INTERNATIONAL MONETARY FUND

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KYRGYZ REPUBLIC

March 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT AND DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; INFORMATIONAL ANNEX; AND DEBT SUSTAINABILITY ANALYSIS

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 26, 2020, following discussions that ended on March 23 with the officials of Kyrgyz Republic on economic developments and policies underpinning the IMF arrangement under the Rapid Financing Instrument and Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on March 24, 2020.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.

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

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International Monetary Fund
Washington, D.C.

IMF Executive Board Approves a US$120.9 Million Disbursement to the Kyrgyz Republic to address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF Executive Board approves the first request for emergency financial assistance to help its member countries address the challenges posed by COVID-19.
- The approval of the request from the Kyrgyz Republic will make available US$120.9 million to the authorities to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic: helps catalyze donor support and free resources for essential COVID-19-related health expenditure.
- To absorb the shock of the pandemic, the government is appropriately implementing a temporary loosening of macroeconomic and financial policies.

Washington, DC – March 26, 2020 The Executive Board of the International Monetary Fund (IMF) approved a purchase of the Kyrgyz Republic under the Rapid Financing Instrument (RFI) equivalent to SDR 59.2 million (US$ 80.6 million, 33 percent of quota) and a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 29.6 million (US$ 40.3 million, 17 percent of quota) to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

This is the first IMF emergency loan under the RFI/RCF worldwide since the outbreak of the pandemic.

The outbreak of the pandemic has weakened the macroeconomic outlook for the Kyrgyz Republic and opened a balance of payments gap estimated at about US$400 million. There is an unprecedented high level of uncertainty surrounding this projection. The IMF support helps provide a backstop, increase buffers, and shore up confidence for the Kyrgyz economy. It also helps catalyze donor support and preserve fiscal space for essential COVID-19-related health expenditure.

To absorb the shock of the pandemic, the government is appropriately implementing a temporary loosening of macroeconomic and financial policies.

Following the Executive Board discussion, Ms. Ms. Kristalina Georgieva, Managing Director and Chair, made the following statement:

Following the Executive Board discussion. Ms. Kristalina Georgieva, Managing Director and Chair, made the following statement:

“The COVID-19 pandemic has been hitting the Kyrgyz economy very hard and created an urgent balance of payments need. All sectors are being impacted with extreme severity as measures are being taken to stop the spread of the virus.

“Given the unprecedented high level of uncertainty, IMF emergency support under the Rapid Financing Instrument and the Rapid Credit Facility helps provide a backstop and increase buffers and shore up confidence. It also helps to preserve fiscal space for essential COVID-19-related health expenditure and catalyze donor support.

“To address the crisis, macroeconomic and financial policies need to be loosened. A temporary increase in headline inflation owing to the weakening of the exchange rate needs to be accommodated. Monetary policy needs to gradually bring inflation back within its target range next year. Flexibility in the exchange rate needs to be maintained to restore external balance.

“A temporary widening of the budget deficit is appropriate, provided it can be fully financed with donor financing. In the short run, the priority is to safeguard health spending and create space for increasing health and other spending once the full impact of mitigation measures is assessed. In the medium run, the budget deficit will need to be reduced to lower levels once the crisis abates.

“Banks’ capital and liquidity buffers need to be used to absorb credit losses and the liquidity squeeze. Once these buffers are exhausted, the central bank needs to show flexibility on the timing of bringing capital and liquidity above the minimum required, considering the length of the crisis.

“Expeditious donor support is needed to close the remaining balance of payments gap and ease the adjustment burden.”

INTERNATIONAL MONETARY FUND

KYRGYZ REPUBLIC

March 24, 2020

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

EXECUTIVE SUMMARY

Context. The outbreak of the COVID-19 pandemic has weakened the macroeconomic outlook and opened a balance of payments gap estimated at about $400 million for which the authorities have requested a purchase under the Rapid Financing Instrument (RFI) and a disbursement under the Rapid Credit Facility (RCF) under the "exogenous shock" window of the RCF (see attached Letter of Intent—LOI). There is an unprecedented high level of uncertainty surrounding this projection. The Fund emergency support helps provide a backstop and increase buffers and shores up confidence. It also helps catalyze donor support and preserve fiscal space for essential COVID-19-related health expenditure. The authorities are working on the processes to ensure the quality of this spending.

Impact of the shock. Assuming the impact from COVID-19 will last for the first half of 2020, real GDP growth would slow to 0.4 percent, inflation increase to 12 percent, and the current account deficit to widen to 14.5 percent of GDP. This would open an external financing gap of 5.0 percent of GDP. The fiscal deficit would increase to 7.8 percent of GDP and public debt would peak at 66 percent of GDP. The impact of the COVID-19 pandemic on the Kyrgyz economy is subject to a considerable margin of uncertainty with significant downside risks, including the possibility of a more protracted and intense crisis which would lead to significantly larger balance of payments gap, and the need for stronger policy adjustment and further financing from development partners.

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

Debt distress is moderate.

Capacity to repay the Fund is adequate.

Approved By
Subir Lall (MCD) and Vitaliy Kramarenko (SPR)

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

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RECENT ECONOMIC DEVELOPMENTS

1. **Macroeconomic and financial sector performance in 2019 was broadly favorable** (Tables 1–10). Real GDP growth increased to 4.5 percent in 2019 due to a pickup of both gold and non-gold output. The output gap was closed but both headline and core inflation remained well below the inflation target range (5–7 percent). The current account deficit narrowed to 9.2 percent of GDP in 2019 (compared to 12.1 percent in 2018), driven by both higher gold exports and lower imports. Gross official reserves stabilized at 4.7 months of imports of goods and services, reflecting the net impact of purchases of locally produced gold offset partly by foreign exchange sales. The budget deficit of the general government decreased to 0.1 percent of GDP in 2019, and, as a result, public debt decreased to 54 percent of GDP. The banking sector is well capitalized and liquid but exposed to foreign exchange risk due the still high level of dollarization. The banking system's average capital adequacy ratio amounted to 22 percent in January 2020, the ratio between liquid assets and liabilities (69 percent) is well above the minimum required (45 percent), while the non-performing loan (NPL) ratio increased slightly to 8.1 percent, mainly due to an increase in NPLs for mortgages and construction. While banks' direct exposure to foreign exchange risk is low, indirect exposure via the foreign exchange risk of unhedged borrowers, who earn revenue in KGS but carry debt in US$ and make up about 25 percent of total loans and two thirds of foreign exchange loans, is higher.

2. **The spread of COVID-19 and the recent dramatic fall in oil prices have interrupted this positive economic trajectory** (LOI, ¶¶3–4). There have been 42 confirmed cases of COVID-19 so far in the country. The authorities have taken drastic measures to prevent the outbreak, including the closure of borders with China where 36 percent of imports of goods originate. This is likely to imply a notable hit to domestic activity. The closure of the border has resulted so far in declines in imports from China by 27 percent and in tax revenue collected at the border by about 20 percent compared to the same period last year. The weakening of oil prices has resulted in a fall in remittances by 15 percent compared to the same period last year. Headline inflation increased to 4.1 percent year-on-year in February owing to food prices. The National Bank of the Kyrgyz Republic (NBKR, the central bank) has already sold $202 million of foreign exchange reserves so far (40 percent more than total FX interventions for the whole year of 2019) and the KGS has depreciated by 20 percent vis-a-vis the US$ since the beginning of the year after a long period of stability since mid-2016. The NBKR raised the policy interest rate by 75 basis points to 5 percent in February, amid global uncertainty and the increase in inflation.

IMPACT OF THE SHOCK

3. **The impact of COVID-19 is likely to be significant in the short-term** (Text Table 1). The assumption in this note is that the impact from COVID-19 will last for the first half of 2020, due to a combination of confidence effects, containment and mitigation efforts, and supply disruptions. In addition, the fall in international oil prices will depress remittances to the Kyrgyz Republic through

its impact on economic growth in Russia. A substantial financing gap is expected to open in the balance of payments in 2020.

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
			Est.			Proj.			
Real GDP (growth in percent)	4.7	3.5	4.5	0.4	6.0	4.3	4.0	4.1	4.1
Nongold real GDP (growth in percent)	5.1	3.5	3.8	0.4	6.3	4.1	4.2	4.3	4.3
Consumer prices (12-month percent change, average)	3.2	1.5	1.1	10.6	7.2	5.3	5.0	5.0	5.0
Public Revenue (in percent of GDP) 1/	33.3	32.5	34.0	28.6	30.1	30.3	30.6	30.9	31.1
Of which: Tax revenue (in percent of GDP)	19.3	20.2	20.6	17.7	18.9	19.5	19.7	19.8	19.9
Public Current Expense (in percent of GDP) 1/	29.2	27.9	28.7	30.4	29.5	29.0	28.2	27.9	27.7
Public Net acquisition of nonfinancial assets (in percent of GDP) 1/	7.9	5.2	5.5	6.0	5.4	4.3	5.4	6.0	6.4
Overall balance (net lending/borrowing, in percent of GDP) 1/ 2/	-3.7	-0.6	-0.1	-7.8	-4.8	-3.0	-3.0	-3.0	-3.0
Total public debt	58.8	54.8	54.1	65.9	64.8	64.0	62.9	61.9	60.9
Of which domestic debt	5.8	7.8	8.7	9.4	11.2	12.2	12.4	13.1	13.3
Reserve money (percent change, eop)	16.9	6.3	11.0	15.1	21.8	16.5	14.1	16.5	18.6
Broad money (percent change, eop)	17.9	5.5	12.8	15.7	22.5	17.1	14.7	16.5	18.6
Credit to private sector (percent change, eop)	15.7	18.2	14.9	6.1	18.9	11.1	10.5	10.5	10.5
Current account balance (in percent of GDP)	-6.2	-12.1	-9.2	-14.5	-10.0	-7.5	-7.3	-7.1	-7.0
Gross International reserves (in millions of U.S. dollars) 3/	1,971	1,919	1,996	1,950	1,939	2,084	2,260	2,416	2,767
Gross reserves (months of next year imports, eop) 3/	4.0	3.9	4.7	4.4	4.2	4.3	4.4	4.5	4.8

Sources: Kyrgyz authorities and IMF staff estimates and projections.

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

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

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

4. **Growth is expected to slow significantly, while inflation pressures are likely to rise** (Tables 1 and 2). Non-gold growth is expected to fall to 0.4 percent in 2020 due to a combination of economic disruptions in industry (excluding gold), agriculture, tourism and transport. At the same time, supply shocks due to losses in agricultural production and disruption to transport systems, and more costly imports from third countries given closure of the border with China, is expected to increase headline inflation to 12.0 percent by year-end. Nevertheless, low demand pressures would keep core inflation low. Private sector credit growth is expected to fall, given a slowing economy and high uncertainty surrounding business prospects and investment.

5. **The balance of payments is expected to weaken and an urgent financing gap of about $400 million is expected to open up** (Text Table 2 and Table 3; LOI, ¶5). The current account deficit is projected to widen to 14.5 percent of GDP in 2020 (from 9.2 percent in 2019), due to a combination of lower remittances, and lower non-gold and services exports (i.e., tourism and transport). On the other hand, imports are likely

Text Table 2. Kyrgyz Republic: Balance of Payments Financing, 2020–25

	2020	2021	2022	2023	2024	2025
			Proj.			
			(In millions of U.S. dollars)			
Financing Gap	405.6	40.0	40.0	40.0	40.0	40.0
Identified budget support	128.6	0.0	0.0	0.0	0.0	0.0
World Bank	5.0	0.0	0.0	0.0	0.0	0.0
IMF RFI/RCF disbursement	123.6	0.0	0.0	0.0	0.0	0.0
Unidentified budget support	277.0	40.0	40.0	40.0	40.0	40.0

Sources: Kyrgyz authorities and IMF staff estimates and projections.

to fall by 15 percent due to the closure of the border with China, which will lead to a slightly lower trade deficit. Preliminary analysis indicates a balance of payments need of $405 million. Without IMF financing and support from other donors—which could in part be catalyzed by the RFI/RCF disbursement—central bank reserves would fall significantly to 3.5 months of imports in 2020 or the exchange rate could fall in a destabilizing manner due to weak confidence, resulting in higher inflation and NPLs. Under the more adverse scenario described in ¶7, the reserve coverage would fall to 3 months, the minimum for this metric. It is envisaged that, with concerted support from the Fund equal to 50 percent of quota ($123 million) and the balance provided by development partners, official reserves could be maintained at about 4.4 months of prospective imports and the exchange rate depreciation could be contained to a manageable level.[1] The Fund emergency support helps provide a backstop and increase buffers, shores up confidence, and helps catalyze donor support. The RCF/RFI blend financing is justified because the balance of payments need is urgent and there is insufficient time to design and finance a program requiring upper tranche conditionality (UCT).

6. **The fiscal impact of the COVID-19 will also be significant** (Text Table 3 and Tables 6-9; LOI, ¶6). The general government fiscal deficit is expected to widen to 7.8 percent of GDP in 2020, vs. 1.1 percent of GDP approved in the 2020 budget. Most of the widening of the deficit will come from a weakening of tax revenue (by 4.5 percent of GDP), although part of it stems from overoptimistic revenue assumption in the initial budget (estimated by staff at 1.4 percent of GDP). The initial budget includes KGZ 19 billion ($240 million, 3.0 percent of GDP) for the health sector, which will be protected by expenditure reallocation. Additional health expenditure to contain the spread of COVID-19 have been estimated at $9.4 million (0.1 percent of GDP) so far and more will most likely be identified as the crisis unfolds. It will be accommodated through cuts in non-essential expenditure (¶11). The authorities have requested channeling the expected RFI/RCF disbursements directly to the budget (LOI, ¶1).

Text Table 3. Kyrgyz Republic: General Government Finances, 2019-20
(In percent of GDP)

	2019	2020		Diff.
	Est.	Auth.	Proj.	
		(a)	(b)	(b) - (a)
Revenue	34.0	33.8	28.6	-5.1
Taxes	20.6	22.3	17.7	-4.5
Grants	2.2	1.5	1.1	-0.4
Other Revenue	5.7	4.5	4.3	-0.2
Current Expense	28.7	29.6	30.4	0.8
Compensation of Employees	11.5	12.1	12.1	0.0
Other	17.2	17.5	18.3	0.8
Net acquisition of nonfinancial assets	5.5	5.3	6.0	0.7
Net lending/borrowing (overall balance)	-0.1	-1.1	-7.8	-6.6

Sources: Kyrgyz authorities, and Fund staff estimates and projections.

7. **The impact of the COVID-19 pandemic on the Kyrgyz economy is subject to a considerable margin of uncertainty and could be worse than estimated in this note, in which case a UCT program is expected to be needed**. If disruptions to economic activity and external demand last for 12 rather than 6 months as assumed in this note, real GDP could contract by 3 percent in 2020, inflation increase to 15 percent, the current account deficit widen to 17 percent of GDP, the budget deficit increase to 10 percent of GDP and the financing gap in the balance of

[1] All tables in this note assume a blended disbursement under the RFI and the RCF of 50 percent of quota (¶14).

payments reach $600 million. The Risk Assessment Matrix also highlights other downside risks (Annex I). If the magnitude of the negative impact of the shock on the economy amplifies, the authorities will need to consider this RFI/RCF disbursement as a bridge to a UCT program. They would be well advised to immediately start preparing such a program, which will be needed to catalyze longer-term donor support.

POLICY DISCUSSIONS

The authorities plan to temporarily loose macroeconomic and financial policies to absorb the shock and support an economic recovery in the second half of the year.

A. Monetary and Exchange Rate Policy

8. **Considering significant uncertainties, monetary policy should be data dependent** (LOI, ¶7). Prices for specific goods and services (i.e., food) may increase, but slack in the economy is expected to prevent broad based price pressures and core inflation is expected to remain below the target range of 5 to 7 percent. While the recent hike in the policy rate to 5 percent is in line with the estimated neutral interest rate in the Kyrgyz Republic, a widening output gap and high uncertainty surrounding business prospects could justify easing the policy rate. A temporary increase in headline inflation owing to the weakening of the exchange rate should be accommodated and second-order effects of exchange rate depreciation should be closely monitored, and the monetary policy stance adjusted if there is substantial risk of sustained broad based price increases above the target range. The NBKR should stand ready to provide liquidity to the financial system if needed, while ensuring that transparent information is available on eligible collateral.

9. **The recent flexibility in the exchange rate is welcome.** With a widening current account deficit, flexibility in the exchange rate will help absorb the shock and restore external balance. The use of FX intervention should be limited to address disorderly market conditions. Should exchange rate pressures emerge owing to market participants' assessment of the impact of the crisis on fundamentals, the authorities should not resist them. The mission will discuss measures to stem an overshooting of the exchange rate with the NBKR including the implementation of capital flow measures if needed.

B. Fiscal Policy

10. **The widening of the fiscal deficit to 7.8 percent of GDP in 2020 is appropriate, provided enough financing is mobilized** (LOI, ¶6). The fiscal impact of the COVID-19, including the fall in revenues and increase in health expenditure, can be accommodated in a supplementary budget. Such fiscal loosening is necessary to prevent the outbreak of COVID-19 and appropriate, given the opening of a negative output gap. Preliminary analysis indicates a fiscal gap of the same magnitude as the balance of payment gap in 2020. In case donor financing is not enough to close the financing gap, some additional expenditure reprioritization will need to be considered in areas that will least affect the prevention of the COVID-19 outbreak, such as the reduction of tax

exemptions (4.4 percent of GDP in 2018) or the postponement of non-priority goods and services or capital expenditures, while protecting expenditure that benefit the poor. To ensure the quality of emergency spending in the health sector, the authorities commit to subject the procurement of urgently needed medical supplies to an ex-post audit by the Audit Chamber, of which the results will be published on the website of the Ministry of Finance. This measure will help limit vulnerabilities to corruption. Given the dramatic impact of the crisis on tax revenue, the limited availability of domestic financing, and the already large financing gap identified to finance such a deficit, there seems to be no scope to afford a larger deficit at this stage. However, safeguarding health spending at around budgeted levels and creating space for increasing heath and other spending once the full impact of mitigation measures is assessed, seems appropriate.

11. **However, the widening of the deficit in 2020 needs to be embedded in a medium-term fiscal plan, where the fiscal deficit is brought down to 3 percent of GDP within a few years once the temporary shock has passed and confidence has been restored**. Previous analysis indicates that large tax exemptions, energy sector subsidies (2.0 percent of GDP), tighter management of the wage bill (11.5 percent of GDP in 2019), and improvements in public financial management should be priority areas for reducing the deficit in the medium term.

12. **The Kyrgyz Republic's risk of debt distress is expected to remain "moderate"**. [2] With a higher fiscal deficit due to the COVID-19, public debt is expected to increase to 66 percent of GDP in 2020. If the authorities keep the general government deficit at 3 percent of GDP in the short and medium term and continue to get external financing form donors at concessional terms, the total public debt will be maintained at around 60 percent of GDP in the long term and the risk of debt distress will remain moderate. The depreciation of the KGS since the beginning of the year does not change that assessment. The resilience of the external and public debt risk assessments to almost all the standardized stress tests indicate that the sustainability of the external debt and the public debt would remain resilient to a more severe impact of the COVID-19 crisis than assumed in this staff report.

