International Monetary Fund

Kyrgyz Republic and the IMF

Press Release:
IMF Executive Board Approves US$100 Million Exogenous Shocks Facility Arrangement for the Kyrgyz Republic
December 10, 2008

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Kyrgyz Republic: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 25, 2008

The following item is a Letter of Intent of the government of Kyrgyz Republic, which describes the policies that Kyrgyz Republic intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Kyrgyz Republic, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

November 25, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

In the past few years, the Kyrgyz Republic's economic performance strengthened considerably, thanks to improved macroeconomic management and a favorable external environment that lasted until mid-2007. These improvements also reflected the assistance we received from the international community, including from the International Monetary Fund. Growth accelerated, poverty declined, inflation remained low, and our fiscal and external sustainability improved dramatically. Our last arrangement with the IMF under the Poverty Reduction and Growth Facility (PRGF) was successfully completed in May of this year.

Already at the time of the last PRGF review it was evident that the external environment was deteriorating rapidly, with the sharp rise in international food and fuel prices and the onset of a slowdown in the global and regional economy. Because of this, we requested additional resources from the IMF with the final review. Since then, these shocks have intensified, while other shocks have emerged. International food and fuel prices continued to rise in the first half of this year, causing inflation in the Kyrgyz Republic to surge. With the recent easing in international commodity prices, inflation has started to come down, but our import bill for food and energy products will still be significantly higher this year and next and many of our poorest households cannot cover their basic needs. In addition, water levels at our Toktogul hydropower station have dropped to well below what is needed for an uninterrupted energy supply this winter, forcing us to import large volumes of fossil fuels to avoid major power and heating shortages. The pace of economic growth in our neighbors continues to fall as the international financial crisis has continued to spread, adding to our balance of payments difficulties by affecting exports and remittances sent by our workers abroad. The effects of the international financial turmoil have spilled over on our banking system as well, and banks have significantly curtailed the extension of new loans.

Together, these shocks threaten to undermine our hard-won macroeconomic stability and reverse much of the gains that had been made in poverty reduction. To address the adverse consequences of these exogenous shocks, we have developed and adopted the attached Economic Program of the Kyrgyz Republic for 2008–2009, which describes our policies for the remainder of 2008 and 2009. Our program aims to manage the effects on the Kyrgyz economy of the slowdown in regional economic growth and potential spillovers from the international financial crisis. Our program focuses on reducing inflation, maintaining and accelerating growth, and ensuring targeted protection of the poor. Central to our efforts to reduce inflation has been a sharp tightening of monetary policy—starting in the second half of last year and with a sharp increase in interest rates this summer—while fiscal policy is aiming to balance the need to help reducing inflation with the need to support growth and the poor. While our main focus is on macroeconomic policies, we have also accelerated the pace of structural reforms, to improve macroeconomic management and ensure strong growth over the longer term. Many of the structural measures that had been pending at the time of the last review have since been implemented. To support us in our efforts and based on the attached economic program, plus the specific targets set out in Tables 1 and 2 attached to this letter, we request an 18-month arrangement under the IMF's Exogenous Shocks Facility (ESF) in the amount of SDR 66.6million (approximately $100 million), equivalent to 75 percent of our quota to help cover our balance of payments need.

We understand that the requested ESF arrangement will be subject to semi-annual reviews, semi-annual performance criteria, and structural benchmarks, as set out in the attached Tables 1 and 2, and described in more detail in the attached Technical Memorandum of Understanding (TMU). In this regard, we understand that the completion of the first review under the ESF arrangement—which is to be completed no later than May 2009—will require observance of the quantitative performance criteria for end-December 2008 in Table 1 and that completion of the second review—which is to be completed no later than November 2009—will require observance of quantitative performance criteria for end-June 2009, which, in light of the current large uncertainty, will be set at the time of the first review.

We believe that the policies set forth in our economic program are adequate to achieve our objectives, but we are prepared to take all additional measures necessary to achieve these objectives. We will consult with the IMF on the adoption of these measures and in advance of any revision to the policies contained in our economic program, in accordance with the IMF's policies on such consultation. The Kyrgyz government and the National Bank of the Kyrgyz Republic will continue to provide the Fund with the necessary information for assessing progress in implementing our program, as specified in the attached TMU, and will maintain a close policy dialogue with the IMF staff. We authorize the IMF to publish the Letter of Intent and its attachments, as well as the related staff report on the IMF's website following consideration of our request by the IMF's Executive Board.

Sincerely yours,

/s/

Igor Chudinov
Prime Minister of the Kyrgyz Republic

/s/

Marat Alapaev
Chairman
National Bank of the Kyrgyz Republic

GOVERNMENT OF THE KYRGYZ REPUBLIC
AND
NATIONAL BANK OF THE KYRGYZ REPUBLIC

ECONOMIC PROGRAM OF THE KYRGYZ REPUBLIC FOR 2008–2009

I. INTRODUCTION

1. The Kyrgyz Republic achieved significant progress in accelerating economic growth and raising living standards during 2005-2007, despite social and political instability in 2005-2006. This was mainly due to the consistent implementation of sound fiscal and financial policies and further progress in structural reforms. As a result, economic growth rebounded to an adequately strong level: in 2007, real GDP growth exceeded 8 percent and excluding gold production growth reached almost 9 percent. The fiscal deficit was reduced to 0.3 percent of GDP, largely reflecting strong revenue performance. The poverty rate declined from 46 percent in 2004 to 35 percent in 2007, with an even stronger reduction in extreme poverty. GDP per capita increased from US$ 435 in 2004 to US$ 713 in 2007. Inflation remained at a low level of around 5 percent, until it surged toward the end of 2007 due to rising world food and fuel prices. Also with strong economic growth and firm fiscal discipline, and borrowing only on concessional terms and grant basis, coupled with successful bilateral negotiations for external debt restructuring, the debt burden has eased significantly. Public and publicly-guaranteed external debt declined from 93 percent of GDP in 2003 to 55 percent of GDP in 2007.

