**International Monetary Fund**

Kyrgyz Republic and the IMF

**Press Release**:
IMF Executive Board Completes the Second Review Under the Extended Credit Facility Arrangement for the Kyrgyz Republic and Approves US$13.4 Million Disbursement

June 17, 2016

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**Kyrgyz Republic:** Letter of Intent, Identified Fiscal Measures to Close the 2016 Fiscal Gap, and Technical Memorandum of Understanding

June 2, 2016

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.

# Appendix I. Letter of Intent

June 2, 2016

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C., 20431
U.S.A.

Dear Madame Lagarde:

We continue to make progress on a comprehensive economic and financial reform program, supported by an arrangement under the Extended Credit Facility (ECF) approved by the IMF Executive Board on April 8, 2015. We are grateful to the IMF for its continued support.

The external environment has worsened over the past few months, affecting the outlook for our economy. Having withstood severe adverse shocks in 2015, growth is expected to slow further this year. Lower demand for our exports among key trading partners, the impact of lower remittances on domestic demand and the challenges of adjusting to membership in the Eurasian Economic Union (EEU) will take their toll. We expect growth to slow down this year before picking up from next year. We are undertaking a number of stimulus measures, including the expansion of credit from the Russian Kyrgyz Development Fund (RKDF) and continued progress on our Public Investment Program (PIP) to help mitigate some of the impact of the adverse environment.

We remain committed to the policies and objectives supported by the ECF arrangement. Our actions ensured that all end-December quantitative performance criteria (PCs) and indicative targets (ITs) were met. All, but two structural benchmarks have been met. We have submitted the law on administrative responsibility to parliament. As per our commitments, we drafted an action plan to review the public investment framework and increase efficiency of borrowing, and an action plan to reduce the public wage bill. However, the audit of DEBRA has not yet been completed, whereas the draft law of the Kyrgyz Republic on combating the legalization (laundering) of proceeds from crime, financing of terrorist and extremist activities will be submitted to parliament with a delay due, in part, to a protracted consultation process. Notwithstanding, some setbacks in passing the Banking Law, we will continue to make every effort to ensure its enactment by parliament by September 2016.

In view of the progress made and our continued commitment to the program, we request completion of the second review and disbursement in the amount of SDR 9.514 million (US$13.35 million). We ask that the disbursements under the ECF arrangement be channeled to the budget.

We believe that the economic and financial policies set forth in this Letter of Intent (LOI) to be adequate to meet the program's objectives.

We will continue to maintain a policy dialogue and consult with the IMF, at our own initiative or whenever the Managing Director of the IMF requests such a consultation, in advance of revisions to the policies contained in our LOI, in accordance with the IMF's policies on such consultations. We will provide IMF staff with data and information necessary for monitoring program implementation.

As in the past, the government of the Kyrgyz Republic agrees to the publication of this letter, the Technical Memorandum of Understanding (TMU), and the Debt Sustainability Analysis.

## Recent economic developments

1. **Adverse external shocks continue to affect our economy, with the regional environment weaker than anticipated at the end of last year.** The economy contracted in early 2016, and weaker-than-expected growth rates and exchange rates in the region (especially Russia and Kazakhstan) will weigh on growth throughout the year. Inflation continues to decline, having reached 0.5 percent year-on-year by end-March 2016, well below our 5–7 percent target, reflecting a moderation in food prices.

2. **The som depreciated by 29 percent against the U.S. dollar in 2015 due to the depreciation of the ruble and the tenge, drop in remittance and other regional factors.** To contain inflation and mitigate exchange rate volatility, we kept monetary policy on a tightening stance. We raised the policy rate to 10 percent and undertook significant interventions. However, since the beginning of 2016, most of the above factors were reversed due largely to the rise in oil prices, which, in combination with the monetary policy measures taken, allowed the som exchange rate to appreciate by 7.7 percent between January and March. This allowed us to lower the policy rate to 8 percent and intervene on the foreign exchange market by purchasing U.S. dollars.