C. Financial Sector Policy

13. **Since the banking sector is well capitalized and liquid, it should be able to absorb credit losses and a liquidity squeeze if the crisis is short-lived** (LOI, ¶8). While the financial sector appears to be resilient, vulnerabilities may emerge given the expected economic disruption caused by COVID-19. Enterprises of the most impacted sectors (textile, transport, tourism) may temporarily fall short of liquidity to service their debt to commercial banks. Households whose primary earners lose their job may face difficulties serving their mortgages or consumer loans. The depreciation of the exchange rate may adversely affect enterprises that have revenue in KGS but debt service in US dollars. Since the banking sector is well capitalized and liquid, banks should have sufficient capital and liquidity buffers to absorb a deterioration of credit risk if the crisis is short-lived and the team

[2] See *Kyrgyz Republic—Staff Report for Purchase under the RFI and disbursement under the RCF—Debt Sustainability Analysis*.

will recommend to continue to implement prudential rules to make the impact of the crisis on the soundness of the banking sector as transparent as possible. When banks have absorbed their capital and liquidity buffers, the NBKR should agree with them on plans to bring capital and liquidity above the minimum required, while showing some flexibility on the timing considering the length of the crisis. The NBKR should encourage banks to restructure the debt of temporarily illiquid but otherwise solvent borrowers with viable prospects under normal conditions, to prevent exacerbating the downturn or widespread credit stress.

ACCESS, CAPACITY TO REPAY, MODALITIES AND SAFEGUARDS

14. **Based on a preliminary analysis, staff estimates that a single disbursement of around 50 percent of quota (SDR 88.8 million or about US$ 123 million) will be needed given the magnitude of the financing requirement**. Although the amount represents only a share of the financing gap, the macroeconomic framework provided by the Fund would help identify the financing needs and catalyze support from development partners. According to preliminary discussion with donors (Eurasian Fund for Stability and Development, Asian Development Bank, World Bank), Fund support under the RFI/RCF of such a magnitude is likely to catalyze donor support to fill the financing gap. The Kyrgyz Republic needs blended financial support under the RCF and RFI because per-capita gross national income now exceeds the IDA threshold and debt vulnerabilities are moderate. With the proposed access level of 50 percent of quota, 16.7 percent of quota (SDR 29.6 million) will thus be provided under the RCF and 33.3 percent of quota (SDR 59.2 million) under the RFI. This request is made under the "exogenous shock" window of the RCF. The authorities' track record of strengthened macroeconomic and financial sector stability under eight successive Fund-supported programs and the size of the financing gap, which is estimated at slightly more than twice this level of access, justify such access.

15. **Capacity to repay the Fund under such an access would remain adequate** (Table 11). Fund credit outstanding would peak at 12 percent of gross international reserves and 10 percent of exports of goods and services**.**

16. **The authorities have requested channeling the expected RFI purchase and RCF disbursement directly to the budget** (LOI, ¶¶9 and 11). Budget support provides the fastest way to both reduce the financing gap in the balance of payments and soften the hit on the budget. The NBKR and the Ministry of Finance will agree on a Memorandum of Understanding between the NBKR and the Ministry of Finance to : (i) commit to maintaining funds received from the IMF in a government account at the central bank, pending their use, (ii) require the government to hold foreign exchange balances only with the NBKR, and (iii) clarify the responsibilities for repaying Fund resources. The NBKR commits to undergo a safeguards assessment, which would need to be completed before Executive Board approval of any subsequent arrangement and authorize the central bank's external auditors to hold discussions with staff.

STAFF APPRAISAL

17. **The COVID-19 pandemic has been hitting the economy very hard and created an urgent balance of payments need.** All sectors are being impacted with extreme severity. GDP is coming to a standstill as social distancing measures are being taken to stop the spread of the virus. The external position is weakening as remittances and tourism receipts are falling. Under the assumption that the crisis will last until mid-year, a financing gap of about $400 million has opened in the balance of payments. Despite sizeable foreign exchange interventions, the exchange rate has depreciated by 20 percent since the beginning of the year and triggered a rise in inflation and a deterioration of credit risk. The fiscal position has been weakening, with a steep rise of the budget deficit in sight in 2020.

18. **To address the crisis, a temporary loosening of macroeconomic and financial policies as well as expeditious donor support are needed.** A temporary increase in headline inflation owing to the weakening of the exchange rate needs to be accommodated, while monetary policy needs to gradually bring inflation back within its target range in 2021. Flexibility in the exchange rate needs to continue to restore external balance. A temporary widening of the budget deficit stemming from the weakening of tax revenue needs to be accommodated, provided it can be fully financed with donor financing. Otherwise some reprioritization of spending toward the health sector will be needed to address the COVID-19 crisis. This widening of the deficit in 2020 needs to be embedded in a medium-term fiscal plan, where the fiscal deficit is brought down to 3 percent of GDP within a few years once the temporary shock has passed and confidence has been restored. Banks' capital and liquidity buffers need to be used to absorb credit losses and the liquidity squeeze and, once these buffers are exhausted, the NBKR needs to show some flexibility on the timing of bringing capital and liquidity above the minimum required, considering the length of the crisis.

19. **Staff supports the proposed purchase under the RFI and disbursement under the RCF.** The risk of debt distress is moderate and the capacity to repay the Fund is adequate**.**

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

I. Social and Demographic Indicators

Population (in millions, 2017)	6.3	GINI Index (2017)	27.3
Unemployment rate (official, in percent, 2017)	6.9	Life expectancy at birth in years (2017)	71.2
Poverty rate (in percent, national definition, 2018)	22.4	Adult literacy rate (percent of popul., 2015)	99.5
Per capita GDP (2018, U.S. dollars)	1,293	Under-five mortality (per 1000 live births, 2017)	20

II. Economic Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025
						Proj.			
Real sector									
Nominal GDP (in billions of soms)	530.5	569.4	590.0	649.6	744.8	818.0	893.1	975.8	1,066.5
Nominal GDP (in millions of U.S. dollars)	7,703	8,271	8,455	8,052	8,546	9,026	9,568	10,149	10,768
Real GDP (growth in percent)	4.7	3.5	4.5	0.4	6.0	4.3	4.0	4.1	4.1
Nongold real GDP (growth in percent)	5.1	3.5	3.8	0.4	6.3	4.1	4.2	4.3	4.3
GDP per capita (in U.S. dollars)	1,255	1,322	1,323	1,236	1,284	1,328	1,380	1,434	1,490
Consumer prices (12-month percent change, eop)	3.7	0.5	3.1	12.0	7.0	5.0	5.0	5.0	5.0
Consumer prices (12-month percent change, average)	3.2	1.5	1.1	10.6	7.2	5.3	5.0	5.0	5.0
Investment and savings (in percent of GDP)									
Investment	30.7	27.7	27.7	28.4	28.0	28.0	26.4	25.9	25.8
Public	9.7	5.9	7.6	7.8	8.3	8.4	8.3	8.3	8.2
Private	21.0	21.8	20.2	20.6	19.7	19.5	18.1	17.1	16.5
Savings	24.5	15.7	18.5	13.9	18.0	20.5	19.1	18.8	18.8
Public	3.1	3.6	4.5	-2.8	-0.5	0.9	1.9	2.5	2.9
Private	21.5	12.1	14.1	16.8	18.5	19.6	17.1	16.3	15.9
Savings-investment balance	-6.2	-12.1	-9.2	-14.5	-10.0	-7.5	-7.3	-7.1	-7.0
General government finances (in percent of GDP) 1/									
Revenue	33.3	32.5	34.0	28.6	30.1	30.3	30.6	30.9	31.1
Of which: Tax revenue	19.3	20.2	20.6	17.7	18.9	19.5	19.7	19.8	19.9
Expense	29.2	27.9	28.7	30.4	29.5	29.0	28.2	27.9	27.7
Gross operating balance	4.1	4.6	5.3	-1.8	0.5	1.3	2.4	3.0	3.4
Net acquisition of nonfinancial assets	7.9	5.2	5.5	6.0	5.4	4.3	5.4	6.0	6.4
Overall balance (net lending/borrowing) 2/	-3.7	-0.6	-0.1	-7.8	-4.8	-3.0	-3.0	-3.0	-3.0
Primary net lending/borrowing	-2.9	0.4	0.8	-6.4	-3.6	-1.7	-1.7	-1.7	-1.7
Total state government debt 3/	58.8	54.8	54.1	65.9	64.8	64.0	62.9	61.9	60.9
Of which domestic debt	5.8	7.8	8.7	9.4	11.2	12.2	12.4	13.1	13.3
Monetary sector									
Reserve money (percent change, eop)	16.9	6.3	11.0	15.1	21.8	16.5	14.1	16.5	18.6
Broad money (percent change, eop)	17.9	5.5	12.8	15.7	22.5	17.1	14.7	16.5	18.6
Credit to private sector (percent change, eop)	15.7	18.2	14.9	6.1	18.9	11.1	10.5	10.5	10.5
Credit to private sector (in percent of GDP)	20.8	22.9	25.4	24.5	25.4	25.7	26.0	26.3	26.6
Velocity of broad money 4/	2.7	2.8	2.6	2.4	2.3	2.1	2.0	1.9	1.8
Policy Rate	5.0	4.8	4.3	...	...	...	...	...	...
External sector									
Current account balance (in percent of GDP)	-6.2	-12.1	-9.2	-14.5	-10.0	-7.5	-7.3	-7.1	-7.0
Export of goods and services (in millions of U.S. dollars)	2,638	2,746	2,817	2,395	2,741	3,077	3,265	3,473	3,722
Export growth (percent change)	7.7	4.1	2.6	-15.0	14.4	12.3	6.1	6.4	7.2
Import of goods and services (in millions of U.S. dollars)	5,113	5,913	5,840	5,135	5,336	5,542	5,822	6,128	6,504
Import growth (percent change)	6.8	15.6	-1.2	-12.1	3.9	3.9	5.1	5.3	6.1
Gross International reserves (in millions of U.S. dollars) 5/	1,971	1,919	1,996	1,950	1,939	2,084	2,260	2,416	2,767
Gross reserves (months of next year imports, eop)	4.0	3.9	4.7	4.4	4.2	4.3	4.4	4.5	4.8
External public debt outstanding (in percent of GDP)	53.0	47.0	45.5	56.5	53.5	51.8	50.5	48.9	47.6
External public debt service-to-export ratio (in percent)	6.6	6.7	-0.3	8.6	7.3	7.7	7.5	8.5	7.4
Memorandum items:									
Exchange rate (soms per U.S. dollar, average)	68.9	68.8	69.8	...	...	...	...	...	...
Real effective exchange rate (2010=100) (average)	97.3	100.8	101.0	...	...	...	...	...	...

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ General government comprises the State government, the Social Fund, and the Mandatory Health Insurance Fund (MHIF). The State government comprises central and local governments.
2/ Includes loans on-lent by the State government to state-owned enterprises in the energy sector.
3/ Calculated at end-period exchange rates.
4/ Twelve-month GDP over end-period broad money.
5/ Gross international reserves exclude reserve assets in non-convertible currencies.

Table 2. Kyrgyz Republic: National Accounts 2016–25
(in percent)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
				Est.			Proj.			
	(GDP share)				(growth rate in real terms)					
Agriculture, Hunting, Fishing, Forestry	12.8	2.2	2.7	2.6	-2.0	5.0	3.3	3.3	3.3	3.3
Industry	18.2	8.9	5.5	6.9	-4.9	7.9	6.3	3.5	3.7	3.9
Industry without Kumtor	8.0	18.4	7.3	2.5	-10.0	10.0	5.0	6.0	6.7	7.0
Construction	8.4	7.9	7.8	10.6	9.2	9.1	9.1	9.1	9.1	9.1
Transport	3.8	9.4	3.9	4.8	-20.0	20.0	6.0	6.0	6.0	6.0
Communication	3.5	-16.7	-7.5	1.2	2.0	2.0	2.0	2.0	2.0	2.0
Trade	17.9	7.1	5.1	4.9	5.4	5.5	5.5	5.5	5.5	5.5
Other	22.3	-29.6	0.6	1.1	-0.3	3.0	1.2	1.2	1.2	1.2
Net Taxes on Products	13.1	4.7	3.5	4.5	3.5	3.4	3.4	3.4	3.4	3.4
Gross Domestic Product	100.0	4.7	3.5	4.5	0.4	6.0	4.3	4.0	4.1	4.1
Gold 1/	10.2	1.3	1.3	3.3	14.6	1.6	0.3	8.0	0.4	0.0
Non-Gold GDP	89.8	5.1	3.5	3.8	0.4	6.3	4.1	4.2	4.3	4.3
Memorandum items:					(In billions of soms)					
Gross Domestic Product	476.3	530.5	569.4	590.0	649.6	744.8	818.0	893.1	975.8	1066.5
Gold 1/	48.4	44.9	48.0	46.7	53.6	55.7	56.9	56.9	59.3	61.8
Non-Gold GDP	427.9	485.6	521.4	543.3	596.0	689.1	761.1	836.2	916.5	1004.7

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ Until 2019, Kumtor only in line with official data. 2020 and beyond, Kumtor and others.

Table 3. Kyrgyz Republic: Balance of Payments, 2017–25
(in millions of U.S. dollars)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
			Est.			Proj.			
Current account balance	-477	-997	-775	-1,168	-858	-679	-699	-723	-751
Excluding transfers	-2,847	-3,418	-3,307	-3,039	-2,906	-2,803	-2,909	-3,021	-3,162
Trade balance	-2,383	-3,034	-2,912	-2,304	-2,292	-2,178	-2,241	-2,308	-2398
Exports, fob	1,814	1,916	1,966	1,876	2,016	2,242	2,354	2,475	2625
CIS countries	772	938	896	765	860	963	1,033	1,113	1213
Of which: Energy products	100	160	160	160	160	160	160	160	160
Of which: Re-exports of consumer goods	50	52	49	40	47	54	58	64	70
Non-CIS countries	1,042	978	1,070	1,111	1,157	1,279	1,321	1,362	1412
Of which: Gold	700	664	787	862	863	944	959	971	982
Imports, fob	4,197	4,950	4,878	4,180	4,308	4,420	4,595	4,783	5023
CIS countries	1,941	2,223	2,116	1,682	1,727	1,790	1,883	1,981	2101
Of which: Energy (including for re-exports)	567	810	702	418	442	486	540	595	657
Non-CIS countries	2,256	2,727	2,762	2,498	2,581	2,630	2,712	2,802	2923
Of which: Goods for re-exports	40	42	39	32	37	43	47	51	56
Services	-92	-133	-111	-435	-303	-287	-315	-347	-385
Receipts	824	830	851	519	725	835	912	998	1096
Payments	-916	-963	-962	-954	-1,028	-1,122	-1,227	-1,345	-1481
Income	-372	-251	-284	-299	-311	-339	-352	-366	-380
Interest payments	-76	-77	-73	-68	-80	-86	-95	-106	-117
Other net income	-295	-174	-211	-231	-231	-253	-257	-260	-263
Current Transfers (net)	2,369	2,421	2,532	1,871	2,048	2,124	2,210	2,298	2411
Of which: Private	2,263	2,375	2,417	1,873	2,010	2,086	2,172	2,260	2373
Capital Account	134	95	96	117	121	72	75	79	82
Official	131	102	96	117	121	72	75	79	82
Private	3	-7	0	0	0	0	0	0	0
Financial account	330	196	742	473	751	770	817	813	1042
Commercial banks	-19	44	0	0	0	0	0	0	0
Medium- and long-term loans (net)	173	-67	431	242	326	313	344	324	386
Disbursement	668	606	663	754	827	899	964	1,118	1226
Of which: Loan financed PIP (excl. energy investments financed by China)	80	94	119	150	197	218	229	242	255
Of which: Energy investments financed by China (PIP)	243	36	68	86	113	122	129	136	144
Amortization	-494	-673	-232	-512	-500	-586	-621	-794	-840
Foreign direct investment	-78	139	211	231	424	457	473	489	656
Portfolio investment	-25	-9	0	0	0	0	0	0	0
Other (including SDR allocation)	0	0	0	0	0	0	0	0	0
Net short-term flows	279	89	100	0	0	0	0	0	0
Errors and omissions	131	307	0	0	0	0	0	0	0
Overall balance	117	-399	63	-578	13	163	193	169	373
Financing	-117	399	-63	578	-13	-163	-193	-169	-373
Net international reserves	-153	159	-63	301	-13	-163	-193	-169	-373
Gross official reserves (–, increase)	-141	188	-39	202	11	-140	-170	-150	-346
IMF	-13	-29	-24	99	-24	-23	-23	-19	-27
Exceptional financing (including arrears) 1/	36	240	0	0	0	0	0	0	0
Financing gap	0	0	0	277	0	0	0	0	0
Memorandum items:									
GDP (in millions of U.S. dollars)	7,703	8,271	8,455	8,052	8,546	9,026	9,568	10,149	10768
Current account balance (percent of GDP)	-6.2	-12.1	-9.2	-14.5	-10.0	-7.5	-7.3	-7.1	-7.0
Current account balance excluding official transfers (percent of GDP)	-7.6	-12.6	-10.5	-14.5	-10.5	-7.9	-7.7	-7.5	-7.3
Growth of exports of GNFS (volume, percent)	1.3	-1.1	3.7	-13.0	14.5	10.9	4.7	4.9	5.0
Growth of imports of GNFS (volume, percent)	0.9	7.9	1.4	-4.1	3.5	2.0	2.8	2.5	2.6
Terms of trade (goods, percentage change)	-1.2	-2.6	1.4	4.9	-0.2	-0.4	-0.6	-0.9	-1.3
Gold price (U.S. dollars per ounce)	1,257	1,269	1,392	1,500	1,499	1,516	1,535	1,553	1571
Fuel Price Index (2005=100)	123.9	157.7	130.4	88.3	92.7	100	106	109	111
External Public Debt (in millions of U.S. dollars) 2/	4,081	3,830	3,851	4,316	4,466	4,608	4,761	4,887	5053
As percent of GDP	53.0	47.0	45.5	56.5	53.5	51.8	50.5	48.9	47.6
External public debt service-to-exports ratio 2/ 3/	6.6	6.7	-0.3	8.6	7.3	7.7	7.5	8.5	7.4
Gross reserves 4/	1,971	1,919	1,996	1,950	1,939	2,084	2,260	2,416	2767
In months of subsequent year's imports	4.0	3.9	4.7	4.4	4.2	4.3	4.4	4.5	4.8

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ Russian debt write-off.

2/ Public and publicly-guaranteed debt.

3/ Net of rescheduling.

4/ Valued at end-period exchange rate. Gross international reserves exclude reserve assets in non-convertible currencies.