2. The international economic environment, however, has deteriorated quickly and substantially since the fall of 2007 and a number of exogenous shocks have hit the Kyrgyz Republic that threaten to undermine our hard-won gains and pose considerable challenges for macroeconomic management. After five years of strong economic growth, the world economy and especially the regional economy are slowing down in the wake of the financial turbulence that started in the summer of 2007 and intensified in recent months. The situation was aggravated by soaring world prices for food and oil products, which increased by over 50 percent between mid-2007 and mid-2008. Since imports account for 100 percent of oil products and natural gas used domestically, for over 55 percent of wheat consumption, and for over 67 percent of vegetable oil consumption, these price shocks had a severe adverse impact on our economy. In addition, water inflows in the Kyrgyz Republic’s Toktogul reservoir have been lower than normal. As a result, water levels in the reservoir, which had fallen sharply due to a far greater demand for electricity than usual during the last and exceptionally severe winter, are well below the levels needed to allow for sufficient power generation during the upcoming winter season. Furthermore, an earthquake hit the southern parts of the Kyrgyz Republic in early October. The earthquake caused a substantial loss of life and major damage to housing

and infrastructure in the remote area surrounding Nura, at the border with Tajikistan and China.

3. This document outlines the economic policies of the Government and the National Bank of the Kyrgyz Republic (NBKR) to address the adverse consequences of these exogenous shocks and to manage the increased risks in the current very difficult and uncertain external environment. These policies also reflect the new economic policy announced by the President of the Kyrgyz Republic in his address on January 10, 2008 and reaffirmed in his address of October 17, 2008.

II. Adverse consequences of exogenous shocks

4. The exogenous shocks threaten to undermine macroeconomic stability and to increase poverty levels through the erosion of real incomes and a reduction in employment opportunities:

- In 2008, economic growth (excluding gold production) is expected to slow to 5 percent. The main causes of this slowdown in growth are reduced domestic demand due to higher prices of food products and services, and lower demand for exports, primarily from Kazakhstan. In addition, credit growth has slowed sharply due to spillover effects from banking sector difficulties in Kazakhstan. Rolling power outages had to be introduced to preserve water in the Toktogul reservoir for use during the coming winter months, further hurting economic activity. The overall rate of economic growth is expected to reach over 7 percent, due to a strong recovery in gold production.

- Higher world prices for food and oil products have led to a surge in inflation, with twelve-month inflation exceeding 30 percent in June 2008. Inflation eased to 26 percent in September, following the recent decline in international commodity prices. But as the higher food and fuel prices have started to feed through into the prices of other goods and services, world prices for food and key energy imports (mainly natural gas) are expected to remain substantially above their 2007 levels, and taking into account the increases in the prices of municipal public transport, electricity, natural gas, and public utilities, inflation will most likely remain high at close to 20 percent at end-2008, above the original 12–15 percent target inflation range defined by the Joint Statement of the Government and the National Bank of the Kyrgyz Republic regarding economic policies for 2008.

- The current account balance is worsening sharply in 2008 as a consequence of the exogenous shocks. In 2008, due to higher international prices, the (net) cost of importing food and oil products will be almost US$ 300 million higher than in 2007. In addition, higher import volumes of fuel are needed to avoid major disruptions in the supply of electricity and heating this winter. This is only partially offset by higher gold export receipts. There is a threat that the foreign exchange reserves of the NBKR will fall below 3 months of imports by end-2008.

- The increase in food and energy prices has an adverse affect particularly on low-income households as a considerable part of their income is spent on basic needs, the costs of which have risen sharply. Notwithstanding the efforts of the Government to provide targeted social assistance to low-income households, we expect a rise in poverty levels, and especially in extreme poverty.

5. Combined, these shocks put food and energy security in the Kyrgyz Republic at serious risk and the outlook is particularly worrisome for the coming winter. Given the shortages of water in the Toktogul reservoir, there is a large risk of major power shortages, which would not only affect economic activity, but also, and more importantly, living conditions. Similarly, while adequate food supplies may be available, basic food items (and energy products) will not be affordable for the low-income households. To avoid a major social and economic crisis, the Government will need to find the means to import sufficient volumes of fuel needed for the additional generation of electricity and heating by the Bishkek heating and power plant, as well as to provide higher levels of financial support to low-income households to ensure that they can meet their basic needs.

III. Economic objectives and policies for 2008–2009

A. Objectives

6. The main objective of the economic policies of the Government and the NBKR is to improve the living standards through strong and sustainable economic growth. A significant and lasting reduction in poverty will require strong economic growth over the medium term, which, in turn, will require the creation of a business-friendly environment and the attraction of sufficient volumes of investment. This is becoming more difficult to achieve because of the recent challenges and threats. In the period ahead, the efforts of the Government and the NBKR will focus on managing the effects on the Kyrgyz economy of the slowdown in regional economic growth and potential spillover effects from the global financial crisis. Policies will focus on achieving the following main goals:

- gradually return inflation to single digits;

- sustain and accelerate economic growth; and

- protect the poorest groups of the population.

7. While working to achieve these objectives, the Government and the NBKR will develop a long-term vision for the Kyrgyz Republic's development and its role and place in the world and in the region. In this context, we are updating the Country Development Strategy (CDS). The CDS for 2007–2010, adopted in 2007, aimed at consolidating the earlier successes and securing further sustained economic growth. It focused on four

strategic priorities: economic development, governance and transparency in public administration, human capital development, and environmental sustainability. The exogenous shocks that have hit the Kyrgyz Republic, however, have created severe challenges for both the implementation of the CDS and the achievement of its objectives. The update of the CDS will take into account the current challenges and threats, and reflect the new economic policy directions announced by the President in January and October of this year. In addition, we will design a strategy for social and economic development of the Kyrgyz Republic until 2020.

B. Strategy

8. Sound macroeconomic policies will be critical to achieve our objectives. The sharp increase in inflation poses a particular challenge for monetary policy. Monetary policy will aim at bringing down inflation to single digits, while being responsive to underlying economic conditions. Our exchange rate policy will continue to rely on a managed float regime, with interventions by the central bank aimed at smoothing exchange rate fluctuations.

9. Fiscal policy will need to be supportive of monetary policy, to help reduce inflation, while balancing this with the need to support economic growth and the poor. In order to mitigate inflationary pressures and achieve the inflation targets, we will take measures to contain the overall government budget deficit. Key objectives of our fiscal policy also include ensuring food and energy security, including the full and timely funding of social commitments, and the creation of favorable conditions for economic growth. The budget for 2009 will be based on the Medium Term Fiscal Framework for 2009-2011, which targets to limit the overall budget deficit to an annual average level of about 1½ percent of GDP, by improving revenue collection and containing spending growth.