3. **The overall fiscal deficit for 2015 reached 1.2 percent of GDP, well below the 3.5 percent of GDP program target.** Revenues were better than anticipated due to one-off nontax receipts from the sale of the Geroi gold mine and some radio frequencies, and NBKR profits. On the other hand, tax revenue underperformed due to a weaker economic environment, especially in tax-generating sectors (trade and construction). Some nonpriority spending—mostly goods and services and domestically financed capital expenditures—was postponed to 2016 due to delays in budgetary support. Delays in PIP project execution resulted in a significant drop in capital expenditure. In particular, there were procedural delays in the construction of the Eximbank China North-South road. The refurbishment of the Bishkek power and heating plant was postponed due to the power shortage.

4. **Public external debt continued to rise increasing by 14 percentage points of GDP over 2015, reflecting additional borrowing and exchange rate depreciation.**

5. **We are facing mounting challenges in tax administration particularly in the process of transitioning to EEU.** The shift of VAT and excise collection, following EEU accession, from the customs services to the state tax services (STS) where they are paid on the basis of self-assessment after the goods have entered the country have resulted in underperformance in the collection of these taxes. Our ability to collect these taxes is further limited due to reliance on the not yet fully developed tax administration system within fellow EEU members tax authorities. We are mindful that while it is preferable to have a one-stop shop for tax payment, any addition of collection functions to the STS should be done gradually to ensure maximum efficiency.

6. **The current account deficit narrowed to 10.4 percent of GDP by the end of 2015, largely driven by a significant drop in imports, which more than compensated the fall in remittances.** While falling by 25 percent in dollar terms, remittances growth remained positive in

ruble terms. As a result of the depreciation of the som and low inflation, the real effective exchange rate depreciated by 9.6 percent by end-2015.

**7. We are aware of the elevated risks to the financial sector stemming from exchange rate volatility coupled with a high degree of dollarization and higher credit risk due to economic slowdown.** We are closely monitoring the quality of the loan portfolio for signs of increase in nonperforming loans. To contain exchange rate risk for highly dollarized bank balance sheets, we introduced new macro-prudential measures aimed at: (i) further increasing the provisioning for foreign currency denominated loans; and (ii) further differentiating reserve requirements between som and dollar deposits.

**8. We have recently introduced several policies aimed at reducing dollarization, addressing affordable housing shortage and stimulating the economy.** We successfully implemented a conversion program for foreign currency denominated mortgages and banned mortgage and consumer lending in foreign currency. We have also established a SMC and accelerated lending from the RKDF.

## Outlook and risks

**9. The near-term outlook has worsened over the past few months but medium-term prospects should improve.** Reflecting a weaker external environment, nongold growth is now projected to reach around 3 percent in 2016. Growth is expected to gradually pick up over the medium term as trading partners' growth rebounds. Inflation is expected to remain low, driven by a further decline in international food and fuel prices, and weak domestic demand. The current account deficit will widen this year due to higher activity under the PIP program but will gradually moderate thereafter as remittances recover and public investment moderates.

**10. We are mindful of the increase in downside risks.** In the near term, these continue to stem from developments in Russia, Kazakhstan, and China. The impact of EEU accession has been mixed so far, reflecting a weak economic activity within the union and change in trade flows. The exchange rate volatility will have an impact on debt and banking sector. Upside risks include the recovery of oil prices and consequently revival of economic activity among our key trading partners.

## The government's policies for the remainder of 2016

*To keep the program on track, we will implement the necessary policies to ensure that the program's objectives are achieved. In this context, we will carry out the necessary measures to prevent budgetary slippages. We remain committed to containing inflation and maintaining a flexible exchange rate that would allow us to preserve foreign exchange reserves. We will do our best to have the draft banking law adopted by the new parliament in a form substantially similar to the draft submitted to parliament in September 2013. Having recently completed the audit of DEBRA, we will now proceed to liquidate some of the banks under its management.*