Table 4. Kyrgyz Republic: NBKR Accounts, 2017–20

	2017	2018	2019 Est.	2020 Proj.
	(In millions of soms)			
Net foreign assets	140,889	142,089	160,750	174,733
Net international reserves [1/]	134,783	134,078	151,838	165,821
Long-term foreign liabilities	-8,311	-8,222	-8,147	-8,147
Other foreign assets	14,418	16,233	17,059	17,059
Net domestic assets	-40,870	-35,742	-42,685	-38,883
Net claims on general government	-8,994	-12,290	-16,840	-13,864
Of which: Total government deposits (including foreign exchange deposits)	-9,235	-12,469	-17,033	-14,058
Of which: Securitized government debt	251	189	193	193
Claims on commercial banks	-8,825	-3,277	-10,020	-9,261
Of which: NBKR notes	-5,212	-7,992	-8,049	-7,289
Claims of other financial corporations	-436	-252	-432	-432
Other items net [2/]	-22,616	-19,923	-15,392	-15,326
Reserve money	100,019	106,347	118,065	135,850
Currency in circulation	91,104	100,372	109,311	120,479
Commercial banks' reserves	8,915	5,975	8,754	15,371
Of which: Required reserves	8,061	5,258	8,054	12,758
	(Contribution to reserve money growth, in percentage point) [3/]			
Net foreign assets	16.4	1.2	17.5	11.8
Net domestic assets	0.4	5.1	-6.5	3.2
Of which: Net claims on general government	-1.5	-3.3	-4.3	2.5
Reserve money	16.9	6.3	11.0	15.1
Of which: Currency in circulation	19.0	9.3	8.4	9.5
Memorandum items:				
Reserve money growth (12-month change, in percent)	16.9	6.3	11.0	15.1
Gross International Reserves (in millions of U.S. dollars)	1,971	1,919	1,818	1,780
Net international reserves (in millions of U.S. dollars)	1,958	1,920	2,180	1,950
Exchange rate, som per U.S. dollar, end of period	68.8	69.9	69.6	…

Sources: Kyrgyz authorities and IMF staff estimates and projections.

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

2/ Reflects valuation changes owing to exchange rate movements.

3/ Contribution is defined as change of asset stock relative to previous end-year reserve money stock (in percent).

Table 5. Kyrgyz Republic: Monetary Survey, 2017–20

	2017	2018	2019	2020
			Est.	Proj.
	(In millions of soms)			
Net foreign assets	152,811	150,112	164,586	178,569
Net domestic assets	40,579	53,959	65,674	87,734
Domestic credit	102,468	120,654	136,370	158,430
Net claims on general government	-8,002	-9,890	-13,597	-720
Credit to the rest of the economy [1/]	110,470	130,544	149,967	159,151
Of which: In foreign exchange	41,726	49,079	52,131	55,323
Other items net	-61,889	-66,695	-70,696	-70,696
Broad money (M2X)	193,391	204,071	230,261	266,304
Of which:				
Broad money, excluding foreign exchange deposits (M2)	142,859	154,576	181,768	210,441
Currency held by the public	84,451	84,827	96,010	111,648
Total domestic currency deposit liabilities	58,408	69,750	85,758	98,793
Net foreign assets	10.2	-1.4	7.1	6.1
Net domestic assets	7.7	6.9	5.7	9.6
Domestic credit	10.4	9.4	7.7	9.6
Net claims on general government	1.2	-1.0	-1.8	5.6
Credit to the rest of the economy	9.2	10.4	9.5	4.0
Other items (net)	-2.7	-2.5	-2.0	0.0
Broad money (M2X)	17.9	5.5	12.8	15.7
Of which:				
Broad money, excluding foreign exchange deposits (M2)	16.7	6.1	13.3	12.5
Currency held by the public	9.2	0.2	5.5	6.8
Total deposit liabilities	7.5	5.9	7.8	5.7
Memorandum items:				
Broad money (M2X) (12-month change, in percent)	17.9	5.5	12.8	15.7
Credit to the rest of the economy (12-month change, in percent) [1/]	15.7	18.2	14.9	6.1
Credit to the rest of the economy (in percent of GDP)	20.8	23.4	25.0	25.5
M2X velocity [3/]	2.7	2.8	2.6	2.4
M2X multiplier	1.9	1.9	2.0	2.0
Dollarization indicators (in percent)				
Loan dollarization	37.8	37.6	0.0	
Deposit dollarization	46.4	41.5	0.0	

Sources: Kyrgyz authorities and IMF staff estimates and projections.
1/ Includes lending by the Russia-Kyrgyz Development Fund via banks.
2/ Contribution is defined as change of asset stock relative to previous end-year broad money stock (in percent).
3/ Twelve-month GDP over end-period broad money.

Table 6. Kyrgyz Republic: State Government Finances, 2017–25 1/

(in millions of soms)

	2017	2018	2019	2020		2021	2022	2023	2024	2025
			Est.	Auth.	Proj.			Proj.		
Revenues	149,490	152,014	167,094	183,724	150,136	186,644	207,940	230,504	255,593	282,778
Taxes	102,184	115,197	121,526	144,755	115,283	141,060	159,869	175,699	193,261	211,926
Taxes on income, profits, and capital gains	24,392	26,702	29,818	n.a.	32,025	34,695	39,918	44,316	49,149	54,434
Payable by individuals	11,110	11,474	12,862	n.a.	11,422	14,088	15,937	17,472	19,135	20,978
Payable by corporations and other enterprises	13,282	15,228	16,956	n.a.	20,603	20,607	23,981	26,843	30,013	33,455
Unallocable	0	0	0	n.a.	0	0	0	0	0	0
Taxes on property	2,625	2,810	2,950	n.a.	2,948	3,380	3,712	4,053	4,428	4,840
Land tax	1,818	1,966	1,229	n.a.	1,129	1,294	1,421	1,552	1,696	1,853
Property tax	807	844	1,721	n.a.	1,819	2,086	2,291	2,501	2,732	2,986
Taxes on good and services	58,671	67,366	66,756	n.a.	60,916	78,753	89,787	98,145	107,476	117,313
VAT	45,131	52,786	50,912	n.a.	45,943	60,829	67,418	73,479	80,782	88,286
Net turnover tax	4,034	4,283	4,216	n.a.	4,936	5,869	7,849	8,566	9,353	10,222
Excises	9,507	10,296	9,945	n.a.	10,038	12,054	14,520	16,100	17,341	18,806
Taxes on international Trade	16,493	18,319	21,968	n.a.	17,499	24,232	26,451	29,184	32,207	35,339
Grants (including project grants)	13,468	9,216	13,258	9,683	6,883	11,558	7,297	8,044	8,669	9,250
Program grants	7,802	3,563	8,216	2,820	20	3,486	3,625	3,734	3,846	3,962
PIP grants	5,667	5,653	5,042	6,863	6,863	8,072	3,672	4,310	4,823	5,289
Other Revenues	31,380	27,534	32,310	29,270	27,970	34,027	40,774	46,761	53,663	61,601
Of which mineral development	1,184	1,416	1,214	n.a.	1,283	1,358	1,491	1,617	1,617	1,617
Expense	131,219	131,493	140,047	162,152	169,772	183,014	197,397	209,351	227,086	246,735
Compensation of Employees	51,366	51,010	58,482	70,127	70,620	75,564	80,853	86,513	92,569	99,049
Wages and salaries	45,419	45,257	51,724	62,450	62,460	66,832	71,510	76,516	81,872	87,603
Social Fund Contribution	5,948	5,753	6,758	7,677	8,161	8,732	9,343	9,997	10,697	11,446
Use of goods and services	22,253	25,608	21,861	30,343	30,331	29,416	31,160	34,022	37,173	40,627
Interest	5,867	7,083	7,785	8,422	13,649	15,277	16,671	18,878	20,879	23,541
Domestic interest	2,397	3,385	4,034	4,329	8,991	9,821	11,066	12,794	14,272	16,392
Foreign interest	3,470	3,697	3,751	4,093	4,658	5,456	5,605	6,084	6,607	7,149
Subsidies to public corporations	5,336	4,549	4,387	4,491	4,491	4,962	5,061	5,526	6,038	6,599
Grants	31,112	31,581	32,254	32,669	33,922	35,622	39,018	42,623	46,562	50,836
to international organizations	479	614	476	682	682	681	757	795	853	915
to other general government units 2/	30,633	30,967	31,778	31,987	33,240	34,941	38,261	41,829	45,709	49,921
Social Benefits	8,278	9,008	10,442	11,000	11,000	12,659	13,952	15,233	16,704	18,257
Social Assistance	8,278	9,008	10,298	11,000	11,000	12,659	13,952	15,233	16,704	18,257
Social security benefits	0	0	144	0	0	0	0	0	0	0
Other expense	6,996	2,645	4,816	5,099	5,760	9,513	10,681	6,554	7,161	7,827
Capital transfers to SOEs (energy sector)	6,366	1,989	3,933	4,592	5,167	8,655	9,738	5,525	6,037	6,598
Gross operating balance	18,271	20,520	27,047	21,573	-19,637	3,630	10,543	21,153	28,507	36,043
Net acquisition of nonfinancial assets	43,218	28,764	31,412	34,118	38,526	39,712	34,988	47,810	57,610	67,848
Acquisition of nonfinancial assets	43,123	28,815	31,499	34,118	38,526	39,712	34,988	47,810	57,610	67,848
Domestically financed capital expenditure	22,373	17,819	19,001	17,132	17,132	14,420	6,800	27,241	35,063	44,012
Foreign loan financed PIP	14,762	6,439	8,452	10,652	14,608	17,221	24,516	16,260	17,724	18,547
Foreign grant financed PIP	5,988	4,557	4,046	6,334	6,787	8,072	3,672	4,310	4,823	5,289
Disposals of nonfinancial assets	-95	51	87	n.a.	0	0	0	0	0	0
Net lending/borrowing (overall balance)	-24,947	-8,244	-4,365	-12,546	-58,163	-36,082	-24,446	-26,658	-29,103	-31,805
Acquisition of financial assets	2,008	3,432	-407	n.a.	-1,108	1,451	6,363	1,246	1,245	1,386
Domestic	2,008	3,432	-407	n.a.	-1,108	1,451	6,363	1,246	1,245	1,386
Currency and deposits (NBKR)	348	857	2,603	n.a.	-2,976	-119	-129	-136	-264	-264
Loans 2/	1,747	1,321	-2,651	n.a.	1,868	1,570	6,492	1,381	1,509	1,649
Shares and Equity (Privatization)	-87	1,254	-360	n.a.	0	0	0	0	0	0
Foreign	0	0	0	n.a.	0	0	0	0	0	0
Net Incurence of Liabilities	2,775	4,617	7,562	n.a.	49,255	37,534	30,809	27,903	30,349	33,190
Foreign	0	0	2,945	n.a.	17,007	15,117	14,915	16,411	13,859	19,200
Public investment program (PIP)	0	0	13,047	n.a.	19,008	27,006	30,841	33,454	36,288	39,524
Disbursements (Program)	0	0	30	n.a.	9,969	0	0	0	0	0
Total amortization	0	0	-10,132	n.a.	-11,970	-11,889	-15,926	-17,043	-22,429	-20,324
Domestic	2,775	4,617	4,617	n.a.	9,901	22,416	15,894	11,492	16,490	13,991
Financing gap					22,347					

Sources: Kyrgyz authorities, and Fund staff estimates and projections.

1/ The State government comprises central and local governments.

2/ Includes grants to the Social Fund and the Mandatory Health Insurance Fund (MHIF).

Table 7. Kyrgyz Republic: State Government Finances, 2017–25 1/

(in percent of GDP)

	2017	2018	2019	2020		2021	2022	2023	2024	2025
			Est.	Auth.	Proj.			Proj.		
Revenues	28.2	26.7	28.3	28.3	23.1	25.1	25.4	25.8	26.2	26.5
Taxes	19.3	20.2	20.6	22.3	17.7	18.9	19.5	19.7	19.8	19.9
Taxes on income, profits, and capital gains	4.6	4.7	5.1	n.a.	4.9	4.7	4.9	5.0	5.0	5.1
Payable by individuals	2.1	2.0	2.2	n.a.	1.8	1.9	1.9	2.0	2.0	2.0
Payable by corporations and other enterprises	2.5	2.7	2.9	n.a.	3.2	2.8	2.9	3.0	3.1	3.1
Unallocable	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on property	0.5	0.5	0.5	n.a.	0.5	0.5	0.5	0.5	0.5	0.5
Land tax	0.3	0.3	0.2	n.a.	0.2	0.2	0.2	0.2	0.2	0.2
Property tax	0.2	0.1	0.3	n.a.	0.3	0.3	0.3	0.3	0.3	0.3
Taxes on good and services	11.1	11.8	11.3	n.a.	9.4	10.6	11.0	11.0	11.0	11.0
VAT	8.5	9.3	8.6	n.a.	7.1	8.2	8.2	8.2	8.3	8.3
New turnover tax	0.8	0.8	0.7	n.a.	0.8	0.8	1.0	1.0	1.0	1.0
Excises	1.8	1.8	1.7	n.a.	1.5	1.6	1.8	1.8	1.8	1.8
Taxes on international Trade	3.1	3.2	3.7	n.a.	2.7	3.3	3.2	3.3	3.3	3.3
Grants (including project grants)	2.5	1.6	2.2	1.5	1.1	1.6	0.9	0.9	0.9	0.9
Program grants	1.5	0.6	1.4	0.4	0.0	0.5	0.4	0.4	0.4	0.4
PIP grants	1.1	1.0	0.9	1.1	1.1	1.1	0.4	0.5	0.5	0.5
Other Revenues	5.9	4.8	5.5	4.5	4.3	4.6	5.0	5.2	5.5	5.8
Of which mineral development	0.2	0.2	0.2	n.a.	0.2	0.2	0.2	0.2	0.2	0.2
Expense	24.7	23.1	23.7	25.0	26.1	24.6	24.1	23.4	23.3	23.1
Compensation of Employees	9.7	9.0	9.9	10.8	10.9	10.1	9.9	9.7	9.5	9.3
Wages and salaries	8.6	7.9	8.8	9.6	9.6	9.0	8.7	8.6	8.4	8.2
Social Fund Contribution	1.1	1.0	1.1	1.2	1.3	1.2	1.1	1.1	1.1	1.1
Use of goods and services	4.2	4.5	3.7	4.7	4.7	3.9	3.8	3.8	3.8	3.8
Interest	1.1	1.2	1.3	1.3	2.1	2.1	2.0	2.1	2.1	2.2
Domestic interest	0.5	0.6	0.7	0.7	1.4	1.3	1.4	1.4	1.5	1.5
Foreign interest	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Subsidies to public corporations	1.0	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Grants	5.9	5.5	5.5	5.0	5.2	4.8	4.8	4.8	4.8	4.8
to international organizations	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
to other general government units 2/	5.8	5.4	5.4	4.9	5.1	4.7	4.7	4.7	4.7	4.7
Social Benefits	1.6	1.6	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Social Assistance	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Other expense	1.3	0.5	0.8	0.8	0.9	1.3	1.3	0.7	0.7	0.7
Capital transfers to SOEs (energy sector)	1.2	0.3	0.7	0.7	0.8	1.2	1.2	0.6	0.6	0.6
Gross operating balance	3.4	3.6	4.6	3.3	-3.0	0.5	1.3	2.4	2.9	3.4
Net acquisition of nonfinancial assets	8.1	5.1	5.3	5.3	5.9	5.3	4.3	5.4	5.9	6.4
Acquisition of nonfinancial assets	8.1	5.1	5.3	5.3	5.9	5.3	4.3	5.4	5.9	6.4
Domestically financed capital expenditure	4.2	3.1	3.2	2.6	2.6	1.9	0.8	3.1	3.6	4.1
Foreign loan financed PIP	2.8	1.1	1.4	1.6	2.2	2.3	3.0	1.8	1.8	1.7
Foreign grant financed PIP	1.1	0.8	0.7	1.0	1.0	1.1	0.4	0.5	0.5	0.5
Disposals of nonfinancial assets	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Net lending/borrowing (overall balance)	-4.7	-1.4	-0.7	-1.9	-9.0	-4.8	-3.0	-3.0	-3.0	-3.0
Acquisition of financial assets	0.4	0.6	-0.1	n.a.	-0.2	0.2	0.8	0.1	0.1	0.1
Domestic	0.4	0.6	-0.1	n.a.	-0.2	0.2	0.8	0.1	0.1	0.1
Currency and deposits (NBKR)	0.1	0.2	0.4	n.a.	-0.5	0.0	0.0	0.0	0.0	0.0
Loans 2/	0.3	0.2	-0.4	n.a.	0.3	0.2	0.8	0.2	0.2	0.2
Shares and Equity (Privatization)	0.0	0.2	-0.1	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurence of Liabilities	0.5	0.8	1.3	n.a.	7.6	5.0	3.8	3.1	3.1	3.1
Foreign	0.0	0.0	0.5	n.a.	2.6	2.0	1.8	1.8	1.4	1.8
Public investment program (PIP)	0.0	0.0	2.2	n.a.	2.9	3.6	3.8	3.7	3.7	3.7
Disbursements (Program)	0.0	0.0	0.0	n.a.	1.5	0.0	0.0	0.0	0.0	0.0
Total amortization	0.0	0.0	-1.7	n.a.	-1.8	-1.6	-1.9	-1.9	-2.3	-1.9
Domestic	0.5	0.8	0.8	n.a.	1.5	3.0	1.9	1.3	1.7	1.3
Financing gap					3.4					

Sources: Kyrgyz authorities, and Fund staff estimates and projections.

1/ The State government comprises central and local governments.

2/ Includes grants to the Social Fund and the Mandatory Health Insurance Fund (MHIF).