10. Fiscal consolidation will also contribute to further reducing the still high levels of external debt. The Government will continue to focus on external debt sustainability, including by considering all opportunities for further debt restructuring and by restricting the contracting of government and government-guaranteed foreign debt to loans that have a grant element of at least 35 percent and that will have a maximum impact on the Kyrgyz Republic's economic development. For the purposes of improving the efficient use of foreign aid, the Government will continue its efforts to improve coordination and interaction with donor countries and international financial organizations.

11. The creation of an environment that favors private sector development and is conducive to attracting higher levels of private, including foreign, investments will also be a priority for reaching our objectives. The Government will therefore continue to work to improve the business and investment environment and to advance structural reforms, including in the energy sector. Developing production and social infrastructure is of

significant importance for the future of the country, as it will provide the foundation for accelerated economic growth and increased competitiveness through higher labor productivity. Improved infrastructure will have an impact on all sectors of economy and significantly increase the share of value added. Higher labor productivity, diversification and acceleration of exports will be achieved through encouragement of small and medium-size businesses and the development of industries in which the Kyrgyz Republic has proven or potential competitive advantages, particularly in the energy sector, mining, agriculture, processing, and tourism. In this regard, the Kyrgyz Republic will maintain a liberal trade and exchange regime and we will phase out the export duties that were introduced in late 2007 and early 2008. Reforms aimed at financial sector development will help to increase savings and increased volumes of domestic financing for the economy.

12. With the successful implementation of these macroeconomic policies, along with our efforts to further improve the business environment, but against the background of an expected significant slowdown in economic growth in the region, we hope to be able to limit the slowdown in the pace of growth in the Kyrgyz Republic. We project economic growth (excluding gold production) to fall to 3 percent in 2009, before gradually accelerating to 6–7 percent over the medium term, as growth in the region recovers. With gold production expected to increase further in 2009, overall growth is projected to reach almost 4 percent in 2009. The current account deficit is projected to remain large in 2009, as external demand weakens and remittance inflows are expected to slow, the effects of which are expected to be partially offset by lower oil prices and higher gold exports. As growth in the region recovers, the current account balance is projected to gradually improve in the following years.

13. To ensure that we reach our objectives, we attach a high importance to the effective interaction of ministries and agencies for the purpose of improving coordination of measures in fiscal, monetary, investment, antitrust, and social sector policies. In this connection, we have recently established the Interagency Coordination Council, which is responsible for creating an environment for making coordinated and mutually acceptable policy decisions. The Ministry of Economic Development and Trade will play a central role in monitoring economic developments and in economic analysis and forecasting and, with the assistance of international organizations, will strengthen its capacity in these areas. Formulating effective policies will also require further improvements in our economic data and we hope to be able to rely on continued technical assistance provided by international donors and organizations, particularly in the areas of national accounts, trade, and government finance statistics.

C. Monetary and Exchange Rate Policy

14. Monetary policy will focus on its primary objective, which is to achieve price stability, while also giving consideration to its secondary objective, supporting growth. In

this regard, the main task of monetary policy in the coming period is therefore to prevent high inflation rates from becoming embedded in the economy, as persistent double-digit inflation will undermine economic growth. The key goal of our monetary and exchange rate policy for 2008-2010 will be to regain control over inflation and to bring it down to about 20 percent by the end of 2008 and further to about 12 percent by the end of 2009, with a view to returning to single digits thereafter, recognizing there are significant downside risks. The NBKR, in the conduct of its monetary and exchange rate policies, will not be constrained by profitability considerations. The Ministry of Finance will support the NBKR, in accordance with the provisions of the Law on the NBKR, to ensure that the NBKR's capital remains positive.

15. In order to reduce inflation, the NBKR has tightened its monetary policy—including a sharp increase in interest rates—to mitigate the second-round effects of the increase in food and energy prices and to prevent an upward adjustment in inflation expectations. In the period ahead, the NBKR will carefully manage the need to further reduce inflation with the need to support growth, now that growth is expected to slow. In doing so, the NBKR will continue to manage the money supply through its open-market operations and will set interest rates on the instruments it uses to withdraw excess liquidity as needed. The NBKR will continue to manage liquidity through the issuance of NBKR notes and could also use its deposit facility, while a gradual conversion of non-marketable government debt in its portfolio into marketable instruments by the Ministry of Finance will allow the NBKR to make greater use of repurchase operations. Coordination between the NBKR and the Ministry of Finance in the areas of liquidity management and the issuance of securities will be further improved.

16. Given the large import content of the consumer basket, the exchange rate can also be a powerful instrument to influence inflation. Therefore, in case of foreign exchange inflows, the NBKR will allow greater exchange rate flexibility to help bring down inflation faster. To the extent that the NBKR purchases foreign exchange to replenish its foreign exchange reserves, it will sterilize the effects on reserve money. In case of downward pressures on the exchange rate, the NBKR intends to support the Som, through unsterilized foreign exchange sales, to limit further inflationary pressures. The NBKR will avoid large reserve losses if the pressures were to persist or intensify, but instead would further tighten its monetary policy. The NBKR and the Government will closely monitor how exchange rate movements impact inflation and affect the competitiveness of domestic producers.

D. Fiscal Policy

17. Fiscal policy will aim to strike a balance between curbing inflation pressures and supporting economic growth and the poor. The surge in inflation and the need to ensure food security required revisions to the 2008 State budget, including increased expenditures related to the procurement of grain, fuel, agricultural equipment, length-of-

service allowances for teachers, salary increases and meal allowances, and funds to clear arrears of local governments to utility companies. The Parliament approved the revised 2008 budget submitted by the Government at end-June. Further revisions have become needed to allow for the import of fuel for electricity and heating generation and additional social support. These additional expenditures will be partially offset by higher revenues, in both the State and Social Fund budgets, as well as by savings on non-priority spending. Thus, the overall budget deficit is expected to remain limited to 1.3 percent of GDP in 2008.

18. The Government will continue mitigating the impact of rising prices on the poor through targeted social assistance. Even though the main social benefits—the Unified Monthly Benefit (UMB) and Monthly Social Benefit (MSB)—have weaknesses in term of targeting, increasing benefit levels and expanding coverage is the most direct and efficient way to help cushion the impact of higher food and energy prices on the poor in the short term. As a first step, the Guaranteed Minimum Consumption Level (GMCL)—which is the basis for the UMB and MSB—was raised by Som 25 on January 1, 2008. Further, as of October 2008, the UMB is being topped up by Som 35 per UMB recipient. This top-up of the UMB will initially be funded by a World Bank grant, while other donors may also provide funding. The Government, however, will at least sustain the augmented UMB at the level not less than the combined UMB and the top-up, after the donor resources have been exhausted. Meanwhile, we will also refine the eligibility criteria for the UMB to extend its coverage to deserving-but-not-covered poor households and reduce leakage to non-poor households, to be implemented in 2010. In addition, the value added tax (VAT) rates on grain and flour—which are the most vital items for the poor—have been temporarily reduced to 10 percent and could be reduced further. This will be reassessed, with a view to eventually being reversed, as social benefit programs are strengthened. Budgetary outlays for specific support programs, such as for the provision of food to children, have also been increased in the 2008 budget.