## Fiscal policy

**11. As per our commitment at the time of the first review, our 2016 fiscal deficit target remains at 4.5 percent of GDP.** As a result of the depreciation of the som and the downward revision of our growth prospect for this year, the target deficit of the budget as approved by parliament last December has increased to about 7 percent of GDP. Despite these adverse developments, we remain committed to a deficit of 4.5 percent of GDP and will do our utmost effort to meet this target. Earlier this year, we started working on an action plan to mobilize additional revenues and continued to prioritize our investment budget and improve its efficiency. This allowed us to bring down our deficit target substantially, but we were left with a gap of 1.5 percentage points of GDP. More recently, through great efforts we have identified new measures to close this gap, in the following areas (Attachment 1): (i) tax policy; (ii) tax administration; (iii) nontax revenues; and (iv) PFM and rationalization of expenditures. Furthermore, should any shortfall emerge from these measures, we are committed to reducing expenditures in an equivalent amount in order to ensure that we meet our fiscal target.

**12. On the revenue side, we have identified new measures, which will contribute to closing the 2016 fiscal gap and support the medium-term adjustment.** We will strengthen the VAT administration by, among others, enhancing control with tax officers and other regulatory authorities in the border areas. We are reviewing the system of exemptions in order to streamline them; meanwhile we will refrain from extending expiring exemptions or granting new ones. We are also harmonizing excise tax rates on alcohol and tobacco products with some EEU countries, considering introducing excise stamps for domestically produced goods, and considering the introduction of a luxury tax for properties. Additionally, we are planning to review taxation of natural resources with the help of an international expert.

**13. On the expenditure side, we will keep on streamlining nonpriority current expenditures particularly within the goods and services category and domestically financed capital spending around 3 percent of GDP.** We already introduced the e-procurement system, which will help us substantially rationalize non-priority expenditures. We will refrain from potential quasi-fiscal activities that may have budgetary implications. We undertook a review of our electricity tariffs and are firmly committed to pursue the Medium Term Tariffs Policy of the Kyrgyz Republic for Electric and Heat Energy (MTTP) for 2014–17. A revised MTTP based on the principle of energy sector actual costs recovery will be approved by the Government of the Kyrgyz Republic in July 2016. We will carry out a review of all subsidies with the objective of streamlining them (structural benchmark, September 2016). To maximize pro-poor spending, we will improve the targeting of social benefits to avoid duplication.

**14. We remain committed to gradually reduce the wage bill to 8 percent of GDP by 2018.** We finalized the action for the reform of the public sector personnel and remuneration policy to reduce the wage bill. Next step in the implementation of the action plan is to set up a comprehensive register of all public employees by March 2017 (structural benchmark). As a first step, the register will cover, by November 2016, health and education employees. We will also develop a wage rule and undertake a functional review of main sectors (including assessment of staffing needs and remuneration policies), which will be included in the action plan to be implemented in the medium term.

**15. We will undertake urgent measures to ensure debt remains at sustainable levels.** To this end we will: (i) refrain from nonconcessional borrowing; (ii) improve debt monitoring, to minimize fiscal risk stemming from SOEs; and (iii) undertake remedial actions to maintain external public debt at moderate risk of debt distress.

**16. We will build on the recommendations of the recent Public Investment Management Assessment (PIMA) mission to enhance the efficiency of public sector investments,** mainly by: (i) strengthening planning and prioritization of projects; (ii) upgrading the monitoring framework; and (iii) improving budget practices to avoid projects being stalled or stranded. Following our action plan, we will modify through government decree the decision making process for the selection of public investment projects by formalizing gate keeping roles of the ministry of economy on evaluation, including economic assessment and project efficiency, and ministry of finance on financing respectively. The PIP guidelines will be updated accordingly (structural benchmark, December 2016). We will also introduce a standardized framework for project monitoring of physical and financial performance for all projects exceeding KGS 50 million (structural benchmark, June 2017).

### Monetary and exchange rate policy

**17. Containing inflation within the targeted range of 5–7 percent remains the anchor of our monetary policy.** We will ensure that our monetary policy formulation is forward looking, given the dynamic nature of monetary policy and the lags with which it affects the key economic variables. We will continue to adjust the policy rate in line with the emerging market pressures. We are, at present, balancing the need for policy relaxation stemming from the recent drop in headline inflation, the moderation of credit growth, and weaker growth prospects, against the potential of fiscal and exchange rate pressures. We stand ready to tighten monetary policy should inflation pick up again or depreciation pressures re-emerge.