Table 8. Kyrgyz Republic: General Government Finances, 2017–25, GFSM Presentation 1/

(in millions of soms)

	2017	2018	2019	2020		2021	2022	2023	2024	2025
			Est.	Auth.	Proj.			Proj.		
Revenue	176,581	184,877	200,880	219,456	186,019	223,829	247,935	273,353	301,594	332,102
Taxes	102,184	115,197	121,526	144,755	115,283	141,060	159,869	175,699	193,261	211,926
Taxes on income, profits, and capital gains	24,392	26,702	29,818	n.a.	32,025	34,695	39,918	44,316	49,149	54,434
Payable by individuals	11,110	11,474	12,862	n.a.	11,422	14,088	15,937	17,472	19,135	20,978
Payable by corporations and other enterprises	13,282	15,228	16,956	n.a.	20,603	20,607	23,981	26,843	30,013	33,455
Other income taxes	0	0	0	n.a.	0	0	0	0	0	0
Taxes on property	2,625	2,810	2,950	n.a.	2,948	3,380	3,712	4,053	4,428	4,840
Taxes on goods and services	58,671	67,366	66,756	n.a.	60,916	78,753	89,787	98,145	107,476	117,313
Value-added taxes	45,131	52,786	50,912	n.a.	45,943	60,829	67,418	73,479	80,782	88,286
Turnover and other general taxes on goods and services	4,034	4,283	4,216	n.a.	4,936	5,869	7,849	8,566	9,353	10,222
Excises	9,507	10,296	9,945	n.a.	10,038	12,054	14,520	16,100	17,341	18,806
Taxes on international trade and transactions	16,493	18,319	21,968	n.a.	17,499	24,232	26,451	29,184	32,207	35,339
Social contributions	29,003	30,655	32,481	35,732	35,732	37,011	39,804	42,640	45,773	49,074
Grants	13,468	9,461	13,268	9,683	6,883	11,558	7,297	8,044	8,669	9,250
Program grants	7,800	3,808	8,216	2,820	20	3,486	3,625	3,734	3,846	3,962
Project grants	5,667	5,653	5,042	6,863	6,863	8,072	3,672	4,310	4,823	5,289
Other revenue	31,925	29,564	33,605	29,286	28,122	34,201	40,965	46,970	53,892	61,851
Expense	154,661	158,810	169,467	192,316	197,542	219,827	236,986	251,757	272,605	295,532
Compensation of employees	60,247	60,125	67,911	78,727	78,726	85,106	90,991	97,342	104,104	111,357
Wages and salaries	53,009	53,048	59,784	69,800	69,800	74,990	80,184	85,784	91,750	98,146
Social contributions	7,238	7,076	8,126	8,927	8,927	10,117	10,806	11,558	12,354	13,210
Purchases/use of goods and services	26,710	30,274	27,431	33,847	36,852	36,033	38,383	41,898	45,744	49,972
Interest	4,611	5,826	5,459	6,903	8,465	9,615	10,291	11,501	12,650	14,089
Foreign interest	3,470	3,697	3,751	4,329	4,658	5,456	5,605	6,084	6,607	7,149
Domestic interest	1,141	2,129	1,708	2,574	3,807	4,158	4,686	5,417	6,043	6,941
Subsidies to public corporations	5,336	4,549	4,387	4,491	4,491	4,962	5,061	5,526	6,038	6,599
Grants	486	620	767	687	687	685	762	800	857	919
To international organizations	484	620	480	687	687	685	762	800	857	919
To other general government units	2	0	287	0	0	0	0	0	0	0
Social benefits	49,842	54,727	58,602	62,476	62,476	73,810	80,705	88,015	95,918	104,625
Social Assistance	8,278	9,008	10,299	11,000	11,000	12,659	13,952	15,233	16,704	18,257
Social Security Benefits	41,564	45,719	48,302	51,476	51,476	61,151	66,753	72,781	79,213	86,368
Other expense	7,418	2,679	4,888	5,185	5,846	9,615	10,792	6,676	7,293	7,971
Capital transfers to SOEs (energy sector)	6,366	1,989	3,933	4,592	5,167	8,655	9,738	5,525	6,037	6,598
Gross operating balance	21,919	26,067	31,413	27,141	-11,523	4,002	10,949	21,596	28,989	36,569
					38,840					
Net acquisition of nonfinancial assets	41,722	29,427	32,235	34,432	38,840	40,085	35,395	48,253	58,093	68,374
Acquisition of nonfinancial assets	41,627	29,477	32,321	34,432	38,840	40,085	35,395	48,253	58,093	68,374
Domestically financed	22,636	18,123	19,823	17,445	17,445	14,792	7,207	27,684	35,545	44,538
Foreign financed	20,750	10,996	12,498	16,986	21,395	25,293	28,188	20,570	22,547	23,835
Disposals of nonfinancial assets	95	-51	-87	n.a.	0	0	0	0	0	0
Net lending/borrowing	-19,802	-3,360	-821	-7,291	-50,363	-36,082	-24,446	-26,658	-29,103	-31,805
Net acquisition of financial assets	743	3,104	-407	n.a.	-1,108	1,451	6,363	1,246	1,245	1,386
Domestic	743	3,104	-407	n.a.	-1,108	1,451	6,363	1,246	1,245	1,386
Currency and deposits	-918	529	2,603	n.a.	-2,976	-119	-129	-136	-264	-264
Loans	1,747	1,321	-2,651	n.a.	1,868	1,570	6,492	1,381	1,509	1,649
Sales of equity (privatization proceeds)	-87	1,254	-360	n.a.	0	0	0	0	0	0
Foreign	0	0	0	n.a.	0	0	0	0	0	0
Net incurrence of liabilities	20,377	6,464	7,562	n.a.	49,255	37,534	30,809	27,903	30,349	33,190
Foreign	17,602	1,847	2,945	n.a.	39,354	15,117	14,915	16,411	13,859	19,200
Program loans	0	0	30	n.a.	32,316	0	0	0	0	0
Public investment program loans	0	0	13,047	n.a.	19,008	27,006	30,841	33,454	36,288	39,524
Amortization	0	0	-10,132	n.a.	-11,970	-11,889	-15,926	-17,043	-22,429	-20,324
Domestic	2,775	4,617	4,617	n.a.	9,901	22,416	15,894	11,492	16,490	13,991
Financing gap					22,347					

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ General government comprises the State government, the Social Fund, and the Mandatory Health Insurance Fund (MHIF).

Table 9. Kyrgyz Republic: General Government Finances, 2017–25, GFSM Presentation 1/

(in percent of GDP)

	2017	2018	2019	2020		2021	2022	2023	2024	2025
			Est.	Auth.	Proj.			Proj.		
Revenue	33.3	32.5	34.0	33.8	28.6	30.1	30.3	30.6	30.9	31.1
Taxes	19.3	20.2	20.6	22.3	17.7	18.9	19.5	19.7	19.8	19.9
Taxes on income, profits, and capital gains	4.6	4.7	5.1	n.a.	4.9	4.7	4.9	5.0	5.0	5.1
Payable by individuals	2.1	2.0	2.2	n.a.	1.8	1.9	1.9	2.0	2.0	2.0
Payable by corporations and other enterprises	2.5	2.7	2.9	n.a.	3.2	2.8	2.9	3.0	3.1	3.1
Other income taxes	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on property	0.5	0.5	0.5	n.a.	0.5	0.5	0.5	0.5	0.5	0.5
Taxes on goods and services	11.1	11.8	11.3	n.a.	9.4	10.6	11.0	11.0	11.0	11.0
Value-added taxes	8.5	9.3	8.6	n.a.	7.1	8.2	8.2	8.2	8.3	8.3
Turnover and other taxes on goods and service	0.8	0.8	0.7	n.a.	0.8	0.8	1.0	1.0	1.0	1.0
Excises	1.8	1.8	1.7	n.a.	1.5	1.6	1.8	1.8	1.8	1.8
Taxes on international trade and transactions	3.1	3.2	3.7	n.a.	2.7	3.3	3.2	3.3	3.3	3.3
Social contributions	5.5	5.4	5.5	5.5	5.5	5.0	4.9	4.8	4.7	4.6
Grants	2.5	1.7	2.2	1.5	1.1	1.6	0.9	0.9	0.9	0.9
Program grants	1.5	0.7	1.4	0.4	0.0	0.5	0.4	0.4	0.4	0.4
Project grants	1.1	1.0	0.9	1.1	1.1	1.1	0.4	0.5	0.5	0.5
Other revenue[1/]	6.0	5.2	5.7	4.5	4.3	4.6	5.0	5.3	5.5	5.8
Expense	29.2	27.9	28.7	29.6	30.4	29.5	29.0	28.2	27.9	27.7
Compensation of employees	11.4	10.6	11.5	12.1	12.1	11.4	11.1	10.9	10.7	10.4
Wages and salaries	10.0	9.3	10.1	10.7	10.7	10.1	9.8	9.6	9.4	9.2
Social contributions	1.4	1.2	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.2
Purchases/use of goods and services	5.0	5.3	4.6	5.2	5.7	4.8	4.7	4.7	4.7	4.7
Interest	0.9	1.0	0.9	1.1	1.3	1.3	1.3	1.3	1.3	1.3
Foreign interest	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Domestic interest	0.2	0.4	0.3	0.4	0.6	0.6	0.6	0.6	0.6	0.7
Subsidies to public corporations	1.0	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
To international organizations	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
To other general government units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social benefits	9.4	9.6	9.9	9.6	9.6	9.9	9.9	9.9	9.8	9.8
Social Assistance	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Social Security Benefits	7.8	8.0	8.2	7.9	7.9	8.2	8.2	8.1	8.1	8.1
Other expense	1.4	0.5	0.8	0.8	0.9	1.3	1.3	0.7	0.7	0.7
Capital transfers to SOEs (energy sector)	1.2	0.3	0.7	0.7	0.8	1.2	1.2	0.6	0.6	0.6
Gross operating balance	4.1	4.6	5.3	4.2	-1.8	0.5	1.3	2.4	3.0	3.4
Net acquisition of nonfinancial assets	7.9	5.2	5.5	5.3	6.0	5.4	4.3	5.4	6.0	6.4
Acquisition of nonfinancial assets	7.8	5.2	5.5	5.3	6.0	5.4	4.3	5.4	6.0	6.4
Domestically financed	4.3	3.2	3.4	2.7	2.7	2.0	0.9	3.1	3.6	4.2
Foreign financed	3.9	1.9	2.1	2.6	3.3	3.4	3.4	2.3	2.3	2.2
Disposals of nonfinancial assets	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Net lending/borrowing	-3.7	-0.6	-0.1	-1.1	-7.8	-4.8	-3.0	-3.0	-3.0	-3.0
Net acquisition of financial assets	0.1	0.5	-0.1	n.a.	-0.2	0.2	0.8	0.1	0.1	0.1
Domestic	0.1	0.5	-0.1	n.a.	-0.2	0.2	0.8	0.1	0.1	0.1
Currency and deposits	-0.2	0.1	0.4	n.a.	-0.5	0.0	0.0	0.0	0.0	0.0
Loans	0.3	0.2	-0.4	n.a.	0.3	0.2	0.8	0.2	0.2	0.2
Sales of equity (privatization proceeds)	0.0	0.2	-0.1	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	3.8	1.1	1.3	n.a.	7.6	5.0	3.8	3.1	3.1	3.1
Foreign	3.3	0.3	0.5	n.a.	2.6	2.0	1.8	1.8	1.4	1.8
Program loans	0.0	0.0	0.0	n.a.	1.5	0.0	0.0	0.0	0.0	0.0
Public investment program loans	0.0	0.0	2.2	n.a.	2.9	3.6	3.8	3.7	3.7	3.7
Amortization	0.0	0.0	-1.7	n.a.	-1.8	-1.6	-1.9	-1.9	-2.3	-1.9
Domestic	0.5	0.8	0.8	n.a.	1.5	3.0	1.9	1.3	1.7	1.3
Financing gap					3.4					

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ General government comprises the State government, the Social Fund, and the Mandatory Health Insurance Fund (MHIF).

Table 10. Kyrgyz Republic: Selected Financial Soundness Indicators, 2016–20

	Dec-16	Dec-17	Dec-18	Mar-19	Jun-19	Nov-19	Dec-19	Jan-20
Capital Adequacy								
Regulatory capital to risk weighted assets	24.8	24.2	23.7	24.7	25.5	24.0	24.0	22.7
Tier 1 capital to risk weighted assets	21.1	20.2	19.5	22.4	22.8	20.2	20.1	21.2
Capital to total assets	16.8	17.0	16.5	17.2	18.0	17.6	17.5	17.4
Liquidity								
Liquidity ratio	75.5	65.1	66.9	68.3	64.8	63.7	64.0	69.0
Excess reserves/total reserves	17.6	12.6	27.6	13.9	21.8	12.0	8.3	4.5
Asset quality								
Nonperforming loans/total loans	8.8	7.6	7.5	7.9	7.8	8.4	8.0	8.1
Restructured Loans	9.6	7.1	...	...	...	...	...	...
Prolonged Loans	4.9	4.1	...	...	...	...	...	...
Nonperforming loans by sector (share of total loans)			...	...	...	...	...	...
Industry	0.9	0.8	...	...	...	...	...	...
Agriculture	1.0	0.7	...	...	...	...	...	...
Trade	3.5	3.0	...	...	...	...	...	...
Construction	0.7	0.6	...	...	...	...	...	...
Mortgage	0.9	0.7	...	...	...	...	...	...
Consumer loans	0.5	0.3	...	...	...	...	...	...
Other	1.3	1.5	...	...	...	...	...	...
Nonperforming loans by currency (share of total loans)								
Foreign currency nonperforming loans	5.7	4.7	...	...	...	...	...	...
KGS nonperforming loans	3.1	2.9	...	...	...	...	...	...
Loan-loss provisioning/nonperforming loans	56.9	58.4	54.3	54.0	55.6	55.2	56.6	57.3
Nonperforming assets/total assets	4.6	4.2	4.3	4.6	4.7	5.0	4.7	4.7
Earnings and profitability								
Return on assets	0.5	1.2	1.4	0.7	0.9	1.2	1.2	1.1
Return on equity	3.3	7.6	9.5	4.4	5.6	7.4	7.7	7.1
Net interest margin	7.0	7.8	7.9	7.8	8.2	8.1	8.1	7.7
Spread	6.3	7.2	7.2	7.2	7.5	7.5	7.4	7.0
Income from services and commission fee/total income	7.8	10.9	11.4	10.4	11.2	12.2	12.2	8.0
Loans and deposits								
Loans/deposits	95.0	94.6	100.5	101.2	105.1	103.8	102.7	100.2
Loans/total assets	52.6	54.7	57.5	58.7	60.0	59.4	58.5	57.6
Foreign currency exposure								
Foreign currency exposure (in KGS billion)	1.3	1.0	1.3	0.7	0.9	1.2	2.2	1.1
Loans/deposits (in foreign currency)	79.2	73.9	85.8	88.9	92.2	91.1	92.5	90.3
Share of foreign currency deposits in total deposits [1/]	53.4	48.7	44.5	43.2	41.5	40.7	39.1	39.4
Share of foreign currency loans in total loans	44.5	38.0	38.0	37.9	36.4	35.7	35.2	35.5

Source: National Bank of the Kyrgyz Republic.

1/ Without deposits of banks, nonbank financial-credit institutions, and deposits of the Government of the Kyrgyz Republic.

Table 11. Kyrgyz Republic: Indicators of Capacity to Repay the Fund, 2017–25 1/

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	18.3	20.7	17.5	17.8	17.1	16.2	16.2	13.3	10.5
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit									
(In millions of SDRs)									
Principal	18.3	20.7	17.5	17.8	17.1	16.2	38.4	42.9	20.8
Charges and interest	0.0	0.0	0.0	0.7	0.6	0.6	0.6	0.3	0.1
Total obligations based on existing and prospective credit									
In millions of SDRs	18.3	20.7	17.5	18.4	17.8	16.8	39.0	43.3	20.9
In millions of U.S. dollars	25.8	28.6	24.2	25.5	24.7	23.4	54.5	60.6	29.4
In percent of gross international reserves	1.3	1.5	1.2	1.3	1.3	1.1	2.4	2.5	1.1
In percent of exports of goods and services	1.0	1.0	0.9	1.1	0.9	0.8	1.7	1.7	0.8
In percent of debt service 2/	14.8	15.6	(247.3)	12.3	12.4	9.9	22.2	20.7	10.7
In percent of GDP	0.3	0.3	0.3	0.3	0.3	0.3	0.6	0.6	0.3
In percent of quota	10.3	11.6	9.9	10.4	10.0	9.5	21.9	24.4	11.8
Outstanding Fund credit 2/									
In millions of SDRs	140.6	129.5	102.4	172.5	155.4	139.2	100.9	57.9	37.1
In billions of U.S. dollars	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1
In percent of gross international reserves	10.1	9.3	7.1	12.2	11.1	9.3	6.2	3.4	1.9
In percent of exports of goods and services	7.5	6.5	5.0	10.0	7.9	6.3	4.3	2.3	1.4
In percent of debt service 2/	114.2	97.5	(1,446.2)	115.5	108.3	82.0	57.5	27.7	18.9
In percent of GDP	2.6	2.2	1.7	3.0	2.5	2.2	1.5	0.8	0.5
In percent of quota	79.2	72.9	57.7	97.1	87.5	78.4	56.8	32.6	20.9
Net use of Fund credit (in millions of SDRs)	0.8	-20.7	-17.5	71.0	-17.1	-16.2	-38.4	-42.9	-20.8
Disbursements	19.0	-	-	88.8	-	-	-	-	-
Repayments and Repurchases	18.3	20.7	17.5	17.8	17.1	16.2	38.4	42.9	20.8
Memorandum items:									
Nominal GDP (in millions of U.S. dollars)	7,703	8,271	8,455	8,052	8,546	9,026	9,568	10,149	10,768
Exports of goods and services (in millions of U.S. dollars)	2,638	2,746	2,817	2,395	2,741	3,077	3,265	3,473	3,722
Gross International Reserves (in millions of U.S. dollars)	1,971	1,919	1,996	1,954	1,943	2,088	2,265	2,420	2,772
Debt service (in millions of U.S. dollars) 2/	174.2	184.0	(9.8)	206.8	199.4	236.8	245.3	293.5	275.6
Quota (millions of SDRs)	177.6	177.6	177.6	177.6	177.6	177.6	177.6	177.6	177.6

Sources: IMF staff estimates and projections.

1/ Includes one disbursment of 50 percent of quota under the Rapid Credit Facility in 2020.