19. A new Tax Code was recently adopted by Parliament and will come into effect on January 1, 2009. To help accelerate growth, the new Tax Code aims to further reduce the tax burden on enterprises and individuals and to streamline the number of different taxes and the tax collection processes, also with a view to reducing the informal economy. The reduction in the VAT rate from 20 percent to 12 percent will bring the tax regime in line with neighboring countries. To offset revenue losses, especially from the reduction in the VAT rate, the new Tax Code introduces a property tax and a new turnover tax that replaces the existing sales, road, and emergency taxes. As it will take time to register property owners and assess property values, it may be necessary, at least in the short term, to take temporary measures to boost revenues and to find additional cuts in non-priority current spending in order to be able to limit the 2009 overall budget deficit to 1.7 percent of GDP. In this regard, increases in the government sector wage bill will be limited to the real GDP growth rate.

20. The Government, and notably the Ministry of Finance, will further strengthen the management of public finances:

- One area of focus is aimed at improving Treasury operations and strengthening fiscal accounting and reporting. In the context of the Treasury Modernization program, we will present revisions to the Treasury Law to Parliament to ensure alignment of existing legal framework with new system requirements. Also, a new chart of accounts will be adopted in ministries and budget agencies consistent with the 2001 Government Finance Statistics Manual and, starting in January 2009, budget implementation and reporting will be done on the basis of this new chart of accounts.

- We will furthermore design a development strategy to deepen the market for government securities and increase its liquidity. In this context, the Ministry of Finance will restructure the government securities issuance calendar by introducing the practice of re-opening existing Treasury bill series for sale in subsequent auctions, to reduce the number of outstanding different series of government securities.

- To enable a better assessment of the overall fiscal policy stance, the State budget submitted to Parliament includes a consolidated presentation of the State and Social Fund budgets. Transfers of public resources to the Development Fund and the Kazakh–Kyrgyz Fund will be reflected transparently in the State budget. Thus, Parliament will retain ultimate authority over decisions affecting the use of all public resources. The Development Fund will refrain from borrowing or issuing guarantees to ensure consistency with the Law on Public and Non-Public Debt of the Kyrgyz Republic. Reporting and auditing of the Development Fund will be in line with the provisions in the Law on the Development Fund.

- Revenue administration will be strengthened as well, to streamline tax payment processes and reduce corruption. The new Tax Code will introduce risk-based auditing procedures and no longer contain the provision that each taxpayer should be audited at least once a year. In line with the principle of self-assessment, processing of returns will be purely mechanical, without a numerical review of returns by staff of the State Tax Inspectorate (STI) during filing, to use resources efficiently and reduce interactions between taxpayers and STI staff. Facilities to file electronically will be improved. Any review of tax returns will only be done at the audit stage.

- A new Internal Audit law has already been approved by the Parliament's Economy, Budget and Finance Committee and is expected to be passed by end-2008. This law will govern internal audits of government agencies and institutions and establish the principles and basis for conducting audits in line with international best practice. This will allow for improvements in financial and administrative governance and the use of resources.

- To further help control the wage bill, a civil service reform program will be developed, focusing on payroll policies (covering all employees paid from the budget) and establishing a centralized payroll database.

- Meanwhile, the budget will continue to refrain from accumulating new arrears on wages, contributions to the Social Fund, transfers to the Social Fund, benefits and allowances to low-income households, equalizing and categorized grants, and electricity bills.

21. Reforming the pension system is a priority of fiscal and social policies. The ultimate goal is a complete transition to a fully funded pension system. To this end, a proper regulatory framework will be created and measures will be taken to promote the establishment of a sufficiently liquid securities and government debt market. One of the measures to raise the level of pension security is the introduction of a fully-funded pillar into the existing pension system and the promotion of voluntary individual pension savings. The reduction in the pension age approved in 2007 has been recently reversed and the Government and the Social Fund will continue their efforts to prevent reductions in the pension age and to introduce a system of flexible retirement age. Improving the administration of contributions and enhancing the legislative framework with a view to securing the financial sustainability of the Social Fund will allow further increases in pension levels. Meanwhile, contributions from the employer will be reallocated to the employee and the redistributed part will be channeled to the funded pension system when this becomes effective by mid-2009 at the earliest.

E. Financial Sector Policies

22. In the financial sector, the Government and the NBKR will focus on achieving further financial deepening and strengthening financial sector supervision. The level of financial intermediation is still very low in the Kyrgyz Republic, which hampers economic development. Banks offer only a limited menu of financial services and interest rate spreads remain high. Credit to the private sector is still less than 20 percent of GDP, while only about 6 percent of the population has a bank account. Medium and small-size enterprises and many households, particularly in remote areas, have virtually no access to financial services. A greater level of financial intermediation would be beneficial to growth and enhance the effectiveness of monetary policy. The planned privatization of Ayul Bank, which was recently approved by Parliament, will increase access to financial services in remote areas through its wide branch network. We intend to launch a tender for the sale of Ayul Bank towards the end of 2009, depending on conditions in the global financial markets.

23. The Kyrgyz banking sector has so far weathered the spillover effects from the financial sector difficulties in neighboring Kazakhstan well, due to its high capitalization and liquidity. But vigilance remains needed and the NBKR and the Government are prepared to take measures, including the provision of financial support, to ensure the stability of the Kyrgyz banking system. The NBKR is well equipped to provide liquidity support, including through its rediscount facility introduced in February 2008. The existing bank resolution framework allows the NBKR and the Government to take

appropriate action to address potential solvency problems. The NBKR will continue to strengthen its banking supervision, including through enhanced analysis and inspections, to be able to detect any potential liquidity or solvency problems early on. In this regard, the NBKR will continue efforts to improve its methodology and practices of assessing bank risks, by introducing elements of risk-oriented supervision, including the improvement of early-warning systems, a system of consolidated supervision, and a credit registry at the NBKR for its own supervisory purposes. The NBKR will also further increase the quality of its staff through increased training and by providing an appropriate incentive structure. The minimum capital requirement for existing commercial banks will be doubled to Som 200 million, effective end-2010, to ensure stable and sustained functioning of commercial banks and to maintain the capital base necessary to cover the risks. In the light of government policy to promote competing financing systems and to expand the range of banking services, the NBKR will continue to create conditions for promoting financing in accordance with Islamic finance principles.