**18. We will work on improving co-ordination between the NBKR, ministry of finance, and RKDF to facilitate monetary policy management.** Back-loaded and unpredictable spending by large players in the financial system complicates liquidity forecasting and monetary policy operations. To overcome these obstacles, we will work on establishing regular communications between the NBKR and ministry of finance to ensure smoothing of budget spending throughout the year. We will also finalize a memorandum of understanding between the NBKR and the RKDF to exchange the necessary information and to better estimate the impact of RKDF’s investments on monetary policy.

**19. We are committed to further improving the operational framework for monetary policy and enhancing the transmission mechanism.** We are continuing to fine-tune our models, improve statistics and increase capacity of our staff. We are focused on improving the transmission mechanism of monetary policy and aligning market rates with policy rates. In that context, we will consider narrowing the corridor around the policy rate and make it more symmetric. At the same time, we will also undertake measures to deepen the interbank market by: (i) maintaining liquidity at a level that provides incentive for interbank trading; and (ii) allowing NBKR notes to be used as collateral in the interbank market. We will further enhance the forward looking component of our communication policy.

**20. We are committed to exchange rate flexibility as a mean to reduce external imbalances, enhance competitiveness, and preserve foreign exchange reserves.** In order to maintain an adequate level of reserves we will: (i) continue to limit interventions in the foreign exchange market to only smoothing excessive fluctuations; and (ii) consider introducing new monetary instruments and developing hedging instruments.

**Financial sector**

**21. We continue to monitor the financial sector for emerging risks associated with foreign exchange volatility, dollarization, and economic slowdown.** In this context, we will improve the monitoring of nonperforming loans (NPLs) by collecting additional information from banks. Moreover, we will continue our efforts to align our legislation with international best practice. We will consider the classification of the prolonged loans category, the differentiation between performing and nonperforming restructured loans and the introduction of a new category for loans issued to refinance NPLs.

**22. We will finalize the strategic plan for supervision by the end of the year, with the help of the IMF and WB.** The key elements of the plan are: (i) personnel policy to attract and retain qualified personnel, and decrease personnel turnover rate; (ii) training of supervisors to ensure that staff is familiar with the NBKR's supervisory approach and to improve their technical ability; (iii) enhancing the supervisory approach, including implementation of the risk based supervision; and (iv) strengthening the current regulatory framework and bring it line with international standards. We will work towards the full transition to the risk-based supervision during the first half of next year in the context of the WB project.

**23. We will develop a crisis preparedness framework, including establishing a high-level financial stability council comprised of representatives of the NBKR, DPA, ministry of finance, and prime-minister's office (structural benchmark, September 2016).** As a first step, we will analyze the task, functions and regulation of the financial stability council based on Kyrgyz legislation. The key components of the framework are: (i) coordinating arrangements between relevant agencies; (ii) supervisory remedial actions; (iii) depositor safety net; (iv) NBKR's emergency liquidity assistance mechanisms for banks; (v) effective banking resolution system; and (vi) assigning clear roles to each representative. We are aware that the success of the framework will hinge on closer coordination among all relevant agencies including, regular communication and exchange of information between the NBKR, ministry of finance, and DPA. In this context, and with a goal of testing and improving our coordinating arrangements, we will conduct a crisis simulation exercise with the help of the WB.

**24. Our efforts to reduce dollarization will remain strictly market based and will not come at the expense of economic stabilization or central bank credibility.** In this context we will not expand the foreign currency denominated loan conversion program beyond the recently completed program for mortgages. We are exerting our best efforts to implement affordable housing program 2015–20, mostly through the recently established SMC. Should the SMC activities evolve into banking activities, as defined by banking legislation, we will consider regulating it by the NBKR. In providing direct liquidity to the RKDF, the NBKR will ensure that credit policy remains consistent with the monetary policy objectives.