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

Annex I. Risk Assessment Matrix (March 2020)[1]

Source of Risks	Relative Likelihood	Possible Impact if Risk Is Realized	Policy response
Global Risks			
Rising protectionism and retreat from multilateralism. Escalating and unpredictable protectionist actions and an inoperative WTO dispute settlement system imperil the global trade system and international cooperation.	High	**Staff assessment: Medium** The shock could transmit through trade, foreign direct investment (FDI) and aid from affected countries.	Diversify trade, FDI and aid. Build up financial buffers.
Sharp rise in risk premia. An abrupt reassessment of market fundamentals could trigger risk-off events. This causes higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; and capital outflows.	High Medium	**Staff assessment: Medium** If authorities keep stabilizing the KGS against a strengthening US$, could strengthen the real effective exchange rate (REER) which would weaken external competitiveness of non-gold exports.	Allow two-way exchange rate flexibility and build up financial buffers.
Social discontent that causes economic disruption and policy missteps. Social tensions persist and protests intensify amid slowing growth and political fragmentation.	Medium	**Staff assessment: Medium** Social tensions globally could spill over to the Kyrgyz Republic, with implications for political and economic stability.	Adopt policies / reforms to foster higher and more inclusive growth and strengthen social safety nets.
More severe COVID-19 pandemic causes widespread and prolonged disruptions to economic activity directly, through global trade and supply chain spillovers and via confidence effects on financial markets and investment.	High	**Staff assessment: High** The shock could impact growth and transmit through trade, foreign direct investment (FDI) and aid. It will open even larger BOP and fiscal financing gaps.	Use financial buffers as needed. Allow exchange rate flexibility. Cooperate with specialized donors and UN-specialized agencies to contain spread of coronavirus and strengthen health care system. Mobilize donor support to close financing gaps.
Intensified geopolitical tensions and security risks (e.g., due to developments in the Middle East) causes economic and political disruption, disorderly migration, volatile commodity prices, and lower confidence.	High	**Staff assessment: Medium** The shock could transmit through its impact on gold and oil prices, which could translate in a positive terms of trade shock, with gold prices increasing.	Build up financial buffers.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Source of Risks	Relative Likelihood	Possible Impact if Risk Is Realized	Policy response
Weaker-than-expected global growth. • **U.S.:** Confidence wanes against a backdrop of a long expansion, stretched asset valuations, rising leverage, and reduced policy space, leading to weaker consumption and investment. • **Europe:** Weak foreign demand or an unanticipated Brexit outcome delays investment, reduces private consumption, and strains banks. With limited policy space, the region enters a prolonged period of anemic growth and low inflation. • **China:** In the near term, Coronavirus and renewed escalation of trade tensions reduce growth directly and by damping confidence and exposing financial vulnerabilities. In the medium term, the reversal of globalization alongside insufficient progress on SOE reform and opening-up weigh on growth. Excessive policy easing—reversing progress in deleveraging and rebalancing—increases risks over time of a disruptive adjustment or a marked growth slowdown. • **Large emerging economies:** Policy missteps, idiosyncratic shocks, and/or contagion prevent expected stabilization or recovery from materializing, generating negative spillovers and reducing global growth.	High High High High	**Staff assessment:** Medium The shock could transmit through trade, FDI and aid from affected countries.	Allow two-way exchange rate flexibility, build financial buffers and diversify trade, FDI and aid.
Large swings in energy prices and its effects on main trading partners (Russia and Kazakhstan). Risks to prices are large and uncertain, stemming from both supply and demand shocks. Lower oil prices could lead negatively impact growth in Russia and Kazakhstan.	High	**Staff assessment:** High The shock could transmit through remittances, oil imports, the exchange rate, external demand, investment and aid flows from affected countries.	Allow two-way exchange rate flexibility, build up financial buffers, continue implementing de-dollarization strategy, and implement risk-based financial sector supervision.
Cyber-attacks on critical global financial, transport or communication infrastructure and broader private and public institutions trigger systemic financial instability or widespread disruptions in socio-economic activities.	Low	**Staff assessment:** Low Reduce confidence and growth.	Implement policies to protect critical financial, transport, communication or energy infrastructure.
Higher frequency and severity of natural disasters cause severe economic damage to smaller economies susceptible to disruptions (medium probability). A sequence of severe events hits key infrastructure and large economies, which disrupts trade, reduces	Medium /Low	**Staff assessment:** Low Reduce confidence and growth.	Build financial buffers

Source of Risks	Relative Likelihood	Possible Impact if Risk Is Realized	Policy response
global GDP, and prompts a recalculation of risk and growth prospects (low probability).			
Country-Specific Risks			
Insufficient donor financing to close the financing gap opened by COVID-19. Donors may not be forthcoming with enough financing.	Low	**Staff assessment: Medium to High** Reduce confidence and growth.	Need for fiscal adjustment and reprioritization of spending toward containment and mitigation of COVID-19.
Build-up of high risks in the financial sector from COVID-19. Financial stress might be more severe than envisaged, and households and companies' balance sheets might be imperiled, including though a depreciation of the exchange rate.	Medium	**Staff assessment: Medium** Banks may fall short of minimum capital levels and face liquidity pressures.	Stand ready to provide liquidity to the financial system and allow regulatory forbearance while assessing long-term solvency prospects and being transparent about the underlying financial situation.
Lower gold prices. Improvement in global economic environment could lead to a drop of gold's safe haven appeal and a fall in gold prices.	Medium	**Staff assessment: Medium** Lower gold prices would weaken growth, the external and fiscal positions.	Allow two-way exchange rate flexibility. Build up financial buffers. Strengthen the business environment to diversify the economy.

Appendix I. Letter of Intent

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

Bishkek, March 24, 2020

Dear Ms. Georgieva:

1. We request financial support from the IMF for an amount of 50 percent of quota (SDR 88.8 million) under the "exogenous window" of the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) to help the Kyrgyz Republic mitigate the adverse impact of the COVID-19 pandemic that led to an urgent financing gap in the balance of payments. We also request that the full amount of this disbursement be made to the account of the Ministry of Finance at the National Bank of the Kyrgyz Republic to provide immediate budget support.

2. This emergency support will help preserve fiscal space for essential COVID-19-related health expenditure, and we are working on the processes to ensure the quality of this spending. We expect that IMF's emergency financing will catalyze additional support from donors. We will continue engaging actively with them to raise the needed financing to close the balance of payments gap and protect our international reserves.

3. The Kyrgyz Republic has suffered sizeable economic damage due to the COVID-19 outbreak. We have closed our border with neighboring People's Republic of China (PRC) from late January 2020 and we are undertaking rigorous measures of a preventative nature to not let the infection spread inside the country. The closure of the border with the largest trading partner PRC, and more recent border restrictions with neighboring Kazakhstan and Uzbekistan, have a significant bearing on industrial production, agriculture, construction, tourism, services and other types of activity. Destruction of supply chains has also resulted in acceleration of the annual inflation rate, which has reached 4.1 percent in February 2020.

4. The COVID-19 outbreak has already had a substantial impact on the budget. Border restrictions and the decline in economic activity have led to a significant decline of budget revenues over the first two months of 2020. In addition, the budget is experiencing additional expenditure pressures associated with the COVID-19 prevention measures, including health checks at the border, establishment of quarantine zones, other prophylactic and disinfection actions, and a public campaign.

5. The COVID-19 outbreak is expected to worsen our external accounts. The current account deficit is expected to widen to 14.5 percent of GDP in 2020 due to more expensive imports from third countries and lower exports of goods and services (including tourism). Lower oil prices are

expected to suppress remittances from Russia, which account for almost a third of GDP. Deterioration in external accounts would open a balance of payments gap in the amount of US$400 million and would put pressures in the foreign exchange market.

6. The Government is committed to continue its efforts to address the economic and health damage caused by the COVID-19 outbreak. We plan to pass a supplementary budget with a fiscal deficit of 7.8 percent of GDP in 2020 on account of lower revenues, consistent with available donor financing. In the supplementary budget, we will postpone non-priority spending and reallocate resources to ensure enough funding for the health sector, including additional medical supplies, equipment and salaries for medical personnel. We will protect the KGZ 19 billion ($240 million, 3.0 percent of GDP) for the health sector in the 2020 budget by expenditure reallocation if needed. We have identified the need for additional health expenditure to contain the spread of COVID-19 in an amount of $9.4 million so far and will most likely identify additional needs in the health sector as the crisis unfolds. To ensure the quality of this additional spending in the health sector, we commit to subject the procurement of urgently needed medical supplies to an ex-post audit by the Audit Chamber, of which the results will be published on the website of the Ministry of Finance. In addition, we will ensure enough funding is allocated to protect the poorest segments of the population in line with our development strategy. The government attaches great importance to implementing its agenda of structural reforms aimed at fostering macroeconomic stability and growth and reducing poverty as laid out in the National Development Strategy of the Kyrgyz Republic for 2018-40. The increase in the deficit is expected to be temporary and we are committed to implement revenue and expenditure measures to bring the deficit down to below 3 percent of GDP over the next two years, once the impact of the shock dissipates and confidence is restored.

7. Considering significant uncertainties, the National Bank of the Kyrgyz Republic (NBKR, the central bank) intends to continue to implement data dependent monetary policy. Owing to the weakening of the exchange rate, it will accommodate a temporary increase in headline inflation and closely monitor second-round effects of the exchange rate depreciation. It will adjust the monetary policy stance if there is substantial risk of sustained broad based price increases above the target range. It will aim to gradually bring inflation back within the 5-7 percent target range in 2021. It will continue implementing a flexible foreign exchange regime and limit foreign exchange interventions to smooth sharp fluctuations of the exchange rate. The NBKR will implement measures to reverse the deterioration of international reserves once confidence is restored over the medium term.

8. The NBKR will do its best to ensure that the financial sector remains resilient in the face of vulnerabilities from the economic disruption caused by COVID-19. The NBKR will stand ready to provide liquidity to the financial system if needed, while ensuring that transparent information is available on eligible collateral. The NBKR will continue implementing prudential rules in a transparent manner, including to address foreign exchange vulnerabilities of businesses with local currency revenues and foreign currency liabilities. It will allow banks to use their capital and liquidity buffers to absorb credit losses and the liquidity squeeze. If capital and liquidity fall below the minimum required by prudential rules, it will show prudent flexibility on the timing of bringing capital and liquidity above the minimum required depending on the length of the crisis. The NBKR will continue to encourage banks and non-bank financial institutions to restructure the debt of

temporarily illiquid but otherwise solvent borrowers with viable prospects under normal conditions, to prevent exacerbating the downturn or widespread the credit squeeze.

9. Our capacity to repay the Fund remains adequate. Considering the disbursement under the RCF and RFI, while our repayments to the Fund will increase over the medium-term, repayment ratios to fiscal revenue and exports of goods and services will remain manageable. We will continue meeting our financial obligations to the IMF on a timely basis. The NBKR and the Ministry of Finance will agree on a Memorandum of Understanding that: (i) commits the government to maintaining funds received from the IMF in a government account at the NBKR, pending their use, (ii) requires the government to hold foreign exchange balances only with the NBKR, and (iii) clarifies the responsibilities for repaying Fund resources. Furthermore, our risk of debt distress will remain moderate owing to our commitment to bring the fiscal deficit below 3 percent of GDP over the next two years.

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

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

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

Sincerely,

/s/
Mukhammedkalyi Abylgaziev
Prime Minister
of the Kyrgyz Republic

/s/
Baktygul Jeenbaeva
Minister of Finance
of the Kyrgyz Republic

/s/
Tolkunbek Abdygulov
Governor of the National Bank
of the Kyrgyz Republic

INTERNATIONAL MONETARY FUND

KYRGYZ REPUBLIC

STAFF REPORT FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT AND DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—INFORMATIONAL ANNEX

March 24, 2020

Prepared By

Middle East and Central Asia Department
(In collaboration with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of February 29, 2020)

Membership Status: Joined: May 8, 1992 Article VIII

General Resources Account:	**SDR million**	**Percent of Quota**
Quota	177.60	100.00
Fund Holdings of Currency (Exchange Rate)	177.45	99.91
Reserve Tranche Position	0.31	0.18

SDR Department:	**SDR million**	**Percent Allocation**
Net Cumulative Allocation	84.74	100.00
Holdings	106.78	126.00

Outstanding Purchases and Loans:	**SDR million**	**Percent of Quota**
RCF Loans	4.44	2.50
ECF Arrangements	97.04	54.64

Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR million)**	**Amount Drawn (SDR million)**
RCF/RFI	March xx, 2019	xxx	88.8	88.8
ECF	April 8, 2015	April 7,2018	66.60	57.08
ECF	June 20, 2011	July 7, 2014	66.60	66.60
ESF	December 10, 2008	June 9, 2010	66.60	33.30

Projected Payments to the Fund [1/]

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2020	2021	2022	2023	2024
Principal	17.76	17.13	16.17	16.17	13.32
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	17.76	17.13	16.17	16.17	13.32

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Status of HIPC and MDRI Assistance

On November 30, 2011, the Executive Board considered the addition of income and indebtedness criteria for end-2010 to the HIPC Initiative framework, which resulted in the removal of the Kyrgyz Republic from the ring-fenced list of eligible countries.

Safeguards Assessments

An update assessment with respect to the new ECF approved by the IMF Board on April 8, 2015 was completed on October 5, 2015. The assessment concluded that the National Bank of the Kyrgyz Republic (NBKR) continues to have significant vulnerabilities in the legal structure, particularly in governance arrangements. The audit committee's authority remains limited, as it only has an advisory role vis-à-vis the NBKR Board. The Banking Law, which was adopted by Parliament in September 2016, did not address all safeguards recommendations. Furthermore, the Office of the President requested amendments before signing the Law that claw back some of the improvements in central bank independence in the version originally approved by the Parliament. Key outstanding safeguards concerns include the composition of the NBKR Board, which is comprised only of executive members. Previous assessments were completed in October 2011, April 2009, October 2005, and January 2002.

Exchange Rate Arrangements

The currency of the Kyrgyz Republic has been the som (100 tyiyn = 1 som) since May 10, 1993. The de jure exchange rate arrangement is floating arrangement. The NBKR participates and intervenes in the interbank foreign exchange market to limit exchange rate volatility as necessary. The de facto exchange rate arrangement was reclassified to stabilized from other managed, effective January 26, 2018. The NBKR publishes daily the exchange rate of the som in terms of the U.S. dollar, which is determined in the interbank foreign exchange market. The official exchange rate of the som against the dollar is calculated as the daily weighted average of the exchange rates used in the purchase and sale transactions of dollars conducted in the foreign exchange market through the Automated Trade System (ATS) of the NBKR for the reporting period from 3:00 pm of the previous trading day to 3:00 pm of the current trading day. The government uses the official exchange rate for budget and tax accounting purposes as well as for all payments between the government and enterprises and other legal entities.

The Kyrgyz Republic maintains a multiple currency practice (MCP) arising from the use of the official exchange rate for government transactions. The official rate may differ by more than 2 percent from market rates because it is based on the average transaction weighted rate of the preceding day. The authorities intend to continue to use the official exchange rate for government transactions. Staff does not recommend approval of this MCP.

Kyrgyz Republic maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions, except for the MCP discussed above and exchange restrictions maintained for security reasons relating to the restriction of financial transactions and the freeze of accounts of certain individuals or organizations associated with terrorism pursuant to (i) relevant U.N. Security Council resolutions; and (ii) the list of current terrorist organizations designated by the U.S. Secretary of State. The authorities have notified these measures to the Fund in May 2007.

Article IV Consultations

The Kyrgyz Republic is on a 12-month consultation cycle. The 2019 Article IV consultation discussions were held in March 2019 and were completed by the Executive Board in June 2019.

FSAP Participation and ROSC Assessment

An FSAP update mission in July 2013 reviewed progress since the 2007 assessment, and the Board discussed the Financial System Stability Assessment (FSSA) along with the fifth ECF review in December 2013. The FSSA was not published. A fiscal ROSC mission was held in March 2001 and the ROSC Fiscal Transparency Module was published on March 13, 2002. A data ROSC mission was held in November 2002 and the ROSC Data Module was published in November 2003. A fiscal ROSC reassessment was held in September 2007.

Resident Representative

The eleventh resident representative of the Fund in the Kyrgyz Republic, Mr. Poghosyan, took his post in Bishkek in March 2019.

RELATIONS WITH OTHER INTERNATIONAL INSTITUTIONS

(As of March 23, 2020)

Asian Development Bank:

- Country page: https://www.adb.org/countries/kyrgyz-republic/main
- ADB projects and results: https://www.adb.org/countries/kyrgyz-republic/results

European Bank for Reconstruction and Development:

- Country page: https://www.ebrd.com/kyrgyz-republic.html
- EBRD projects: https://www.ebrd.com/work-with-us/project-finance/project-summary-documents.html?1=1&filterCountry=Kyrgyz%20Republic

World Bank Group:

- Country page: https://www.worldbank.org/en/country/kyrgyzrepublic
- Overview of Word Bank Group lending: https://financesapp.worldbank.org/en/countries/Kyrgyz%20Republic/
- IBRD-IDA project operations: http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=KG

TECHNICAL ASSISTANCE PROVIDED BY THE FUND

(January 2014–March 2019)

FAD	Tax Administration Enforcement (Module 6—TPA TTF)	January 8–22, 2014	Ministry of Finance, State Tax Service, State Customs Service
	Public Finance Management	May 2–13, 2014	Ministry of Finance
	Public Finance Management	December 5–18, 2014	Ministry of Finance
	Public Finance Management	April 23–May 7, 2015	Ministry of Finance
	Tax Policy (Impact of the Accession to the EEU)	April 29–May 13, 2015	Ministry of Economy
	Public Finance Management (Fiscal risk disclosure)	September 17–October 1, 2015	Ministry of Finance
	Public Investment Management Assessment Information-Gathering	December 14–16, 2015	Ministry of Finance, Ministry of Economy
	Public Investment Management Assessment	January 27–February 10, 2016	Ministry of Finance, Ministry of Economy
	Managing Government Wage Expenditure	March 15–28, 2016	Ministry of Finance, Ministry of Labor
	Treasury and Accounting Reform and Fiscal Risks Disclosure	September 19–30, 2016	Ministry of Finance
	Government Subsidies Review: Energy Subsidy and Social Protection	February 22–March 7, 2017	Ministry of Finance
	Treasury and Accounting Reform and Fiscal Risks Disclosure	April 17–27, 2017	Ministry of Finance
	A Rules-Based Fiscal Framework	June 13–26, 2017	Ministry of Finance
	Financial Management Information System Strategy	July 14–25, 2017	Ministry of Finance
	Incorporation of Fiscal Rules in the Budget Code	December 11-15, 2017	Ministry of Finance
MCM	Operational Advice on Improving the Monetary Policy Framework	February 3–14, 2014	National Bank of the Kyrgyz Republic
	Operational Advice on Improving the Monetary Policy Framework	April 20–28, 2015	National Bank of the Kyrgyz Republic
	Strengthening Near-Term Modeling and Forecasting Capacities	April 18–29, 2016	National Bank of the Kyrgyz Republic
	Medium-Term Debt Management Strategy	April 20–28, 2016	Ministry of Finance
	Strengthening Banking Supervision	May 24–June 1, 2016	National Bank of the Kyrgyz Republic
	Monetary Policy and Inflation Targeting Framework	April 10–25, 2017	National Bank of the Kyrgyz Republic
	IFRS 9 Training for NBKR Banking Supervisors	May 29–June 2, 2017	National Bank of the Kyrgyz Republic Banking Supervisors

	Monetary Policy and Inflation Targeting Framework – Follow Up	April 4–13, 2018	National Bank of the Kyrgyz Republic
	Inflation Targeting	October 29–November 14, 2018	National Bank of the Kyrgyz Republic
	Cyber Security	March 6–20, 2019	National Bank of the Kyrgyz Republic
	Strengthening the Payment System Oversight	May 2019	National Bank of the Kyrgyz Republic
	Strengthening Monetary Policy Operations	September 2019	National Bank of the Kyrgyz Republic
LEG	AML/CFT Follow-up	February 2014	National Bank of the Kyrgyz Republic, State Financial Intelligence Service, and Public Prosecutor
	AML/CFT Follow-up	January 2015	National Bank of the Kyrgyz Republic, State Financial Intelligence Service, and Public Prosecutor
	AML/CFT Follow-up	June 2015	National Bank of the Kyrgyz Republic, State Financial Intelligence Service, and Public Prosecutor
	AML/CFT Follow-up	October–November 2015	National Bank of the Kyrgyz Republic, State Financial Intelligence Service, and Public Prosecutor
	AML/CFT Follow-up	January 2016	National Bank of the Kyrgyz Republic, State Financial Intelligence Service, and Public Prosecutor
	AML/CFT Follow-up	April 2016	National Bank of the Kyrgyz Republic, State Financial Intelligence Service, and Public Prosecutor
	AML/CFT risk-based supervision and SFIS IT workflow procedures	June/July 2016	National Bank of Kyrgyz Republic, State Financial Intelligence Service
	IT (setting up analytical reporting software)	August 2016	State Financial Intelligence Service
	AML/CFT risk-based supervision (IMF/WB mission)	October 2016	National Bank of Kyrgyz Republic

