new equipment for registration of passengers, rehabilitate existing building of air terminal, set up airport territory fencing. Reduce internal migration caused by economic reasons in statistical terms. Heighten local administrations potential in dealing with migrants.
1.5. Optimize internal migration management issue: train individuals representing local administrations how to deal with migrants	Spontaneous internal migration. Land squatting and land conflicts. Social services unavailability for internal migrants. Incapacity of local state administrations to deal with issues on adaptation of migrants.	Reduce population migration rate
1.6. Set up a system and operational capacity managing migration processes	Unavailability of all-embracing comprehensive system managing migration processes	
1.7. Improve social and economic conditions in small towns, semi-urban settlements and remote highland areas.	Existence of small towns and semi-urban settlements, remote highland areas.	Adopt the Kyrgyz Republic Government Decree On Social and Economic Development of Small Towns and Semi-Urban Settlements in 2001-2003 and another Decree on Social and Economic Development of Remote Highland Areas. Make more active work in terms of information and advertising in main markets of tourism, set up a favorable administrative and legal environment; privatize rest and recreation facilities. Set up a tourist center in Besh-Tash National Park Set up a tourist center on the basis of Manas Complex Set up a tourist center in Ken-Kol locality
1.10. Increase coverage of rural area population with centralized water supply system services	Low coverage of rural population with supply of running water services.	By 2003, raise the coverage of rural population with centralized water supply system services by 5 per cent.
1.11. Rehabilitate and maintain water supply and sanitation systems in rural areas. Promote communities’ involvement in partial coverage of capital costs and greater part of costs related with repair works on water supply and sanitation systems using services of NGOs.	28 per cent of population do not have an access to safe drinking water.	Decrease it down to 23 per cent by 2003.
1.12. Enhance rural telephone networks	2.99 lines per 100 residents as of 01.01.2000	Lines per 100 residents: 2001 – 3.22 ; 2002 – 3.33; 2003 – 3.47
1.13. Increase the level of access to quality primary health care services for all groups of population.	16.1 per cent of population do not have an access to health care services for a mere reason of “too expensive” 93 per cent of Bishkek city and Chui oblast residents have been registered with FGPs.	Reduce down to 5 per cent by 2003 Make primary health care services at maximum closer to people through registering 90 per cent of population of the country with FGPs.

Objectives	Assumptions	Projected Results
Environment		
1.1. Review and introduce a public program on environment protection and rational use of natural resources.	Existing program requires some adjustment	Review existing program and secure approval of the Government
1.2. Develop ecological passports for the cities of Bishkek and Osh	Unavailability of passports	Ecological passports of Bishkek and Osh cities
1.3. Provide monitoring over: - quality of air; - pollution of surface and subsurface water; - environment radioactive pollution; - use of natural resources	In 2000, motor vehicle exhaust on 3.4 benzopyren exceeded ambient air standard 25-35 times In 2000 an extent of pollution of soil exceeded the norm : - 1.4 times norm on lead; - 12.7 times norm on chromium.	
1.5. Carry out an inventory stock taking (passportization campaign of structures to determine seismic resistance capacity of buildings and structures)	More than 75 per cent of buildings and structures have not been surveyed for their seismic resistance capacity	Bring the number of not investigated buildings and structures down to 40 per cent
<i>Security</i>		
1.1. Enhance cooperation with other countries in combat against international terrorism, illegal drugs trafficking, organized crime; strengthen control at borderline	Invasion of militant groups in 1999-2000 Existence of illegal drugs trafficking	Stabilize the situation in the country Eliminate illegal drugs trafficking
1.2. Develop and implement a program of combat against shadow economy and corruption	Significant portion of shade economy	Bring the size of shadow economy down
1.3. Create material and technical reserves and elements of production providing security	Imperfect security provision material and technical base	Existence of elements of production and material and technical base of provision of security
1.4. Training military personnel	Inadequate skills of national military personnel	Availability of skilled military personnel
1.5. Strengthen training to bring up skilled personnel of diplomatic services	Insufficient collection of topics for studying underlying reasons of international conflicts	Reorganize the Diplomatic Personnel Training and Skills Raising Center under International University of Kyrgyzstan into Diplomatic Academy of Kyrgyz Republic Ministry of Foreign Affairs.