24. The Kyrgyz Parliament also recently approved the introduction of a deposit insurance scheme, which will help to further improve confidence in the banking system. The scheme will come into effect in 2010, or as soon as the Deposit Insurance Fund reaches its target level (with the government making its contribution no later than August 2009). Only banks that meet all prudential requirements will be allowed to participate in the deposit insurance scheme. Effective cooperation between the National Bank and the Deposit Protection Agency will help protect the interests of depositors in the event of bank insolvency.

25. On the lending side, creditor rights, creditor information, collateral arrangements, property registration, and the use of international accounting standards will be improved. Already, the pledge law and civil code have been amended to allow for out-of-court procedures to seize collateral. Additional changes have been made to the Civil Code to allow banks to share borrower information with third parties, including credit bureaus. In order to reduce the financial costs for potential borrowers and the time it takes to obtain loans, the Government will take further action to improve pledge registration procedures by the end of 2009 in connection with the mandatory registration of real estate property titles. Pledge registration procedures for lending purposes should be convenient and affordable for households, the bulk of which reside in rural areas and are low-income households. The NBKR will also take measures aimed at protecting the consumers of banking services and ensuring compliance of banks with market discipline when circulating information regarding fees and commissions for banking services.

26. The long-term strategic objectives of payments system reform in the Kyrgyz Republic are aimed at supporting the secure and uninterrupted operation of payments systems in all sectors of the economy in order to ensure a stable functioning of financial markets and preserve confidence in the national currency. The NBKR will continue to

promote effective, reliable, and inexpensive methods of providing payment and financial services to consumers and to bring the payments system in line with international standards. In this regard, the NBKR intends to secure the strategic objectives of reforming the nation's payments system by promoting: (i) a wider range of retail payments services offered by financial and lending institutions by developing a system for batch clearing of retail and regular payments and assisting the commercial banks in developing the infrastructure for settlements with bank-issued payments cards; (ii) improved access to banking services in the regions by assisting in the development of the banking and payments system infrastructure; (iii) an environment for improved effectiveness of payments processing for financial market transactions by integrating the gross settlements system and operators of exchange floors; and (iv) improvement of the regulatory framework along with the introduction of new payments instruments and systems. Furthermore, for the purpose of developing the financial sector, the NBKR will continue the project for the acquisition of automated trading systems required to enhance the domestic financial markets infrastructure, including of the foreign exchange, government securities, and money markets.

F. Business and investment environment

27. Strong economic growth requires a business-friendly environment and adequate infrastructure. The Government sees the creation of an environment conducive to private sector growth and attracting investment as a top priority. We will focus special attention on attracting foreign direct investment into sectors which have been identified as showing considerable potential: power generation, mining, tourism, telecommunications, agriculture and processing, and banking. More generally, the Government and the NBKR will continue to identify and implement reforms to make it easier to do business in the Kyrgyz Republic and improve the country's ranking in the Doing Business surveys. A one-stop window has been established to ease business registration and investor protection has been strengthened. A one-stop shop was also introduced for construction permits. Key areas for additional reform will be to further simplify administrative procedures (including tax, customs, and trade procedures) and to reduce corruption. Particular emphasis will be paid to ensure the transparency of supervisory activities and minimizing the number of audits in order to eliminate corruption among government officials. In this regard, we will develop an automated system for processing audit-related data and a rapid response policy vis-à-vis complaints from private sector businesses. This will allow us to eliminate groundless audits, avoid duplication of functions for supervisory agencies and protect the rights of entrepreneurs. All draft regulations which have a bearing on private businesses will be subject to a mandatory review process to assess their regulatory impact. A new Program for Informal Sector Legalization for 2008-2010 will be developed to draw informal activity into the formal sector.

28. To ensure that businesses and individuals can rely on an uninterrupted energy supply, the Government has adopted a National Energy Program. As part of this program

some segments of the energy sector will be made available for privatization, while private entry will also be allowed in power generation. The program furthermore aims to improve the energy sector's financial soundness by gradually raising utility tariffs. A feasibility study will be conducted for the Kambar-Ata 1 hydropower project and the Government will seek private participation and support from international donors for the development of this regionally critical project.

Table 1. Kyrgyz Republic: Quantitative Program Targets

(In millions of soms, unless otherwise indicated; eop)

		2008		2009	
		June	December	June	December
	Actual	Actual 1/	PCs	ITs	ITs
I. Performance criteria					
1. Floor on net international reserves of the NBKR in convertible currencies (eop stock, in millions of U.S. dollars) 2/	901	884	903	869	973
2. Ceiling on net domestic assets of the NBKR (eop stock) 2/ 3/	-2,036	-948	-994	-110	1,902
3. Ceiling on cumulative overall deficit of the general government 2/	444	423	2,332	1,194	3,525
4. Ceiling on contracting or guaranteeing by the state government, NBKR, or any other agency acting on behalf of the state government, of new nonconcessional external debt with maturity of less than one year (continuous, in millions of U.S. dollars) 4/	0	0	0	0	0
5. Ceiling on contracting or guaranteeing by the state government, NBKR, or any other agency acting on behalf of the state overnment, of new nonconcessional external debt with maturity of one year or more (continuous, millions of U.S. dollars) 4/	0	0	0	0	0
6. Ceiling on accumulation of new external payment arrears (continuous, in millions of U.S. dollars)	0	0	0	0	0
II. Indicative targets					
1. Ceiling on reserve money (eop stock)	31,583	32,540	37,144	36,738	42,715
2. Cumulative floor on state government tax collections in cash	26,545	15,925	35,834	15,238	38,094

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

1/ Preliminary data for fiscal outcome.
2/ These targets are subject to adjustment in case of changes in flows of external budget financing by bilateral and multilateral donors as defined in the TMU.
3/ The target excludes medium- and long-term central bank liabilities (i.e., the loan by the Eximbank of Turkey and the EBRD/IDA enterprise loan channeled through the NBKR).
4/ External debt contracted or guaranteed other than with a grant element equivalent to 35 percent or more, calculated using a discount rate based on the OECD commercial interest reference rates. Excludes borrowing from the IMF.