	Legal Frameworks for Bank Resolution	September 20–22, 2017	National Bank of the Kyrgyz Republic, Ministry of Justice
	AML/CFT supervision (WB/IMF workshop)	October 3–7, 2017	National Bank of the Kyrgyz Republic
	AML/CFT Legal drafting	February 2018	State Financial Intelligence Service
	AML/CFT Legal drafting	July 2018	State Financial Intelligence Service
	AML/CFT supervision (WB/IMF workshop)	October 2018	National Bank of Kyrgyz Republic
LEG/FIN	Safeguards-Related Issues: proposals to strengthen the central bank's governance	July 9-11, 2018	National Bank of Kyrgyz Republic
STA	Price Statistics	March 31–April 11, 2014	National Statistics Committee
	External Sector Statistics	February 16–27, 2015	National Bank of the Kyrgyz Republic
	Monetary and Financial Statistics	April 15–28, 2015	National Bank of the Kyrgyz Republic
	External Sector Statistics	October 26–November 6, 2015	National Bank of the Kyrgyz Republic
	External Sector Statistics	April 4–15, 2016	National Bank of the Kyrgyz Republic
	Quarterly National Accounts	April 11–16, 2016	National Statistics Committee
	Government Finance Statistics	April 11–22, 2016	Ministry of Finance
	Monetary and Financial Statistics	April 13–26, 2016	National Bank of the Kyrgyz Republic
	National Account EDDI2	April 17–28, 2017	National Statistical Committee
	Government Finance Statistics (Training)	April 24–May 5, 2017	Ministry of Finance, the National Bank of Kyrgyz Republic, National Statistical Committee, and the Social Fund
	National Accounts EDDI2	November 6–24, 2017	National Statistics Committee
	Quarterly National Accounts	April 2–20, 2018	National Statistics Committee
	Government Finance Statistics	October 23-27, 2018	Ministry of Finance
	National Accounts EDDI2	November 12–23, 2018	National Statistics Committee
	Government Finance Statistics	May 2019	Ministry of Finance

	Government Finance Statistics	September-October 2019	
	External Sector Statistics	June 24-July 5, 2019	National Bank of Kyrgyz Republic and National Statistics Committee

List of Resident Advisors

FD	Banking Supervision/Restructuring Advisor	Mr. Svartsman	January 2004–January 2005
MFD	Public Debt Policy and Management	Mr. Azarbayejani	December 2002–December 2004
MCM	Debt Management and Development of Government Securities Management	Mr. Riecke	August 2006–June 2011
MCD	Macroeconomic Analysis and Forecasting	Mr. Petkov	January 2010–January 2011
MCM	Banking Supervision/Restructuring Advisor	Mr. Svartsman	October 2010–April 2013
LEG	Long-Term Banking Advisor	Mr. Zaveckas	August 2012–April 2014
MCM	Banking Supervision/Restructuring Advisor	Mr. Svartsman	July 2013–January 2014
MCM	Banking Supervision/Restructuring Advisor	Ms. Sonbul Iskender	January 2016–July 2019

STATISTICAL ISSUES

Data provision is adequate for surveillance. The four institutions responsible for collecting, compiling and disseminating macroeconomic statistics—the National Statistics Committee (NSC), the Ministry of Economy, the Ministry of Finance, and the National Bank of the Kyrgyz Republic (NBKR)—have legal and institutional environments that support statistical quality, and their respective staff are well-versed in current methodologies.

The NSC maintains a comprehensive and regularly updated website with data that largely incorporate international methodological recommendations with adequate coverage and timeliness (http://www.stat.kg). In February 2004, the Kyrgyz Republic subscribed to the SDDS.

National Accounts

In general, dissemination of national accounts statistics is timely. Technical assistance has been received from the IMF, EUROSTAT, OECD, the World Bank, and bilateral donors. While significant progress has been made in improving the national accounts estimation process, problems persist regarding the quality of the source data. Efforts are needed to improve the quality of the source data for quarterly GDP estimates. Moreover, while the quarterly GDP estimates are disseminated on a discrete basis for SDDS purposes, these estimates are still derived from cumulative data. Difficulties also remain in properly estimating the degree of underreporting, especially in the private sector.

Five IMF technical assistance missions on national accounts were conducted during the period 2016–18. The first two missions in April 2016 and April 2017 contributed to the development of quarterly source data on a discrete basis. The next three peripatetic missions contributed to the compilation of quarterly GDP estimates based on discrete quarterly data. The latest mission conducted in November 2018 finalized the compilation of quarterly GDP estimates for 2010–17. The NSC is planning to disseminate discrete quarterly estimates of GDP by June 2019.

These missions also contributed to the improvement of annual GDP estimates by: (i) reducing the discrepancies between GDP by production and expenditure; and (ii) improving the estimates of imputed rent of owner-occupied dwellings.

Price and Labor Market Statistics

The concepts and definitions used in the CPI, which has been published since January 1995, are broadly consistent with international standards. The price index covers all urban resident households of all sizes and income levels, but needs to cover rural households, which comprise the majority of the population.

The PPI, which has been published since October 1996, is compiled broadly in accordance with international standards, although its coverage needs to be improved. The coverage of the PPI was broadened in May 1997 and is expected to be further expanded in the coming years.

Progress has been made in computing unit value indices for imports and exports. Work continues regarding computation of these indices using a standard index presentation and the development of an export price index. However, problems in customs administration have led to incomplete coverage of trade and the lack of an appropriate valuation system. Moreover, the data processed by customs have suffered due to the use of an outdated computer software system.

Problems exist in the compilation of the average wage, especially with respect to the valuation of payments in kind and the coverage of the private sector. Monthly and annual data are not comparable because of different coverage and classifications. These problems extend to employment data as well. The coverage of unemployment includes an estimate of unregistered unemployed.

Government Finance Statistics

The Kyrgyz Republic has been a beneficiary of a SECO funded three-year project (2016-2019) that aims at improving fiscal transparency. Since 2018 the Ministry of Finance of the Kyrgyz Republic compiles and disseminates annual GFS for the whole general government, including social security funds, and extended the data coverage with balance sheet and functional classification of expenditure. Starting in Q1 2018, the authorities began reporting quarterly general government data for publication in the IFS. The data reported for publication in the GFS Yearbook start in 2012 and cover general government and its subsectors. Data are now being compiled using the GFSM 2014 analytical framework. However, on-lending to loss-making energy state-owned enterprises are incorrectly classified as accumulation of financial assets below the line rather than spending (i.e. transfers) above the line, which is inconsistent with the GFSM Manual.

In May 2018 the Kyrgyz Republic started regularly reporting debt securities and loans to the common WB / IMF quarterly Public Sector Debt Statistics (PSDS) database.

The Ministry of Finance is working on: i) reconciling the deficit and financing data; ii) compiling quarterly data and metadata for all PSDS instruments; and iii) reconciling all macroeconomic statistics.

Monetary and Financial Statistics (MFS)

The NBKR reports regular data using the IMF recommended Standardized Report Forms (SRFs) and covering the central bank balance sheet (SRF 1SR), other depository corporations (SRF 2SR), and other financial corporations (OFCs, SRF 4SR). Going forward, the NBKR needs to expand the coverage of the OFC survey by including insurance corporations, pension funds, and investment funds. The NBKR reports some data and indicators of the Financial Access Survey (FAS), including the two indicators of the U.N. Sustainable Development Goals.

Financial Sector Surveillance

The NBKR reports Financial Soundness Indicators (FSIs) to STA on a regular quarterly basis. All core and additional FSIs relevant for the Kyrgyz Republic are reported.

External Sector Statistics

Starting with 2017, quarterly data on the balance of payments and international investment position (IIP) are compiled and disseminated following the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* basis. Data are disseminated meeting the SDDS required timeliness and periodicity. Further improvements are needed in estimation of shuttle trade and remittances, in coverage of transactions related to direct investment (inward and outward), including investment income. Also, further work is needed for adjusting the trade statistics to the requirements of Eurasian Economic Union (EAEU) and in reconciling the customs declarations database for the trade with EAEU members and with the rest of the world.

The Kyrgyz Republic participates in the IMF’s Coordinated Direct Investment Survey (CDIS), reporting inward and outward direct investment.

The External Debt Division of the Ministry of Finance is in charge of monitoring the public sector external debt and of submitting the gross external debt statistics (GEDS) for all institutional sectors to the World Bank’s Quarterly External Debt Statistics (QEDS) database. The compilation of QEDS tables is executed in collaboration with the NBKR; the latter provides inputs on private sector external debt (banks and other sectors).

Kyrgyz Republic: Table of Common Indicators Required for Surveillance

(As of March 23, 2020)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	2/29/2020	3/9/2020	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2/29/2020	3/9/2020	M	M	M
Reserve/Base Money	2/29/2020	3/9/2020	M	M	M
Broad Money	1/31/2020	3/12/2020	M	M	M
Central Bank Balance Sheet	2/29/2020	3/9/2020	M	M	M
Consolidated Balance Sheet of the Banking System	1/31/2020	3/12/2020	M	M	M
Interest Rates[2]	1/31/2020	3/9/2020	M	M	M
Consumer Price Index	11/31/19	1/31/20	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing[3]—General Government[4]	1/31/19	1/31/19	M	M	A
Revenue, Expenditure, Balance, and Composition of Financing[3]—Central Government	1/31/19	1/31/19	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/31/18	12/31/18	Q	Q	Q
External Current Account Balance	9/30/19	2/20/20	Q	Q	Q
Exports and Imports of Goods and Services	9/30/19	2/20/20	Q	Q	Q
GDP/GNP	3/31/19	3/31/19	M	M	M
Gross External Debt	9/30/18	9/30/18	Q	Q	A
International Investment Position[6]	9/30/19	2/20/20	Q	Q	Q

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.

[3] Foreign and domestic financing only.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.

[7] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I), Not Available (NA).

INTERNATIONAL MONETARY FUND

KYRGYZ REPUBLIC

March 24, 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT AND DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By
Subir Lall and Vitaliy Kramarenko (IMF) and Marcello Estevão (IDA)

Prepared by staffs of the International Monetary Fund and the International Development Association.

Kyrgyz Republic Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Some space*
Application of judgment	*No*

The debt sustainability analysis (DSA) indicates that Kyrgyz Republic remains at moderate risk of debt distress, with some space, for both external debt and overall public debt, despite the expected spike of total public debt to 66 percent of GDP in 2020 in reaction to the outbreak of the COVID-19 pandemic and the depreciation of KGS vis-à-vis the US dollar.[1] *This assessment is grounded on the projection that the authorities will strictly adhere to their fiscal rule of keeping the budget deficit at no more than 3 percent of GDP once the economy has fully recovered from the current crisis. The Kyrgyz Republic's current debt-carrying capacity is assessed as strong. However, the debt outlook remains vulnerable to shocks to real GDP growth and exports. Remaining cautious when contracting and guaranteeing new debt, including by avoiding non-concessional financing, and improving public investment management would help reducing these vulnerabilities.*

[1] This DSA analysis is based on the latest framework for DSA for low-income countries. See IMF, 2018, Guidance Note on the Bank-Fund Debt Sustainability Framework for Low-Income Countries.

PUBLIC DEBT COVERAGE

1. **The debt coverage is limited to state government debt (both central and local government), state guarantees, and the debt of the central bank towards the IMF** (Text Table 1). Almost all the public sector debt is issued by the central government. Local governments have no external debt and insignificant domestic debt. The social security fund has no debt. State-owned enterprises (SOEs) have no external debt and limited short-term domestic borrowing from the banking sector. Most of SOEs borrowing is from the government. In addition, the government has no outstanding guarantee of any debt as the budget code prevents the state from guaranteeing debt of SOEs and other public entities since 2007, except for the cases stipulated by the obligations of the Kyrgyz Republic within its membership in international and inter-governmental organizations. Nevertheless, a contingent liability shock of 7 percent of GDP was applied, reflecting risks around the operation of SOEs (2 percent of GDP, which is about the structural cash shortfall of loss-making energy sector SOEs)[2] and the default value representing the average cost to the government during a financial crisis (5 percent of GDP, Text Table 2).

Text Table 1. Kyrgyz Republic: Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Text Table 2. Kyrgyz Republic: Combined Contingent Liability Shock

1	**The country's coverage of public debt**	The central, state, and local governments, central bank, government-guaranteed debt			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			7.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

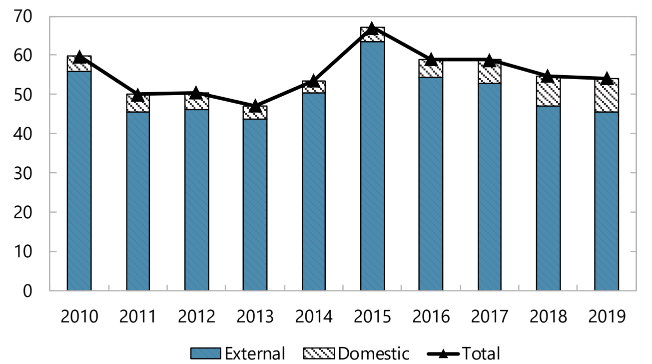
[2] IMF Country Report No. 19/208, Kyrgyz Republic—Staff Report for 2019 Article IV Consultation, ¶34.

BACKGROUND

2. **Overall public debt has been on a downward trajectory for the last four years due to the decline in external debt** (Text Chart 1). The substantial depreciation of KGS against the US$ during 2014–15 caused public debt to increase to 67 percent of GDP in 2015. The appreciation of KGS against the US$ since 2015, the write-off of Russian debt in 2018 ($240 million in 2018, or 3 percent of GDP), and the low general government budget deficit in 2018 (0.6 percent of GDP) and 2019 (0.1 percent of GDP) resulted in a decline of total public debt to 54.1 percent of GDP in 2019. Domestic debt has increased from 3.6 percent in 2015 to 8.7 percent of GDP in 2019, accounting for about 16 percent of total debt. Domestic public debt is mostly held by commercial banks (50 percent) and the social security fund (30 percent).

Text Chart 1. Public Debt, (2010-2019)

Percent of GDP



Sources: Country authorities

UNDERLYING ASSUMPTIONS

3. **The macroeconomic assumptions underlying this debt sustainability analysis (DSA) have deteriorated in the short term compared to the previous DSA owing to the outbreak of Coronavirus (COVID-19)** (Text Table 3):

Text Table 3. Kyrgyz Republic: Selected Indicators, 2017-2025

	2019	2020	2021	2022	2023	2024	2025
Real GDP growth (percent)							
Current DSA	4.5	0.4	6.0	4.3	4.0	4.1	4.1
Previous DSA[1]	3.8	3.4	3.8	4.6	3.4	3.4	4.0
Overall fiscal balance (percent of GDP)							
Current DSA[2]	-0.1	-7.8	-4.8	-3.0	-3.0	-3.0	-3.0
Previous DSA[1]	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Current account balance (percent of GDP)							
Current DSA	-9.2	-14.5	-10.0	-7.5	-7.3	-7.1	-7.0
Previous DSA[1]	-9.6	-7.7	-7.1	-6.8	-8.4	-8.7	-8.5
PIP Disbursements (millions of US$)							
Current DSA	268	362	415	395	416	438	464
Previous DSA[1]	414	351	409	439	463	487	515

Sources: Kyrgyz authorities and IMF staff estimates.

1/ IMF Country Report No. 19/208, Kyrgyz Republic—2019 Article IV Consultation Staff Report--Debt Sustainability Analysis.

2/ Including onlending to energy SOEs.

- **Growth and inflation.** Projections in 2020 have substantially worsened due to the expected economic disruption during the first semester of 2020 on the back of the outbreak of COVID-19, the closure of the border with China, and the 20 percent depreciation of KGS vis-à-vis the USD dollar since the beginning of the year. Economic growth is expected to rebound in 2021, and come back to potential, which is estimated at about 4 percent over the medium term. Inflation is projected to spike to about 11 percent in the short term, but then stay at the lower end of the authorities' target range (5 to 7 percent).

- **Fiscal policy.** The fiscal deficit is expected to widen to 7.8 percent of GDP in 2020 but then gradually decrease to 3 percent of GDP already in 2022, in line with the fiscal rule which is still pending approval of the parliament. The debt will spike to 66 percent of GDP in 2020 and then stabilize at about 60 percent of GDP in the medium-to long-term.

- **External sector.** The current account deficit is expected to widen to about 14.5 percent of GDP in 2020, owing to a weakening of tourism and remittances , and then to be reduced to 7 percent of GDP in the short and medium term owing to the depreciation of the KGS in 2020 that is supposed to be permanent. The current account is expected to be financed by foreign direct investment (FDI) and aid.

- **Financing assumptions.** The new external borrowing is assumed to remain on concessional terms as the country is expected to stay a low-income country over the projection horizon. The size of domestic debt on market terms is expected to double from 8 to 16 percent of GDP over the projection horizon in sync with the development of the domestic financial market.

4. **Realism tools suggest that the baseline projections are reasonable:**

- *Drivers of debt dynamics* (Figure 3)**.** A comparison with the distribution of past forecast errors for low-income countries (LICs) shows that the unexpected changes to Kyrgyz Republic's external debt are below the interquartile range due to the large depreciation of KGS vis-à-vis the US$ during 2014-16, while the unexpected changes to public debts are within the interquartile range for both public and publicly guaranteed (PPG) external debt for LICs.

- *Realism of planned fiscal adjustment* (Figure 4). The projected 3-year adjustment in the primary balance is near the median and well below the top quartile of the distribution of the past adjustments to primary fiscal deficit of the sample of LICs under an IMF program.

- *Consistency between fiscal adjustment and growth* (Figure 4). The growth projection for 2020 is below the growth path suggested by a fiscal multiplier of 0.2 due to the current economic shock caused by COVID-19 and the depreciation of KGS.

- *Consistency between public investment and growth* (Figure 4). The contribution of public investment to growth is slightly higher than the previous DSA, but still below historical contribution.