Policy Measures Financing Under National Strategy On Poverty Reduction

Direction	Year	Domestic sources			External sources	
		Requirement in financing from state budget	Stipulated in medium term budget	Other domestic sources*	Financed	Non-financed
Forming a basis for sustainable economic growth	2001	11372.95		4249.62	39724.86	47847.12
	2002	14830.55		4144.12	42673.33	46285.85
	2003	16890.55		4054.12	43615.83	45713.92
State governance institute development policy	2001	-		-	-	-
	2002	-		-	-	-
	2003	-		-	-	-
Human resources development	2001	19234.01	17735.1	64470.69	8980.19	13634.69
	2002	17323.44	8381.6	66393.02	DM 3.3 million 10766.88	41371.72
	2003	16823.12	8048.0	62575.04	DM 3.3 million 32688.38 DM 3.3 million	49710.53
Regions, cities and settlements	2001	4436.73		270.86	32347	206.6
	2002	1454.33		270.86	36747	206.6
	2003	1513.93		270.86	17325.5	206.6
Natural resources maintenance	2001	-		28	2716.66	-
	2002	-		30	2666.66	-
	2003	-		34	18666.66	-
Development security	2001	10 791.2		208.7	-	-
	2002	-		-	-	55.56
	2003	-		-	-	-
TOTAL		14670.81		207044.89	288918.95 DM 10 million	245239.16

Employment Fund, Social Fund, Counterpart Funds

CDF/PRSP Partnership Matrix (Draft)

Objectives	Mechanisms	Forms	Expected outcomes	Stages	Participants
Information sharing	1. Conduction of wide-ranging public campaigns to the PRSP/CDF.	1. CDF/PRSP meetings results and participants recommendations are elucidated in mass media.	1. Entering of the final amendments into the final NSPR\CDF	1. April-May, 2001.	1. State sector, Finance Ministry, CDF/PRSP drafters, mass media, Parliament
	2. Conduction of regular public media actions to inform about the implementation, monitoring and evaluation of the PRSP/CDF programs.	2. Public hearings, TV and radio broadcasting, newspaper and magazines features.	2. Informing of the population on NSPR\CDF implementation, monitoring and evaluation	2. Regularly	2.State sector, mass media.
	3. Preparation and distributing of the brochures, pamphlets, press releases, etc.	3. Brochures, pamphlets, press releases, interviews, news in mass media.	3. Informing of the population on NSPR\CDF implementation, monitoring and evaluation	3. Regularly	3.Mass media
	4. Wide use of mass media and Internet to inform about the implementation, monitoring and evaluation of the PRSP/CDF.	4. Publications, TV broadcast, interview, Internet-page.	4. Informing of the population on NSPR\CDF implementation, monitoring and evaluation	4. Regularly	4. Mass media
	5. Establishment of the national and regional Information centers and using of the existing resources centers including Support Civil Society centers of NGOs in the information sharing.	5. Information Centers	5. Distribution of the information about NSPR\CDF implementation, monitoring and evaluation	5. Regularly	5.NGOs, public foundations, mass media

Objectives	Mechanisms	Forms	Expected outcomes	Stages	Participants
Consultations	1. Discussions of the PRSP/CDF implementation and corrections, changes at the local and central levels.	1. Round tables	1. Entering of the amendments into the NSPR\CDF	1. 2000-2010	1.State sector, Finance Ministry, National Committee (Coordinative Board), NGOs, Parliament, private sector
	2. Sharing by the experience and capacity building for implementation of the CDF/PRSP (local and central level)	2. Seminars	2. Enrichment of participants knowledge	2. Regularly	2.State sector, NGOs, mass media, scientific and academic institutions.
	3. Discussions at the ministries and agencies on development of sectoral programs and projects and changes, corrections in the CDF/PRSP.	3. Regular meetings – consultations	3. Modification into sectoral program and projects	3. Regularly	3. State sector, NGOs, National Committee, mass media, professional associations, academia.
	4. Education on the preparation and management of CDF/PRSP projects, and on the establishment of professional associations at the local and central levels	4. Training and seminars	4. Getting of skills on preparation and management of the projects within CDF\NSPR; 5. Establishment of professional unions and associations	4. Regularly	4.Donors, state and private sector, NGOs, mass media, academia, National Committee, poor people
Collaboration and responsibility of stakeholders	1. Joint planning of the social programs to target most vulnerable groups of population at the local level under the PRSP/CDF.	1. Participation in the local budget planning and social programs	1. Distribution of the responsibility between participants.	1. Regularly	1. Donors, local administrations and private sector, NGOs, self-governmental bodies, poor people
	2. Joint participation in the planning, implementation and monitoring of the CDF/PRSP social and economic projects and programs.	2. State order, implementation of joint projects, local and central budget allocations, private fees, volunteer development		2. Regularly	2. Donors, state and private sector, NGOs, self-governmental bodies, poor people