Table 2. Kyrgyz Republic: Structural Measures

I. Structural benchmarks for continuous implementation

- The Ministry of Finance and the National Bank of the Kyrgyz Republic to exchange and discuss projected financial operations, including state budget spending and revenue forecasts and securities and notes issuance plans on at least a bi-weekly basis.

- Reflect the transfers of public resources to the Development Fund and the Kazakh-Kyrgyz Fund transparently in the State budget, while the Development Fund refrains from unsecured borrowing and issuing guarantees to guarantee consistency with the law on Public and Non-Public Debt of the Kyrgyz Republic.

II. Structural benchmarks for 2008

- Adopt the Resolution on Decision Making Procedure for Measures for Rehabilitation of Banks of Systemic Importance, identifying the roles of the NBKR and the Ministry of Finance in the bank resolution process (end-December, 2008).

- Submit to Parliament amendments to the Law on the NBKR to: (i) increase its statutory capital to at least Som 1 billion; and (ii) ensure that net unrealized price and exchange rate valuation gains are not reflected in the NBKR's income statement, while net unrealized price and exchange rate valuation losses are reflected in the NBKR's income statement at the end of the financial year, in line with international central bank best practice. This provision shall be reflected in the NBKR's financial reporting (end-December 2008).

III. Structural benchmarks for 2009

- Conduct a review, with the assistance of the IMF, of the pilot project at the stock market selected to become the platform for the government securities market to assess whether arrangements meet public interests, including confidentiality and transparency concerns, and international best practices. This review will examine: (i) information sharing and decision making for public debt auctions; (ii) governance structures; and (iii) settlement and custody arrangements (end-March, 2009).

- Convert the off-balance government security held by the NBKR into an interest-bearing security that can be placed on-balance and ensure that the NBKR's capital is at least equal to its statutory minimum (end-December, 2009).

TECHNICAL MEMORANDUM OF UNDERSTANDING

I. INTRODUCTION

1. The Kyrgyz Republic's performance during the period October 1, 2008–December 31, 2009 under the 18-month arrangement under the Exogenous Shocks Facility will be assessed by the IMF on the basis of the observance of quantitative performance criteria and structural benchmarks. This memorandum and its attached tables define the quantitative performance criteria and indicative targets under the ESF-supported program. It reflects the Economic Program of the Kyrgyz authorities as attached to their Letter of Intent dated November 25, 2008.

2. The program exchange rate of the Kyrgyz som to the U.S. dollar is set at som 38.2101 = $1. The corresponding cross exchange rates and program gold price for the duration of the program are provided in Table 7.

3. Central government and republican government are synonymous in this memorandum. The State budget comprises central and local government budgets. The general government budget comprises the State and Social Fund budgets.

II. QUANTITATIVE PERFORMANCE CRITERIA

4. The quantitative targets (i.e., quantitative performance criteria for end-December 2008, and quantitative benchmarks for end-June and end-December 2009) presented in Table 1 of the economic program attached to the letter, dated November 25, 2008, are defined below.

A. Floor on net international reserves of the National Bank of the Kyrgyz Republic (NBKR) in convertible currencies

5. The program contains a floor on the stock of net international reserves of the NBKR in convertible currencies. This floor will be calculated as the difference between total international reserve assets and total international reserve liabilities of the NBKR in convertible currencies.

6. Total international reserve assets of the NBKR are defined as the NBKR holdings of monetary gold, holdings of SDRs, any reserve position in the IMF, and any holdings of convertible foreign currencies in cash or with foreign banks, and debt instruments (including accrued interest) issued by nonresidents that are liquid. Amounts pledged as collateral or in swaps or otherwise encumbered, capital subscriptions in foreign financial institutions, and illiquid assets of the NBKR are excluded. Also excluded are net forward positions, defined as the difference between the face value of foreign currency denominated NBKR off-balance sheet claims on nonresidents and foreign currency obligations to both residents and nonresidents. For program monitoring purposes, international reserve assets shall be valued at program exchange rates and gold prices. Total international reserve liabilities of the NBKR in convertible currencies are defined as outstanding liabilities to the IMF and other convertible currency liabilities to nonresidents with an original maturity of up to and

including one year. For program monitoring purposes, total international reserve liabilities will be valued at the program exchange rates as described in paragraph 2 above.

7. Thus calculated, the stock of net international reserves in convertible currencies amounted to \$901 million at December 31, 2007 and \$884 million at June 30, 2008. The program floors on the NIR of the NBKR in convertible currencies are reported in Table 1 below.

Table 1. Floors on NIR of the NBKR in Convertible Currencies 1/

(In millions of U.S. dollars)

December 31, 2008 (performance criterion)	903
June 30, 2009 (indicative target)	869
December 31, 2009 (indicative target)	973

1/ End-of-period stocks.

8. The NBKR's net foreign assets consist of net international reserves plus other net foreign assets, including the medium- and long-term foreign obligations of the NBKR, other net claims on CIS countries, amounts pledged as collateral or in swaps or otherwise encumbered, net forward positions, capital subscriptions in foreign financial institutions, and illiquid assets. For program monitoring purposes, the other net foreign assets will also be valued at the program exchange rates.

B. Ceiling on the net domestic assets of the NBKR

9. Net domestic assets of the NBKR are defined as reserve money of the NBKR (defined below), minus the NBKR's net foreign assets as defined above, minus the counterpart of the loan by the Eximbank of Turkey and the counterpart of the EBRD and IDA enterprise loans. Items in foreign currencies will be valued at the program exchange rates.

NDA=RM–NFA–Turkish Loan–EBRD-IDA Enterprise Loan

10. Thus defined, the NBKR's net domestic assets consist of: (a) gross credit to the general government from the NBKR, minus deposits of the general government with the NBKR, minus the counterpart of the loan by the Eximbank of Turkey; (b) gross credit to domestic banks by the NBKR, minus the counterpart of the EBRD and IDA enterprise loans; and (c) all other net assets of the NBKR (other items net). Thus defined, the stock of the NBKR's net domestic assets amounted to minus Som 2,036 million on December 31, 2007 and minus Som 948 on June 30, 2008.

11. The program ceilings on the NDA of the NBKR are reported in Table 2 below.

Table 2. Ceilings on the NDA of the NBKR 1/

(In millions of soms)

December 31, 2008 (performance criterion)	-994
June 30, 2009 (indicative target)	-110
December 31, 2009 (indicative target)	1902

1/ End-of-period stocks.