COUNTRY CLASSIFICATION AND STRESS TESTS

5. **The Kyrgyz Republic's debt-carrying capacity is assessed as strong** (Text Table 4). The country's Composite Indicator (CI) index[3] is 3.19, above the threshold of 3.05 for strong debt-carrying capacity. The CI is calculated for the last two IMF World Economic Outlook (WEO) vintages (October 2019 and April 2019) and the World Bank's 2018 CPIA. This translates into the following external debt burden thresholds: 240 percent of the present value (PV) of external debt-to-exports ratio, 55 percent of the PV of external debt-to-GDP, 21 percent of the PV of external debt service-to-exports, and 23 percent of the PV of debt service-to-revenue. The total public debt burden threshold is 70 percent of the PV of total public debt-to-GDP ratio.

Text Table 4. Kyrgyz Republic: Debt-Carrying Capacity and Relevant Indicative Thresholds

Debt Carrying Capacity	Strong

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Strong	Strong 3.19	Strong 3.19	Strong 3.19

EXTERNAL debt burden thresholds	Strong
PV of debt in % of	
Exports	240
GDP	55
Debt service in % of	
Exports	21
Revenue	23

TOTAL public debt benchmark	Strong
PV of total public debt in percent of GDP	70

EXTERNAL DSA

6. **The risk of external debt distress in Kyrgyz Republic is assessed to be moderate** (Figure 1, and Tables 1 and 3). Total external debt stood at about 76 percent of GDP in 2019, of which 46 percent of GDP is external Public and Publicly Guaranteed (PPG) debt and the balance of 31 percent of GDP is private external debt. It is projected to spike to about 88 percent of GDP in 2020, on the back of 20 percent depreciation of the KGS vis-à-vis the US dollar. However, it will be

[3] The CI is a function of the World Bank's Country Policy and Institutional Assessment (CPIA) score, international reserves, remittances, country and global economic growth. The calculation is based on 10-year averages of the variables, across 5 years of historical data and 5 years of projection. For more details, see IMF, 2018, Guidance Note on the Bank-Fund Debt Sustainability Framework for Low-Income Countries.

on a downward trajectory to about 75 percent of GDP over the long term, driven by decline in PPG external debt owing to the moderate shift from external to domestic financing expected over the projection horizon (¶3). Private external debt is expected to remain at about 30 percent of GDP. The PV of PPG external debt is projected to jump to 38 percent of GDP, and then declines to about 31 of percent of GDP at the end of projection horizon, well below the sustainability threshold of 55 percent of GDP. The PV of debt to exports burden indicator breaches its threshold for three years (2022-24) under exports shock scenario, suggesting a moderate risk of debt distress. The debt services to revenue ratio is stable over the medium term, and well below its threshold with a shock to exports, the most extreme shock. The resilience of the external debt risk assessment to all the standardized stress tests, i.e. the downside scenarios on growth, primary balance, depreciation, and combined shocks (alternative scenarios B1 to B5 in Table 3), indicate that the sustainability of the external debt would remain resilient to a more severe impact of the COVID-19 crisis than assumed in this analysis.

PUBLIC DSA

7. **The risk of total public debt distress is assessed to be moderate** (Figure 2 and Tables 2 and 4). The public debt outlook in 2020 has deteriorated since the last DSA, driven by the impact of COVID-19 on the economy and the KGS depreciation (Text Table 5). Higher primary deficit, depreciation of KGS and lower growth will increase public debt by 12 percent to 66 percent of GDP in 2020. Total public debt is expected to hover around 61 percent of GDP over the medium term. The PV of total public debt is projected to stay between 40 and 50 percent of GDP, well below the sustainability threshold of 70 percent of GDP. Total public debt remains vulnerable to shocks, especially to real GDP growth and exports. Under the shock scenario to real GDP growth, the PV of debt-to-GDP ratio breaches its sustainability threshold in 2026 and remains above the threshold until the end of the projection horizon. The resilience of public debt risk assessment to all the standardized stress test except the one of prolonged lower growth (alternative scenario B1 in Table 4) also indicate that the sustainability of the public debt would remain resilient to a more severe impact of the COVID-19 crisis than assumed in this analysis.

Text Table 5. Kyrgyz Republic: Comparison of Debt Ratio

(In percent of GDP)

	2019	2020	2021	2022	2023	2024	2025	Long Term (2030)
PPG external debt-to-GDP ratio								
Current DSA	45.5	56.5	53.5	51.8	50.5	48.9	47.6	42.0
Previous DSA[1]	47.9	46.7	45.4	44.0	43.2	42.7	41.4	36.4
Public debt-to-GDP ratio								
Current DSA	54.1	65.9	64.8	64.0	62.9	61.9	60.9	59.6
Previous DSA[1]	56.1	55.5	55.3	54.5	54.4	54.4	54.3	54.0

Sources: Kyrgyz authorities and IMF staff estimates.

1/ IMF Country Report No. 19/208, Kyrgyz Republic—2019 Article IV Consultation Staff Report--Debt Sustainability Analysis.

RISK RATING AND VULNERABILITIES

8. **The DSA indicates that overall public debt and external debt remain at a moderate risk of debt distress.** External debt is still sensitive to exports shock. Total public debt is vulnerable to a real GDP growth shock and breaches the PV of debt-to-GDP ratio threshold under such a shock.

9. **The Kyrgyz Republic is assessed to have some space to absorb shocks** (Figure 5). The external PPG debt outlook remains vulnerable to large external shocks, to a decline in exports and other flows (official and private transfers and foreign direct investment), a depreciation of the KGS as well as combined external shocks. Given the gap between debt burden indicators and their respective thresholds, the Kyrgyz Republic has some space to absorb shocks without being downgraded to high risk of debt distress.

10. **The authorities need to maintain fiscal discipline, remain cautious when contracting or guaranteeing new debt and continue to improve the business climate**. To keep public debt sustainable, the authorities need to reduce the deficit to three percent of GDP once the economy recovers from the COVID-19 crisis and rigorously adhere to the fiscal rule being considered by Parliament thereafter. While necessary to fill the large infrastructure gap, externally-financed public investments could undermine debt sustainability. In this context, further efforts are needed to strengthen both public debt management, while keeping new borrowing on concessional terms, and public investment management, to ensure that potential gains from externally financed public investment projects are fully realized. Moreover, the authorities should continue to improve the business environment to maintain and develop the country's export potential over the medium and long term.

AUTHORITIES' VIEWS

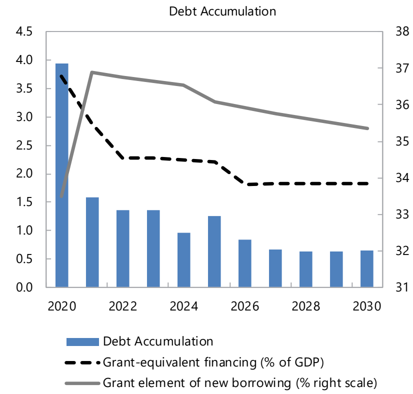
11. **The authorities agreed with the overall assessment.** They noted that the fiscal rule being considered by Parliament will help keeping the overall public debt sustainable.

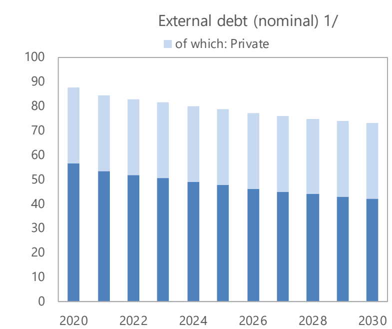
Table 1. Kyrgyz Republic: External Debt Sustainability Framework, Baseline Scenario, 2017-2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**81.1**	**76.5**	**76.4**	**87.5**	**84.5**	**82.8**	**81.5**	**79.8**	**78.6**	**73.0**	**74.7**	**81.3**	**79.1**
of which: public and publicly guaranteed (PPG)	**53.0**	**47.0**	**45.5**	**56.5**	**53.5**	**51.8**	**50.5**	**48.9**	**47.6**	**42.0**	**43.8**	**50.5**	**48.1**
Change in external debt	-6.8	-4.6	-0.1	11.1	-3.0	-1.7	-1.3	-1.6	-1.2	-0.9	0.6		
Identified net debt-creating flows	**-2.9**	**4.8**	**5.0**	**11.3**	**0.1**	**-1.0**	**-0.8**	**-0.8**	**-2.2**	**-1.4**	**-0.5**	**0.8**	**0.0**
Non-interest current account deficit	**5.5**	**11.4**	**8.5**	**13.8**	**9.3**	**6.8**	**6.6**	**6.5**	**6.3**	**6.4**	**6.4**	**11.0**	**7.5**
Deficit in balance of goods and services	32.1	38.3	35.8	34.0	30.4	27.3	26.7	26.2	25.8	26.2	28.9	**35.8**	**27.4**
Exports	34.2	33.2	33.3	29.7	32.1	34.1	34.1	34.2	34.6	38.5	58.0		
Imports	66.4	71.5	69.1	63.8	62.4	61.4	60.9	60.4	60.4	64.8	86.9		
Net current transfers (negative = inflow)	-30.8	-29.3	-29.9	-23.2	-24.0	-23.5	-23.1	-22.6	-22.4	-22.3	-24.0	**-29.2**	**-22.7**
of which: official	-1.4	-0.6	-1.4	0.0	-0.4	-0.4	-0.4	-0.4	-0.4	0.0	0.0		
Other current account flows (negative = net inflow)	4.2	2.4	2.7	3.0	2.9	3.1	3.0	2.9	2.9	2.5	1.5	**4.4**	**2.8**
Net FDI (negative = inflow)	**1.0**	**-1.7**	**-2.5**	**-2.9**	**-5.0**	**-5.1**	**-4.9**	**-4.8**	**-6.1**	**-5.6**	**-4.8**	**-6.3**	**-5.2**
Endogenous debt dynamics 2/	**-9.5**	**-4.9**	**-1.0**	**0.4**	**-4.2**	**-2.7**	**-2.5**	**-2.5**	**-2.4**	**-2.2**	**-2.2**		
Contribution from nominal interest rate	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7		
Contribution from real GDP growth	-3.7	-2.6	-3.3	-0.3	-5.0	-3.4	-3.2	-3.2	-3.1	-2.8	-2.9		
Contribution from price and exchange rate changes	-6.5	-3.0	1.7	...	...	...	...	...	...	...	...		
Residual 3/	**-3.9**	**-9.4**	**-5.1**	**-0.2**	**-3.1**	**-0.8**	**-0.5**	**-0.8**	**1.0**	**0.5**	**1.1**	**-2.0**	**-0.3**
of which: exceptional financing	-0.5	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**32.4**	**38.1**	**37.4**	**36.7**	**35.9**	**34.8**	**34.0**	**29.3**	**30.7**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**97.2**	**128.2**	**116.7**	**107.7**	**105.3**	**101.6**	**98.3**	**76.0**	**52.9**		
PPG debt service-to-exports ratio	**6.1**	**14.4**	**-0.4**	**9.6**	**8.1**	**8.5**	**8.3**	**9.2**	**8.2**	**8.4**	**4.2**		
PPG debt service-to-revenue ratio	**6.8**	**15.5**	**-0.4**	**10.4**	**9.1**	**9.8**	**9.5**	**10.5**	**9.3**	**10.7**	**8.1**		
Gross external financing need (Million of U.S. dollars)	1049.9	1530.2	795.4	1473.4	958.3	831.3	869.4	1046.7	962.7	1667.6	2426.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.7	3.5	4.5	0.4	6.0	4.3	4.0	4.1	4.1	4.0	4.0	**4.1**	**3.9**
GDP deflator in US dollar terms (change in percent)	7.9	3.8	-2.1	-5.2	0.1	1.3	1.9	1.9	1.9	1.0	-0.5	**2.3**	**0.7**
Effective interest rate (percent) 4/	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	**0.8**	**0.9**
Growth of exports of G&S (US dollar terms, in percent)	7.7	4.1	2.6	-15.0	14.4	12.3	6.1	6.4	7.2	8.3	10.6	**3.1**	**6.3**
Growth of imports of G&S (US dollar terms, in percent)	6.8	15.6	-1.2	-12.1	3.9	3.9	5.1	5.3	6.1	7.0	9.0	**6.3**	**4.1**
Grant element of new public sector borrowing (in percent)	...	...	...	33.5	36.9	36.7	36.6	36.5	36.1	35.4	34.7	**...**	**35.9**
Government revenues (excluding grants, in percent of GDP)	30.7	30.8	31.8	27.6	28.5	29.4	29.7	30.0	30.3	30.5	29.9	**31.3**	**29.7**
Aid flows (in Million of US dollars) 5/	195.6	137.4	190.1	347.4	290.3	248.0	258.3	267.1	275.9	282.4	405.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.7	2.9	2.3	2.3	2.2	2.2	1.8	1.8	**...**	**2.2**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	41.3	55.8	48.8	48.9	48.8	48.2	42.9	42.9	**...**	**46.1**
Nominal GDP (Million of US dollars)	7,703	8,271	8,455	8,052	8,546	9,026	9,568	10,149	10,768	13,872	22,113		
Nominal dollar GDP growth	13.1	7.4	2.2	-4.8	6.1	5.6	6.0	6.1	6.1	5.0	3.5	**6.5**	**4.6**
Memorandum items:													
PV of external debt 7/	...	...	63.4	69.1	68.4	67.7	66.9	65.8	64.9	60.3	61.7		
In percent of exports	...	...	190.2	232.3	213.2	198.6	196.0	192.1	187.9	156.4	106.3		
Total external debt service-to-exports ratio	20.7	26.5	10.3	24.8	21.4	21.8	21.7	25.4	25.3	29.1	16.0		
PV of PPG external debt (in Million of US dollars)			2737.9	3070.7	3197.9	3313.9	3437.3	3529.0	3656.8	4063.5	6789.9		
(PVt-PVt-1)/GDPt-1 (in percent)				3.9	1.6	1.4	1.4	1.0	1.3	0.7	1.4		
Non-interest current account deficit that stabilizes debt ratio	12.4	16.0	8.6	2.7	12.3	8.6	7.9	8.1	7.6	7.3	5.8		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, ε=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

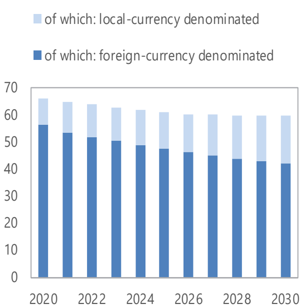
Table 2. Kyrgyz Republic: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-2040

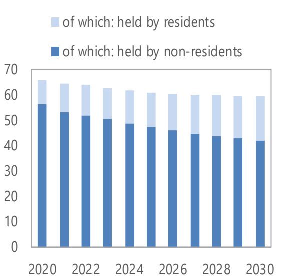
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**58.8**	**54.8**	**54.1**	**65.9**	**64.8**	**64.0**	**62.9**	**61.9**	**60.9**	**59.6**	**59.7**	**55.5**	**61.8**
of which: external debt	**53.0**	**47.0**	**45.5**	**56.5**	**53.5**	**51.8**	**50.5**	**48.9**	**47.6**	**42.0**	**43.8**	**50.5**	**48.1**
Change in public sector debt	-0.3	-4.0	-0.7	11.8	-1.2	-0.8	-1.0	-1.0	-1.0	-0.2	0.7		
Identified debt-creating flows	**-3.2**	**-5.7**	**-2.2**	**7.6**	**0.4**	**-0.9**	**-0.6**	**-0.6**	**-0.6**	**-0.1**	**-0.1**	**-0.4**	**0.4**
Primary deficit	**2.9**	**-0.4**	**-0.8**	**6.4**	**3.6**	**1.7**	**1.7**	**1.7**	**1.7**	**1.6**	**1.6**	**2.8**	**2.3**
Revenue and grants	33.3	32.5	34.0	28.6	30.1	30.3	30.6	30.9	31.1	30.9	30.5	**33.7**	**30.5**
of which: grants	2.5	1.7	2.2	1.1	1.6	0.9	0.9	0.9	0.9	0.5	0.5		
Primary (noninterest) expenditure	36.2	32.0	33.3	35.1	33.6	32.0	32.3	32.6	32.8	32.5	32.0	**36.5**	**32.8**
Automatic debt dynamics	**-5.7**	**-2.6**	**-1.4**	**1.1**	**-3.1**	**-2.6**	**-2.3**	**-2.3**	**-2.2**	**-1.7**	**-1.6**		
Contribution from interest rate/growth differential	-2.8	-2.7	-3.5	1.1	-3.1	-2.6	-2.3	-2.3	-2.2	-1.7	-1.6		
of which: contribution from average real interest rate	-0.1	-0.8	-1.1	1.4	0.6	0.1	0.2	0.2	0.2	0.6	0.6		
of which: contribution from real GDP growth	-2.7	-2.0	-2.3	-0.2	-3.7	-2.7	-2.5	-2.5	-2.5	-2.3	-2.3		
Contribution from real exchange rate depreciation	-2.9	0.1	2.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**-0.4**	**-2.7**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.3**	**0.0**
Privatization receipts (negative)	0.0	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.4	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**2.9**	**1.8**	**1.5**	**4.2**	**-1.6**	**0.1**	**-0.4**	**-0.4**	**-0.5**	**-0.1**	**0.8**	**0.0**	**0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**41.0**	**49.6**	**49.6**	**49.4**	**48.9**	**48.4**	**47.7**	**47.3**	**47.4**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**120.5**	**173.3**	**164.9**	**163.1**	**159.7**	**156.4**	**153.3**	**153.0**	**155.5**		
Debt service-to-revenue and grants ratio 3/	**6.3**	**14.7**	**-0.4**	**40.0**	**38.8**	**46.6**	**49.3**	**50.7**	**51.3**	**66.1**	**60.7**		
Gross financing need 4/	4.6	1.7	-1.0	17.9	15.2	15.9	16.8	17.4	17.6	22.0	20.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.7	3.5	4.5	0.4	6.0	4.3	4.0	4.1	4.1	4.0	4.0	**4.1**	**3.9**
Average nominal interest rate on external debt (in percent)	1.3	1.3	1.5	1.5	1.5	1.4	1.4	1.4	1.5	1.5	1.7	**1.3**	**1.5**
Average real interest rate on domestic debt (in percent)	-6.0	-3.6	0.8	-0.8	1.7	4.4	4.8	4.8	4.8	5.8	5.8	**-6.4**	**4.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	-5.5	0.2	4.8	...	...	...	...	...	...	...	...	**-1.1**	**...**
Inflation rate (GDP deflator, in percent)	6.3	3.7	-0.8	9.6	8.1	5.3	5.0	5.0	5.0	4.0	4.0	**7.2**	**5.3**
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.4	-8.3	8.5	5.9	1.6	-0.6	4.9	5.0	4.8	4.0	-0.1	**4.0**	**3.7**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.2	3.5	-0.1	-5.3	4.7	2.5	2.7	2.7	2.7	1.8	0.8	**3.2**	**1.8**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