Objectives	Mechanisms	Forms	Expected outcomes	Stages	Participants
Engagement	1. Participation of the stakeholders in the implementation, monitoring and evaluation of the CDF/PRSP.	1. Surveys, audit, focus-groups, regular evaluation, selective analysis, citizen cards system	1. Achievement of the CDF\NSPR purposes and tasks	1. Regularly	1. Donors, state and private sector, NGOs, mass media, scientific and academic structures, self-governmental bodies, poor people, political parties
	2. Provision of two-way communication between CDF/PRSP implementers and civil society representatives.	2. Meetings, consultations, discussions.	2. Development of the constructive partner relations between the participants of the programs	2. Regularly	2. Donors, state and private sector, NGOs, mass media, academia, self-governmental bodies, poor people, political parties, Parliament, National Committee
Provision of transparency, openness and accountability	1. Regular reports of the Government of Kyrgyz Republic on the implementation and monitoring of the CDF/PRSP.	1. Press releases, brochures, TV propaganda, radio programs, publication of annual reports (including budget) in the mass media, announcement of tenders on implementation of project programs.	Achievement of the CDF\NSPR transparency, openness and accountability	1.Regularly	1. State sector National Committee, Mass Media
	2. Independent sociological surveys to identify the level of transparency and openness of programs.	2. Surveys results and analysis.		2. Regularly	2. NGOs, Private sector, science and academic institutions
Stakeholders capacity building	1. Participation in implementation, monitoring, and evaluation joint projects.	1. Joint projects	1. Establishment of equal in rights partner mutual relation between the stakeholders	1. Regularly	1. State sector, National Committee, Media, NGOs, Private sector, science and academic institutions, donors, local administration, political parties.

Objectives	Mechanisms	Forms	Expected outcomes	Stages	Participants
	2. Workshops on Logical Framework, implementation, monitoring, and evaluation of CDF/PRSP projects on central, local and international levels.	2. Trainings and workshops,	2. Getting of skills on planning	2. Regularly	2. State sector NGOs, Private sector, science and academic institutions, donors, local administrations,
	3. Participation in professional, human resource development, communication and experience sharing trainings.	3. Trainings, workshops.	3. Enrichment of professional skills of the participants of the programs	3. Regularly	3. State sector Media, NGOs, Private sector, academia, donors.
	4. Participation in CDF/PRSP experience sharing conferences on local, central and international levels	4. Conferences and round tables,	4. An exchange by experience	4. Regularly	4. State sector, NGOs, Private sector, academia, donors
Strengthening of ownership	1. Wide involvement of stakeholders into the implementation, monitoring and evaluation of the PRSP/CDF projects.	1. Joint projects, questionnaires, and surveys.	1. Development of ownership feelings	1. Regularly	1. State sector National Committee, Media, NGOs, Private sector, academia, donors, local administration, Parliament, political parties.
	2. Joint planning for the address aid to vulnerable layers of the population and decision of urgent problems at a local level.	2. Participation in the local budget planning	2. Development of ownership feelings	2. Regularly	2. NGOs, private sector, poor, self-governing bodies
	3. Development of market mechanisms	3. Creation of favorable conditions for the development of SME.	3. Change of the existing legislation simplified procedures of registration, growth of quantity (amount) of the newly created enterprises of small and average business, creation of new workplaces	3. Regularly	3. State sector, Parliament, Private sector.