C. Ceiling on the cumulative overall deficit of the general government

12. The overall deficit of the general government is defined as the sum of: (a) the change in the stock of net claims of the domestic banking system and nonfinancial institutions—including state-owned enterprises and public companies—and households on the general government; (b) the change in the stock of net claims of the foreign banking system and nonfinancial institutions and households on the general government; (c) net privatization receipts including from new Centerra share sales; (d) net foreign loans disbursed to the state government for budgetary support; and (e) net foreign loans disbursed to the general government for project financing. The fiscal balance will be measured at the program exchange rates, unless foreign currency-denominated assets or liabilities are converted into domestic currency upon receipt or accrual.

13. The change in the stock of net claims of the domestic banking system on the general government is defined as the change in the stock of the banking system claims on the general government, less the change in the stock of all deposits of the general government with the banking system. The claims of the banking system on the general government include: (a) bank loans to the general government; (b) securities or bills issued by the general government held by banks, with the exception of those issued in relation with bank rescue operations; and (c) overdrafts on the current accounts of the general government with banks.

14. The program ceilings on the cumulative overall deficit of the general government are reported in Table 3 below. The ceiling on the overall budget deficit of the general government will be adjusted upward to the full extent that concessional foreign loans with a grant element of at least 35 percent disbursed to the budget are higher than the amounts given in Table 4. The ceiling on the overall budget deficit of the general government will also be adjusted upward to the full extent that program grants received are less than the amounts given in table 4. The ceiling on the overall budget deficit of the general government will be adjusted downward to the full extent that disbursements of PIP loans are less than the amounts given in Table 4.

Table 3. Ceilings on the Overall Budget Deficit of the General Government 1/

(In millions of soms)

	Overall Deficit
December 31, 2008 (performance criteria)	2,332
June 30, 2009 (indicative target)	1,194
December 31, 2009 (indicative target)	3,525

1/ Cumulative starting from the beginning of each calendar year.

Table 4. Projected Budget Support
(millions of US dollars)

	2008	Jun-09	Dec-09
Program grants	45.7	20.7	41.5
WB	2.5	3.0	3.0
EU	13.0	7.9	18.9
SWAP (including WB)	17.6	9.8	19.6
Other donors	12.5	0.0	0.0
PIP grants	76.4	41.6	97.2
Asian Development Bank	16.3	13.3	31.0
World Bank	34.6	19.9	46.5
KfW	9.7	5.2	12.2
Switzerland	6.3	1.6	3.8
DFID	9.5	1.6	3.8
Program loans (BOP support)	22.2	3.0	3.0
WB	14.4	3.0	3.0
ADB	7.8	0.0	0.0
Other donors	0.0	0.0	0.0
PIP loans	54.6	39.1	89.4
ADB	28.6	12.0	27.5
WB	10.2	5.1	11.7
Islamic Development Bank	10.0	5.6	12.8
KFW	5.8	7.6	17.4
China	0.0	8.8	20.0

D. Ceilings on contracting or guaranteeing of new external debt by the state government of the Kyrgyz Republic or the NBKR or any other agency acting on behalf of the state government

15. In connection with the contracting or guaranteeing of external debt by the state government of the Kyrgyz Republic, the NBKR, or any other agency acting on behalf of the state government of the Kyrgyz Republic, "debt" is understood to have the meaning set out in point 9 of the Guidelines on Performance Criteria with respect to External Debt in Fund arrangements (Decision No. 12274–00/85, dated August 24, 2000).[1]

16. External debt ceilings apply to (a) the contracting or guaranteeing of new non-concessional short term external debt (i.e. external debt with an original maturity of less than one year and grant element less that 35 percent, except normal import-related credits and NBKR reserve liabilities); and (b) contracting or guaranteeing of nonconcessional medium- and long-term external debt (i.e., external debt with an original maturity of one year or more and with grant element of less that 35 percent). Disbursements by the Fund are excluded from the ceilings on external debt. Also excluded from these external debt ceilings is the contracting or guaranteeing of new external debt that constitutes a rescheduling or refinancing of existing external debt at terms more favorable to the debtor. The limit on the contracting or guaranteeing of short-term external debt is zero on a continuous basis throughout the period of the arrangement. The limit on the contracting or guaranteeing of medium- and long-term nonconcessional external debt is also zero and on a continuous basis throughout the period of the arrangement, as specified in Table 1 of the economic program of the authorities.

[1] Debt is understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take a number of forms, the primary ones being as follows: (a) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (b) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (c) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.
Under the above definition of debt, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

17. For the purposes of the ceiling on contracting and guaranteeing new external debt, any other agency acting on behalf of the state government will in particular include the Development Fund and the Kazakh-Kyrgyz Fund as well as all nonfinancial public enterprises with share capitals of not less than Kyrgyz som 100 million in which the state government holds at least 51 percent of the share capital.

E. Ceiling on accumulation of new external payments arrears

18. For the purposes of the program, external payment arrears will consist of all debt-service obligations (i.e., payments of principal or interest) arising in respect of any debt contracted or guaranteed or assumed by the state government of the Kyrgyz Republic, or the NBKR, or any agency acting on behalf of the state government of the Kyrgyz Republic since the Kyrgyz Republic's independence, including, without limitations, unpaid penalties, interest charges or judicially awarded damages associated with these arrears owed by the state government of the Kyrgyz Republic, or the NBKR, or any agency acting on behalf of the state government of the Kyrgyz Republic. The ceiling on new external payment arrears shall apply on a continuous basis throughout the period of the ESF arrangement.

III. Indicative Targets

A. Ceiling on reserve money

19. For the purposes of the program, reserve money consists of currency issued by the NBKR and balances on commercial banks' correspondent accounts with the NBKR. The indicative program limits are reported in Table 5 below.

Table 5. Ceilings on Reserve Money 1/

(In millions of soms)

December 31, 2008 (indicative target)	37,144
June 30, 2009 (indicative target)	36,738
December 31, 2009 (indicative target)	42,715

1/ End-of-period stocks.

B. Cumulative floor on state government tax collections in cash

20. Tax collections in cash correspond to the line "Tax Receipts" in the Treasury Report and comprise the following categories: tax on income and profits; taxes on goods and services; specific taxes on services; turnover taxes; taxes on property; taxes on international trade; and other taxes. Cumulative tax collections in cash include collections of tax arrears but exclude tax offsets.