**25. We remain committed to exert our best efforts to enact the Banking Law in a form substantially similar to the draft submitted to parliament in September 2013 (structural benchmark, September 2016).** The banking law is macro-critical as it is essential for preserving financial stability, especially at times of rising vulnerabilities. Having an efficient and effective bank resolution framework in place is necessary to prevent troubles in one bank from spilling over to the whole system. Furthermore, the law establishes the appropriate balance between the various stakeholders during the bank resolution process and enhances the protection of depositors. In this respect, amendments to the Banking Law proposed by some deputies during recent parliamentary deliberations undermine the essence of the law. We will work with parliament to address concerns regarding the constitutionality of certain provisions while maintaining the essence of the law. We will make every effort to ensure that the law maintains the original provisions in the areas of: (i) governance and oversight; (ii) judicial review and nonsuspension of the NBKR's decisions; and (iii) powers of the NBKR in the resolution process.

**26. We believe that the liquidation of all banks under DEBRA is essential to maintaining the integrity of the banking sector.** We completed the audit of DEBRA and all the banks under its management. The audit concluded that four banks have no assets and therefore all chances for debt recovery have been exhausted. Therefore, as a first step DEBRA will, in accordance with the legal procedures, submit to the courts requests for liquidating these bankrupt banks: "Bishkek", "Mercury", "Kurulush-bank", and "Adil" (structural benchmark, September 2016). As a second step, DEBRA will submit to the courts requests to liquidate: "Kyrgyzagroprombank", "Manas", "Issyk-Kul", and "AUB" banks (structural benchmark, March 2017). In addition, we will sign the final debt reconciliation protocol thereby terminating the agreement between NBKR, ministry of finance, and DEBRA on the collection of debt outside the banks by end-March 2017.

**27. We are committed to strengthening and implementing an AML/CFT regime in line with international standards.** We will submit in early June to parliament a draft law of the Kyrgyz Republic on combating the legalization (laundering) of proceeds from crime, financing of terrorist and extremist activities, which incorporates the main recommendations from IMF experts. Timely action through the adoption and publication of the law should contribute to a positive assessment by the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) during 2016–17.

**28. Accelerating the activity of the RKDF is a key pillar of our policy aimed at stimulating economic activity and adjusting the economy to membership in the EEU.** The RKDF continues to lend to SME's primarily through commercial banks including state owned Aiyl and RSK as well KICB. During 2016, the RKDF will expand the SME lending program by US$90 million operating through 9–10 partner banks. In addition, the RKDF aims to lend directly about US$100 million in 2016 to support the economic recovery. Through our representatives at the board of the fund, we will ensure that RKDF will continue to follow international best practice for development banks and institutions and carries out its activities without causing market distortions. We will continue to maintain a level playing field among the various agents operating the financial-investment space. We will make sure that neither the Government, nor the NBKR are liable for obligations (including guarantees) of the RKDF, and vice versa.

**Institutional and structural reforms to ensure board based growth**

**29. We firmly believe that improving the business environment will be key to withstanding external shocks, attracting investment and generating inclusive growth.** In order to realize the full benefits from EEU membership, we will redouble our efforts to address weaknesses in the business environment. The latest World Bank Doing Business report is mostly unchanged from previous year. We continue to face challenges in the areas of ease of paying taxes, access to the power grid and resolving a business. While there was improvement in access to credit, our position in terms of establishing a business has deteriorated. To address these challenges, we will continue to work in the following directions: (i) reducing the number of activities subject to licensing and streamlining the licensing process, (ii) streamlining tax and other inspection regimes, (iii) streamlining property registration; and (iv) establishing a unified and transparent procedure for access to utilities including the power grid. We will continue to improve the tax regime to ensure simplicity, fairness and equal treatment of all tax payers, a precondition for reducing the shadow economy. We will put all our efforts toward a constructive resolution of the dispute with Centerra to ensure that it does not lead to disruptions in gold production. A stable and predictable investment climate with proper contract enforcement, strong property rights, less red tape and corruption are essential for attracting investment and spurring private sector-led growth. Additionally, we developed an anti-crisis action plan to counter the weak outlook and external shocks.