Objectives	Mechanisms	Forms	Expected outcomes	Stages	Participants
Reaching consensus and agreement	1. Conducting trainings on conflict resolution, image making, business communication and project presentation.	1. Workshop and trainings	1. Participants have practical skills in conflicts resolution	1. Regularly	1 State sector, National Committee, Media, NGOs, Political Parties, Private sector, academia, donors, local administration.
	2. Establishment of legitimate association of NGOs representing common interests of civil society.	2. Association of NGOs, House of Confederation of the civil society	2. Creation of a civil society Association (House)	2. 2001-2002	2. NGOs, Public Foundations, the poor, associations, academia.
Orientation on long term results	1. Meetings for decision making optimization and efficiency of activities	1. Round tables, seminars, annual conferences	1. Achievement of the CDF\NSPR purposes and tasks	1. Regularly	1. State sector, National Committee, Media, NGOs, Private sector, donors, local administration.
	2. CDF/PRSP monitoring and evaluation	2. Sociological survey and scientific researches	2. Increasing of macroeconomic indicators in comparison with the previous period (2000 to 1999 r, 2001 by 2000 etc).	2. Regularly	2.State sector, Mass-media, NGO's, donors, beneficiaries, self governmental bodies, political parties
	3. Analyses of macroeconomic indicators, characterizing increase of people's well being by level of social protection, GDP per capita, average wage to consumer basket, average pension to consumer basket, level of poverty etc.	3. Statistical Committee reports, reports of the Government, independent surveys and analysis.	3. Increasing of macroeconomic parameters in comparison with the previous period (2000 to 1999 r, 2001 by 2000 and with other countries	3. Monthly and yearly	3. Government National Committee on Statistics, NGOs, political parties.

Objectives	Mechanisms	Forms	Expected outcomes	Stages	Participants
4. Analyses of economic situation in compare with other PRSP, CDF countries or countries in transition.	4. Government reports, reports of UNDP, World Bank, IMF, international conferences.	4. Increasing of macroeconomic indicators in compare with other countries	4. Yearly	4. State sector, National Statistical Committee, Donors	

Notes: this document was prepared by Project “Capacity Building under the CDF Program” for the development of the CDF/PRSP Participation Plan. The Matrix is based on the results of about 50 round tables organized by the project and Counterpart Consortium in a February 2001 year. These round tables took place on local and region (oblast) levels with active participation of civil society of each oblast.

List of Draft Laws to be Adopted under Kyrgyz Republic's Comprehensive Development Framework until 2010

#	Draft law	Time given for drafting work	Ones responsible for undertaking
1	On Public Social Privileges in the Kyrgyz Republic	Q III-IV, 2001	Ministry of Social Protection and Labor
2	On Physical Training and Sports	Q III, 2001	State Committee for Tourism, Sports and Youth Policy
3	On Status of Judges in Kyrgyz Republic	Q IV, 2001	Ministry of Justice
4	On Executory Process and Status of Officer of Justice	Q III, 2001	Ministry of Justice
5	On Protection of Deposits	Q I, 2002	Ministry of Finance, National Bank
6	On Volunteership	Q II, 2002	Ministry of Education and Culture
7	On Social Partnership	Q IV, 2001	Ministry of Social Protection and Labor
8	On Information Resources	Q III, 2001	Ministry of Transport and Communications,
9	On Insurance of Information Risks	Q I, 2001	Ministry of Transport and Communications Ministry of Finance
10	On Insurance of Industrial Accidents and Occupational Diseases	Q IV, 2001	Ministry of Social Protection and Labor, Ministry of Finance
11	On Defense	Q IV, 2001	Ministry of Defense
12	On Emergency Preparedness	Q IV, 2001	Ministry of Defense
13	On Martial Law	Q I, 2002	Ministry of Defense
14	On Civil Control	Q II, 2002	Ministry of Defense
16	On Jurors	Q II-III, 2002	Ministry of Justice
17	On Local Self-Government's Finance Principles	Q III-IV, 2001	Ministry of Finance
18	On Communal Ownership for Land and Other Natural Resources	Q II-IV, 2002	State Committee for State Property Management and Attraction of Direct Investments
19	On Delineation of Public and Communal Ownership of Natural Resources	Q II-IV, 2002	State Committee for State Property Management and Attraction of Direct Investments

Note: Time given for drafting work may be adjusted based upon proposals by ministries and departments.