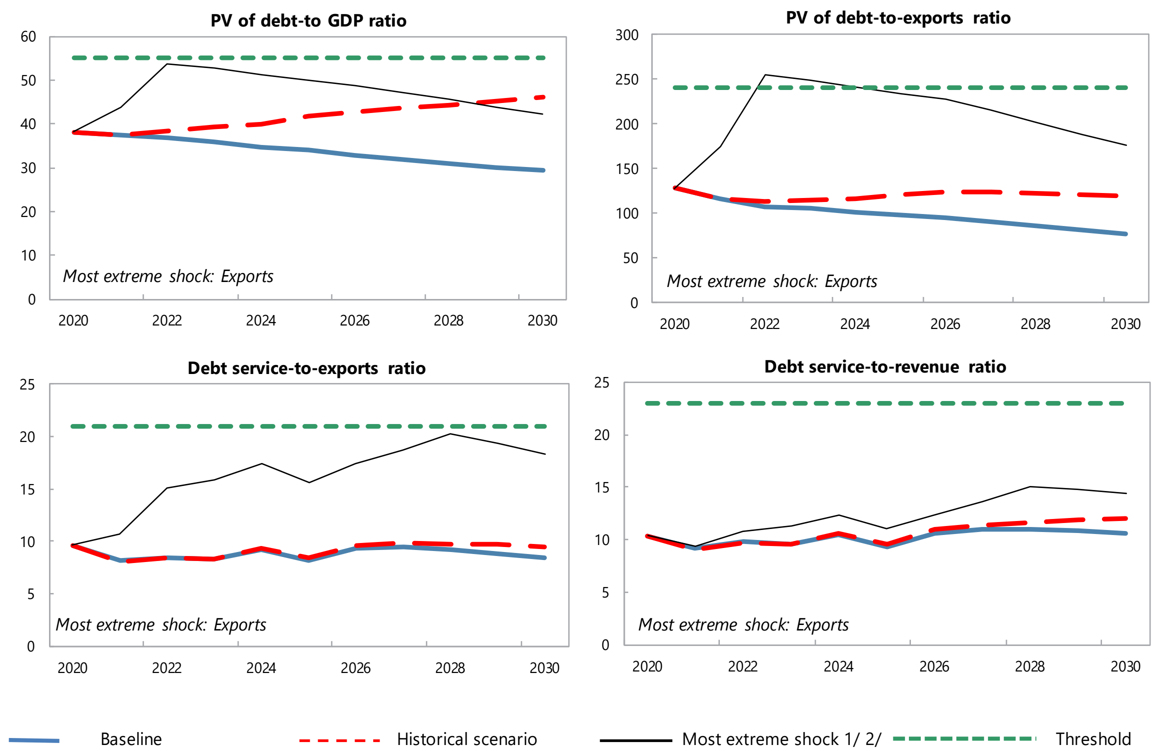
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Kyrgyz Republic: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020–2030



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Kyrgyz Republic: Indicators of Public Debt Under Alternative Scenarios, 2020-2030

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	23%	23%
Domestic medium and long-term	0%	0%
Domestic short-term	77%	77%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.7%	4.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Kyrgyz Republic: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–2030

(in percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	38	37	37	36	35	34	33	32	31	30	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	38	37	38	39	40	42	43	44	44	45	46
B. Bound Tests											
B1. Real GDP growth	38	41	42	41	40	39	38	36	35	34	33
B2. Primary balance	38	38	38	37	36	36	35	34	33	32	31
B3. Exports	38	44	54	53	51	50	49	47	45	44	42
B4. Other flows 3/	38	42	46	45	43	42	41	40	39	37	36
B5. Depreciation	38	47	41	40	38	37	36	35	34	33	33
B6. Combination of B1-B5	38	48	50	49	48	47	45	44	42	41	39
C. Tailored Tests											
C1. Combined contingent liabilities	38	38	39	38	38	37	36	35	35	34	33
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	128	117	108	105	102	98	95	90	85	81	76
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	128	117	112	115	117	121	124	123	122	121	119
B. Bound Tests											
B1. Real GDP growth	128	117	108	105	102	98	95	90	85	81	76
B2. Primary balance	128	118	110	109	106	104	101	96	91	87	82
B3. Exports	128	175	**254**	**249**	**241**	234	228	216	202	189	176
B4. Other flows 3/	128	131	134	131	127	123	120	113	106	99	93
B5. Depreciation	128	117	94	92	89	86	83	78	74	71	67
B6. Combination of B1-B5	128	167	133	186	180	174	169	160	150	140	131
C. Tailored Tests											
C1. Combined contingent liabilities	128	120	113	112	110	107	105	100	95	91	86
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	10	8	8	8	9	8	9	9	9	9	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	10	8	8	8	9	8	10	10	10	10	9
B. Bound Tests											
B1. Real GDP growth	10	8	8	8	9	8	9	9	9	9	8
B2. Primary balance	10	8	8	8	9	8	9	10	9	9	9
B3. Exports	10	11	15	16	17	16	17	19	20	19	18
B4. Other flows 3/	10	8	9	9	10	9	10	11	11	10	10
B5. Depreciation	10	8	8	8	9	8	9	9	8	8	8
B6. Combination of B1-B5	10	10	13	13	14	12	14	16	15	15	14
C. Tailored Tests											
C1. Combined contingent liabilities	10	8	9	8	9	8	10	10	9	9	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	10	9	10	10	11	9	11	11	11	11	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	10	9	10	10	11	10	11	11	12	12	12
B. Bound Tests											
B1. Real GDP growth	10	10	11	11	12	11	12	13	13	12	12
B2. Primary balance	10	9	10	10	11	9	11	11	11	11	11
B3. Exports	10	9	11	11	12	11	12	14	15	15	14
B4. Other flows 3/	10	9	10	10	11	10	11	12	13	13	13
B5. Depreciation	10	12	12	12	13	11	13	14	13	12	12
B6. Combination of B1-B5	10	10	12	11	12	11	12	14	14	14	14
C. Tailored Tests											
C1. Combined contingent liabilities	10	9	10	10	11	10	11	11	11	11	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Kyrgyz Republic: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	50	50	49	49	48	48	48	47	48	47	47
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	50	50	50	49	48	48	47	46	46	45	45
B. Bound Tests											
B1. Real GDP growth	50	56	62	65	67	70	**72**	**75**	**78**	**81**	**84**
B2. Primary balance	50	52	53	52	52	51	51	51	50	50	50
B3. Exports	50	55	64	63	62	61	61	61	60	59	58
B4. Other flows 3/	50	54	59	58	57	56	56	56	55	55	54
B5. Depreciation	50	57	54	52	49	47	45	43	41	39	38
B6. Combination of B1-B5	50	50	51	50	49	49	48	48	49	49	49
C. Tailored Tests											
C1. Combined contingent liabilities	50	56	55	55	54	53	52	52	52	52	52
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	173	165	163	160	156	153	155	154	154	154	153
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	173	167	165	161	157	153	153	151	149	147	145
B. Bound Tests											
B1. Real GDP growth	173	184	204	211	217	223	236	245	254	262	270
B2. Primary balance	173	172	176	172	167	164	165	164	164	163	162
B3. Exports	173	182	211	206	201	197	198	197	194	191	187
B4. Other flows 3/	173	180	193	189	185	181	182	181	179	177	175
B5. Depreciation	173	190	179	170	160	151	146	140	134	128	122
B6. Combination of B1-B5	173	167	168	162	159	156	158	158	158	158	157
C. Tailored Tests											
C1. Combined contingent liabilities	173	186	183	178	174	170	171	170	169	169	168
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	40	39	47	49	51	51	54	57	61	64	66
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	40	40	47	49	49	49	50	52	53	54	55
B. Bound Tests											
B1. Real GDP growth	40	42	59	71	79	85	93	101	107	114	119
B2. Primary balance	40	39	52	59	58	57	59	61	64	66	69
B3. Exports	40	39	47	50	52	52	55	59	64	67	69
B4. Other flows 3/	40	39	47	50	51	52	55	59	63	65	68
B5. Depreciation	40	37	46	45	50	50	53	56	59	61	63
B6. Combination of B1-B5	40	38	47	50	51	52	55	59	63	66	69
C. Tailored Tests											
C1. Combined contingent liabilities	40	39	64	63	61	60	61	63	65	67	69
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

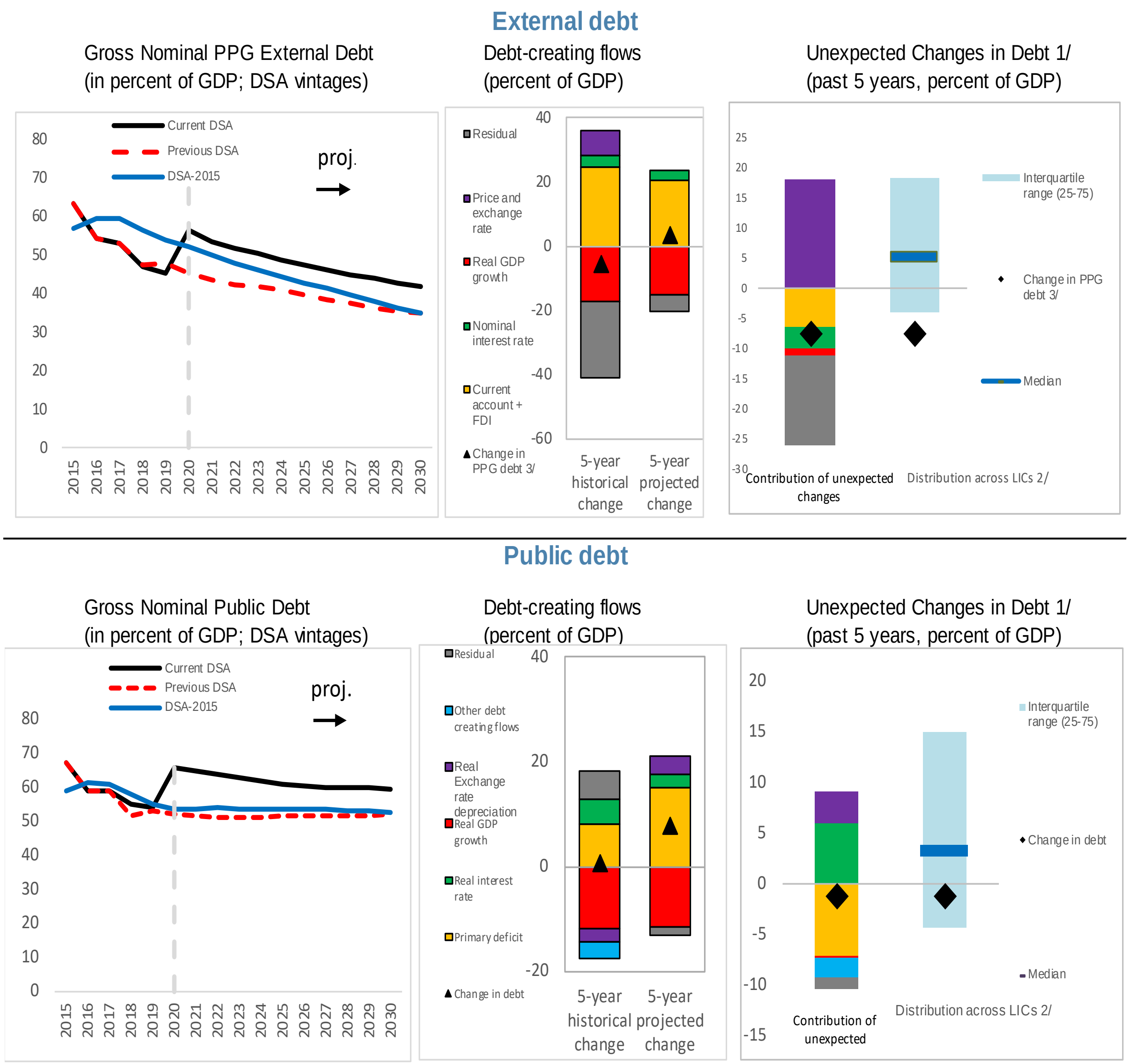
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Kyrgyz Republic: Drivers of Debt Dynamics—Baseline Scenario



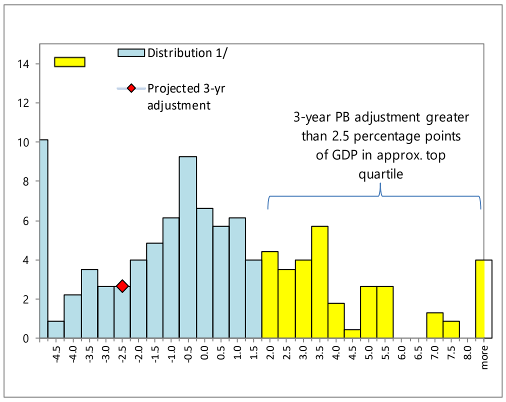
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

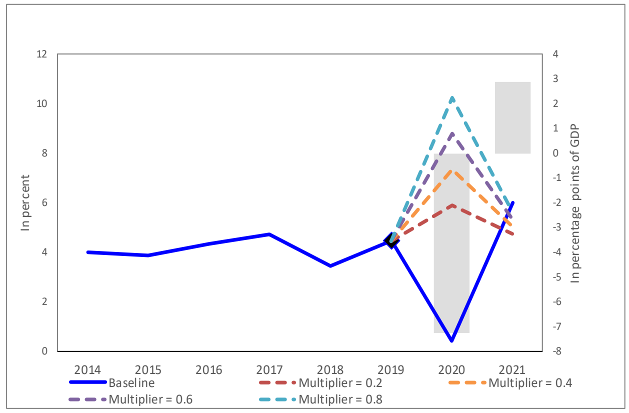
Figure 4. Kyrgyz Republic: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



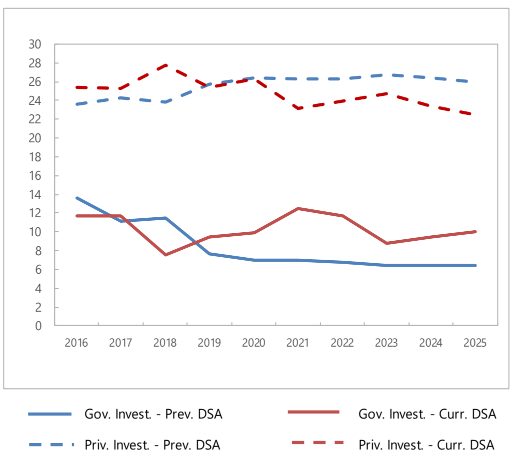
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

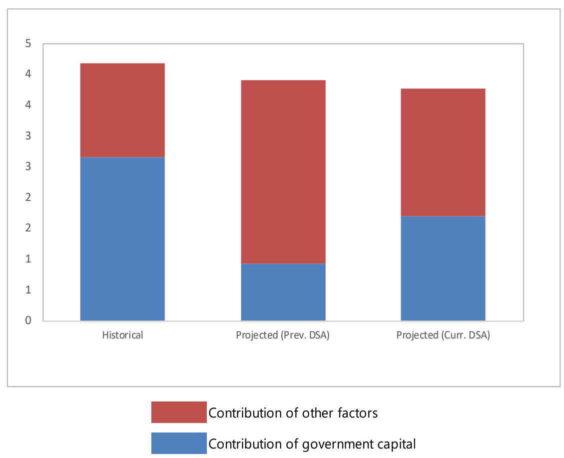
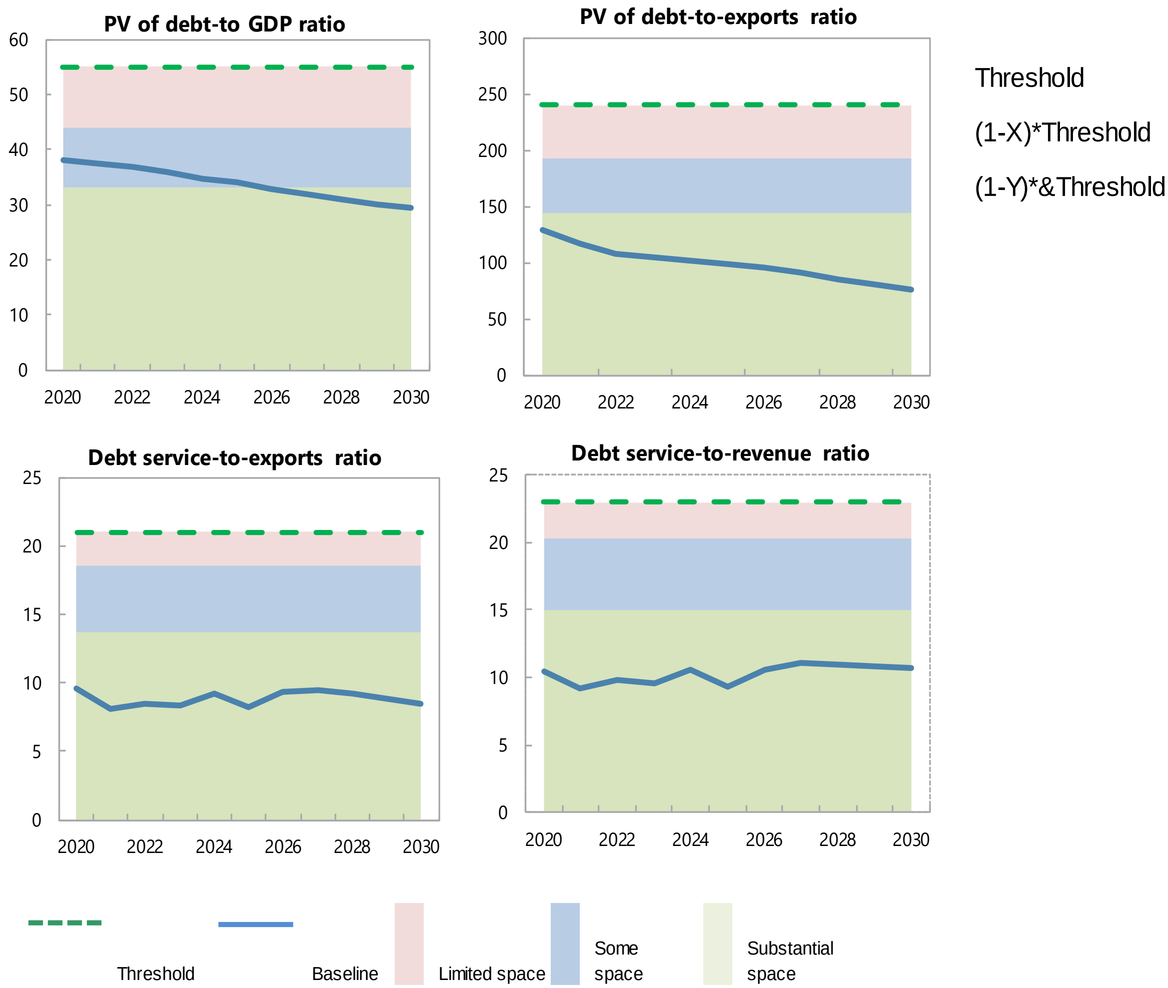


Figure 5. Kyrgyz Republic: Qualification of the Moderate Category, 2020–2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.