**30. Reforming the energy sector to ensure better service delivery and putting it on sound economic footing.** In this context, we are: (i) improving the governance aspects of the sector by introducing a transparent cash settlement mechanisms monitored by the State Regulatory Agency for Fuel and Energy sector; (ii) increasing the human and financial resources available to the Regulatory Agency to match them to the entity's functions and ensure proper functioning of the regulatory; (iii) enhancing policy planning and sector management by establishing and operationalizing a national Electricity Holding company to improve coordination among the various actors and enhance efficiency of operations; (iv) working to improve internal controls, introducing management information systems (MIS) at power companies and rolling out smart power meters; and (v) continuing reforms in the power sector and improving conditions for private sector investment. We remain committed to restoring the financial viability of the energy sector by, in particular, setting adequate tariff levels in line with MTTP for 2014–17 years.

**31. PFM Reforms will remain our top priority. We recently agreed to a new Multi Donor Trust Fund arrangement to support PFM reforms.** The implementation financial management information system (FMIS) would speed up the launching of the treasury single account (TSA). To that effect, a Memorandum of Co-operation with TIKA, the Turkish Cooperation and Coordination Agency to finance the new FMIS was signed in the last quarter of 2015 (structural benchmark, June 2016). We expect the announcement by TIKA of the tender for the selection of the FMIS software provider in early 2017. We will work with TIKA and other donors to implement a human resources management module covering all employees of the public sector under a new project. We expect to finalize the draft FMIS terms of reference by the end of 2016 and sign it by end-February 2017 (structural benchmark). We remain committed to extend treasury coverage to the Social Fund. The budget code was approved by parliament in April 2016 and will become effective in January 2017.

**Program monitoring**

**32. The ECF-supported program will continue to be monitored through prior actions, quantitative performance criteria, continuous performance criteria, indicative targets, and structural benchmarks.** Quantitative performance criteria (QPC) for June and December 2016 and indicative targets (IT) for June, September and December 2016 and continuous performance criteria are set out in Table 1. Prior actions and structural benchmarks are set out in Table 2. Program reviews will continue to be conducted semi-annually, based on end-June and end-December test dates. The understandings between the Kyrgyz authorities and IMF staff regarding the quantitative performance criteria and structural benchmarks described in this LOI and reporting requirements are further specified in the attached Technical Memorandum of Understanding (TMU).

**33. In line with the recommendations of the IMF safeguards assessment of the NBKR, we are taking the necessary measures to improve the NBKR's governance arrangements, audit mechanisms, and internal controls.** Once adopted, the banking law will enable us to overcome key safeguards vulnerabilities by enhancing the institutional autonomy of the NBKR, independent oversight, and the external audit mechanism. In the interim, our future audit engagement letters will ensure that the audits are compliant with International Standards of Auditing and the engagement partner meets with the audit committee to discuss the audit plan and findings. In addition, NIR and NDA data for each test date under the program will be confirmed by an internal (end-June) and external audit (end-December).

Sincerely yours,

/s/

S.Sh. Jeenbekov

Prime Minister of the Kyrgyz Republic

/s/

A.A. Kasymaliev

Minister of Finance of

the Kyrgyz Republic

/s/

T.S. Abdygulov

Chairman of the National

Bank of the Kyrgyz Republic

# Table 1. Kyrgyz Republic: Quantitative Performance Criteria and Indicative Targets Under the Extended Credit Facility, June 2015–December 2016