“ I Approve”
by instruction number _____ as of _____ 2000
S. Mederov, Kyrgyz Republic Minister of Finance

SCHEDULE
For Preparing a Draft Interim Report on National Strategy on Poverty Reduction (NSPR) in 2001-2003
(May 4, 2001–April 1 2002)

	Action	Participants	Time for implementation
1	Hand over a draft NSPR approved developers (donors, key ministries, civil society) draft of the NSPR to President's Administration, government and main donors	Ministry of Finance, President's Administration, government, donors	April 16, 2001
2	Introduction of final adjustments into the paper by the WB, ADB, IMF and key ministries	Ministry of Finance, key ministries, WB, IMF, ADB	April 16–may 4, 2001
3	Prepare NSPR taking into account recommendations by donors, experts, civil society	Ministry of Finance	May 4, 2001
4	Government to consider the paper and take decisions	Ministry of Finance, Government	May 12, 2001
5	Submit the paper to IMF Executive Board	Ministry of Finance, IMF	May 25–June 25, 2001
6	Finish discussion and adopt the paper	Government, Ministry of Finance, WB, IMF and ADB	June 25–July 23, 2001
7	Work with ministries responsible for implementation of different components of the paper and monitor their activities	Ministry of Finance	Permanently
8	Identify to which extent there is a need for raising skills of civil servants	Ministry of Finance, civil servants	June 25–July 25, 2001
9	Hold a national seminar at the lake of Issyk-Kul to discuss the Participation Plan	All representatives of interested parties (200 people)	July 23–August 3, 2001
10	Prepare a report concerning the seminar and place it in the Web	Ministry of Finance	August 6–10, 2001
11	Introduce changes in the Participation Plan based upon proposals made by the seminar participants following an expert assessment made.	Ministry of Finance	August 6–15, 2001
12	Meet with the National Council to discuss the matter on stakeholder participation and adopt a schedule on regular public hearings, consultations with people and appoint ones responsible its implementation	Ministry of Finance, National Council	August 15-31, 2001
13	Prepare a new project (up to 1 year) to support implementation of NSPR and discuss an issue on securing its funding with the WB, ADB or UNDP	Ministry of Finance, WB, ADB and UNDP	June 25–July 25, 2001
14	Regularly meet with mass media to brief them on implementation progress	Ministry of Finance, mass media, key ministries	Quarterly

	Action	Participants	Time for implementation
15	Regularly hold meetings, round tables with main stakeholders to discuss progress of NSPR implementation.	Ministry of Finance, key ministries	Quarterly
16	Hold round tables with civil society, mass media, private sector, donors to discuss progress of NSPR implementation	Ministry of Finance, key ministries, NGO, private sector, donors	Quarterly
17	Hold public hearings for ones wishing to learn about progress in implementation of NSPR	Ministry of Finance, mass media, key ministries, population	Quarterly
18	Regularly disseminate information through the urban, regional and local Civil Society Support Centers	Ministry of Finance, NGO and their Civil Society Support Centers	Quarterly
19	Hold regional meetings, consultations, round tables at sites	Ministry of Finance, local mass media, UNDP volunteers, local population	Quarterly
20	Carry out training of NSPR developers abroad on logical and structural approach in planning work (US or UK)	Developers (2 people) from Ministry of Finance	February 2001 - March 2002
21	Carry out a series of training for civil society on project management and forming trade unions on central and local levels	Ministry of Finance (2 people), NGO (100 people), research institutions	September 2001–March 2002
22	Carry out training on communicative skills, conflict resolution and image in Moscow	Ministry of Finance (5 people), NGO (5 people)	December 2001
23	Carry out training on communicative skills, conflict resolution and image in US	Ministry of Finance (5 people), NGO (5 people)	January 2001
24	Carry out training on communicative skills, conflict resolution and image in Bishkek	Ministry of Finance (10 people), NGO (1000 people), research institutions	February 2001–March 2002
25	Carry out training on identification of potential in rural area using method of PRA and micro-lending	NGO, research institutions, 2000 people of 7 oblasts of the country, UNDP volunteers	February 2001 - March 2002
26	Hold a round table or forum to discuss completion of the first year of NSPR implementation: summing up, analysis, conclusions	Ministry of Finance, NGO, mass media, key ministries, private sector, donors	February-March 2002
27	Introduce changes in NSPR (in the action plan for the 2 nd of program implementation)	Ministry of Finance	March 2002
28	Placing information in the Web on outcomes of the round table discussion	Ministry of Finance	March 2002
29	Hold a virtual forum in Internet to discuss progress of NSPR implementation	Ministry of Finance, donors, civil society	March 2002
30	Hold a press conference for mass media to talk about progress of NSPR implementation	Ministry of Finance, mass media	March 2002