21. The program floors for the cumulative state government cash tax collection are reported in Table 6 below.

Table 6. Floors on State Government Cash Tax Collections 1/

(In millions of soms)

December 31, 2008 (performance criteria)	35,834
June 30, 2009 (indicative target)	15,238
December 31, 2009 (indicative target)	38,094

1/ Cumulative from the beginning of the calendar year.

IV. Reporting Requirements Under the Program

22. The government and the NBKR will provide the Fund with the necessary economic and financial statistical data to monitor economic developments and the quantitative targets. In particular, the government and the NBKR will provide the following specific information:[2]

A. The balance sheet of the NBKR

23. The NBKR will provide to the Fund its balance sheet on a daily basis. The information provided will clearly identify the following items in the definitions specified above: the gross foreign assets and liabilities of the NBKR, decomposed by currency and instrument for the assets and by currency and creditor for the liabilities (decomposition provided on a monthly basis); the net foreign assets of the NBKR; the net international reserves of the NBKR; medium- and long-term liabilities; the net domestic assets of the NBKR; net credit from the NBKR to the general government; net credit from the NBKR to commercial banks; the balance of unused PIP funds held in the NBKR; other items net; and reserve money. The balance sheet will be provided valued at the actual exchange rate as well as according to the valuation applied under the program, as specified in Section I. The above information will be provided to the IMF Resident Representative and/or transmitted by e-mail to the Fund.

B. Monetary survey

24. Monthly banking system data, in the form of a monetary survey, will be reported to the Fund by the NBKR within 14 days of the end of the month. The information provided will clearly identify the following items: net foreign assets and net domestic assets of the banking system, medium- and long-term liabilities, net credit from the banking system to the general government, financing provided to the rest of the economy, other items net, and

[2] Any correction or revisions to data previously reported should be clearly indicated and documented along with the reasons for revision.

broad money. The monetary survey will be provided valued at the actual exchange rate as well as according to the valuation applied under the program, as specified in Section I.

25. The NBKR will provide monthly data to the Fund within seven days after the end of the month on the amount of holdings of treasury bills, GKOs, state obligations, state bonds, and other securities issued by the state government, differentiated by the following categories of holders: the NBKR, resident banks, resident nonbanks, and nonresidents. The information will be provided in both the book (nominal) value and the actual value, where applicable.

C. International reserves and key financial indicators

26. The NBKR will provide detailed monthly data within 14 days from the end of the month on the composition of both its gross and net international reserves in convertible currencies and holdings of monetary gold. These data will be provided at two alternative sets of the exchange rates and the gold price: first, at those used to derive the NFA position in the NBKR accounts; second, at those specified in the program (Section I). In addition, weekly reports should be sent to the Fund on (a) exchange rates (including the official and interbank exchange rates), foreign exchange interbank market turnover, and the volume of NBKR foreign exchange sales and purchases in the interbank market and with other parties, on a daily basis; and (b) treasury bill yields and the amount of treasury bill sales and redemptions on a weekly basis every Monday. On the 25th day of the month following the reference month, the NBKR will provide indicators of financial soundness of the banking system, including the ratios of regulatory capital to risk-weighted assets, nonperforming loans to total loans, and return on equity, as well as data on bank deposit and lending rates by maturity.

D. External debt

27. The Ministry of Finance, together with the NBKR, will provide monthly information on the disbursements, principal and interest payment—both actual and falling due; on contracting and guaranteeing of medium- and long-term external loans by the state government and the NBKR; and any stock of outstanding arrears on external debt service payments within 21 days of the end of each month. In addition, the Ministry of Finance will report the total amount of outstanding government guarantees and external arrears on a monthly basis. While the NBKR will provide the debt service payment data on private debt, the ministry of finance will provide data on debt service on public and publicly guaranteed loans.

E. Budgetary and extra budgetary data

28. In addition to the monthly treasury report, the Social Fund will report monthly on its operations. This information will be provided to the Fund staff within 26 days from the end of each reference month. The Ministry of Finance will also provide monthly reports on the disbursements and use under the public investment program and budgetary grants with a one-month time lag. The Development Fund will also submit a monthly report including its balance sheet and its deposits in the NBKR and the rest of the financial system.

F. Balance of payments data

29. The NBKR will provide current account and capital account data, including data on foreign trade, services, official and private transfers, foreign investment, and disbursements of public and private loans, on a quarterly basis, with at most a two-month lag. The NBKR will also provide monthly foreign trade data with a two-month lag.

G. Other general economic information

30. The National Statistics Committee will notify the Fund of the monthly Consumer Price Index by category by the 15th business day of the following month, and convey quarterly GDP estimates within two months of the end of each quarter.

Table 7. Program Cross Exchange Rates

	Currency Names	Currency/US$	US$/ Currency
AUD	Australian dollar	0.6329	1.5800
AZN	Azerbaidjani manat	0.8111	1.2329
BYR	Belarusian ruble	2,115.0282	0.0005
CAD	Canadian dollar	0.7823	1.2783
CHF	Swiss franc	0.8539	1.1711
CNY	Chinese yuan	6.8488	0.1460
CZK	Czech crown	20.1903	0.0495
DKK	Danish krone	5.9253	0.1688
EEK	Estonian kroon	12.4228	0.0805
EUR	Euro	0.7940	1.2595
GBP	UK pound sterling	0.6392	1.5645
HUF	Hungarian forint	223.3072	0.0045
INR	Indian rupee	49.9478	0.0200
JPY	Japanese yen	93.9908	0.0106
KRW	South Korean won	1,420.4498	0.0007
KZT	Kazakh tenge	119.7809	0.0083
LTL	Lithuanian litas	2.6952	0.3710
LVL	Latvian lats	0.5500	1.8182
MDL	Moldavian lei	10.3176	0.0969
NOK	Norwegian krone	7.0535	0.1418
NZD	New Zealand dollar	0.5730	1.7452
PKR	Pakistani rupee	81.3154	0.0123
RUR	Russian ruble	27.0591	0.0370
SDR	SDR	0.6700	1.4925
SEK	Swedish krona	7.9594	0.1256
TJS	Tajik somoni	3.4026	0.2939
TRY	Turkish lira	0.5875	1.7020
UAH	Ukrainian hryvnia	5.1500	0.1942
UZS	Uzbek sum	1,340.7053	0.0007
XAU	Gold ($/troy ounce)	692.5000	