Programs and Strategies in the i-NSPR: Current Status and Road towards a full NSPR

Economic/Policy Area	Design Status	Implementation Status	Next Steps for the full NSPR	External Assistance
Pro-poor Economic Growth				
Macroeconomic Policy				
Monetary and Exchange Rate Management	Developed	Under implementation		IMF
Debt Strategy	Developed	Rescheduling under implementation	Assess progress, re-evaluate	IMF, WB
Fiscal Strategy	Developed	2001 under firm implementation	Further develop 2002-05 fiscal parameters	IMF
Priorities areas for Spending	To be developed	PIP management, Medium-term framework	NSPR to be consistent with Spending Policies	IMF
Structural Reforms				
1) Financial Sector Reform Strategy	Banking Sector strategy designed	Ongoing recapitalization/liquidation efforts	Design strategy for micro-credits, KAFC, etc.	IMF, ADB, IFC, WB
2) Privatization	2001-04 program approved	Under implementation	Review progress	
3) Infrastructure				
Surface transport	Individual programs designed, but no sector	Bishkek-Osh road under reconstruction	Develop O&M and prioritization strategy	ADB, TBD
Air	Framework designed and approved	Airport reconstructed, airport and airline divested	Assess progress, re-evaluate	Japan
Telecommunication	Framework designed and approved	Unsuccessful bid in 2000, ongoing dispute with advisor	Assess progress, re-evaluate	TBD
4) Energy sector	1-2 year strategy designed for gas/power	First tariff adjustment made, unbundling of sector ongoing	Assess progress, re-evaluate	WB, TBD
5) Agrarian sector	Advance implementation of 1994-98 strategy	New strategy prepared, pointing at non-agricultural devel.	Re-evaluate status, point key next steps	WB, IFAD, TBD
6) Small and Medium Enterprises	Under design, some components well advanced		Assess progress, update strategy	USAID, TBD
7) Foreign economic activities				
Governance and Legal Reforms				
Public Administration Reform	Initial Measures ordered, overall strategy TBD		Complete design of strategy	UNDP, TACIS, WB, TBD
Decentralization	Partially design, issues of intergovernmental fiscal	Initial set of devolvement to local levels is ongoing		TBD
Public Finance Management and Reform	first changes introduced in 1997	none	to be designed	IMF, WB, TBD
Corporate Governance Improvement	first set of measures introduced in 1998	none	ongoing design	ADB
Judicial and Legislative Reform				ADB, WB, USAID, TBD
Poverty, Vulnerable Layers of the Population, Human Development				
1) Social Protection				
Pension Reform	Designed in 1997	Implemented in 1998-00. Needs reassessment		WB, IMF, TBD
Integration of Invalids into the Society	Blend of pre-transition with some modifications	little implementation for lack of budget	To be redesigned	TBD
Children's Poverty	Blend of pre-transition with some modifications	little implementation for lack of budget	To be redesigned	UNICEF, TBD
2) Social Sphere				
Access to education	1998 National program under implementation			
Access to health services	Designed, Health II phase negotiated	Manas Program implemented and assessed	Progress update	WHO, WB, ADB
3) Employment of the Population, Labor Market and Creation of Workplaces				
Other Areas				
EQUALIZ EQUALIZATION OF REGIONAL DEVELOPMENT				
ECOLOGY				
SECURITY				
INSTITUTIONAL STRUCTURE FOR NSPR				
BROAD PARTICIPTION PROCEDURE				
MONITORING AND ASSESSMENT				