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

| | 2015 | | | | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | December | | | | March | | | | June | September | December |
| | QPC | | | | IT | | | | QPC | IT | QPC |
| | CR16/55 | Adj. | Actual | Status | CR16/55 | Adj. | Actual | Status | | | |
| *Quantitative performance criteria 1/* | | | | | | | | | | | |
| 1. Floor on net international reserves of the NBKR (eop stock, in millions of U.S. dollars) | 1,103 | 1,086 | 1,230 | Met | 948 | 1,064 | 1,375 | Met | 1,235 | 1,164 | 1,110 |
| 2. Ceiling on net domestic assets of the NBKR (eop stock) | -24,195 | -21,313 | -27,174 | Met | -20,222 | -20,187 | -34,797 | Met | -22,625 | -23,688 | -18,523 |
| 3. Ceiling on cumulative overall deficit of the general government 2/ | 15,304 | 8,195 | 4,950 | Met | 12,134 | 13,795 | -2,077 | Met | 12,108 | 15,602 | 20,492 |
| 4. Present value of new external debt contracted or guaranteed (continuous, in millions of U.S. dollars) | 65 | | 0 | Met | 226 | | 134 | Met | 220 | 220 | 220 |
| 5. Ceiling on accumulation of new external payment arrears (continuous, in millions of U.S. dollars) | 0 | | 0 | Met | 0 | | 0 | Met | 0 | 0 | 0 |
| *Indicative Targets 1/* | | | | | | | | | | | |
| 1. Ceiling on reserve money | 69,145 | | 67,055 | Met | 68,256 | | 66,163 | Met | 75,915 | 74,213 | 76,092 |
| 2. Cumulative floor on state government tax collections 2/ | 87,009 | | 84,655 | Not met | 19,639 | | 20,330 | Met | 41,739 | 67,862 | 99,153 |
| 3. Floor on cumulative state government spending on targeted social assistance, Unified Monthly Benefit and Monthly Social Benefit programs 2/ | 4,412 | | 4,925 | Met | 1,189 | | 1,368 | Met | 2,377 | 3,615 | 5,417 |
| 4. Ceiling on contracted or guaranteed of new nonconcessional external debt by public sector (continuous, in millions of U.S. dollars) 3/ | 30 | | 0 | Met | 0 | | 0 | Met | 0 | 0 | 0 |

Sources: Kyrgyz authorities and IMF staff estimates and projections.

1/ As defined in the TMU.

2/ Cumulative from the beginning of the year.

3/ External debt contracted or guaranteed with a grant element of less than 35 percent.

## Table 2. Kyrgyz Republic: Prior Action and Structural Benchmarks Under the Extended Credit Facility

| Measures | Timing | Status |
|---|---|---|
| ***Prior Action*** | | |
| Finalize the audit of DEBRA and banks under its management. | 5 business days prior to the Board meeting | |
| ***Structural Benchmarks*** | | |
| **I. FISCAL POLICY** | | |
| Undertake a review of the public investment framework in cooperation with development partners and line ministries to identify gaps and then define an action plan. | End-April, 2016 | **Met** |
| Draw an action plan for the reform of public sector personnel and remuneration policy to reduce the wage bill as a share of GDP. | End-May, 2016 | |
| Revise the MDTS in light of the outcome of the new DSA. | End-July, 2016 | |
| Conduct a review of all subsidies and draw up an action plan to reduce them. | End-September, 2016 | |
| Sign a Memorandum of Co-operation with TIKA, the Turkish Cooperation and Coordination Agency, to develop new Financial Management Information System. | End-June, 2016 | **Met** |
| Review the methodology for setting power tariffs to ensure economic soundness and adjust accordingly the roadmap for increasing tariffs. | End-June, 2016 | **Met** |
| Set up a comprehensive register of all employees of the general government. | End-March 2017 | **New** |
| Modify through government decree the decision making process for the selection of public investment projects by formalizing gate keeping roles of the MoE on evaluation, including economic assessment and project efficiency, and MoF on financing respectively. The PIP guidelines will be updated accordingly. | End-December 2016 | **New** |
| Sign the FMIS terms of reference | End-February 2017 | **New** |
| Introduce a standardized framework for project monitoring of physical and financial performance for all projects exceeding KGS 50 million. | End-June 2017 | **New** |
| **II. FINANCIAL SECTOR** | | |
| Resubmit to Parliament amendments to the code for administrative responsibility aimed at increasing penalties for unlicensed foreign exchange activity. | End-February, 2016 | **Met** |
| Submit a new draft AML/CFT law that reflects all the recommendations provided by the Fund as well as other donors to the new parliament. | End-April, 2016 | **Broadly implemented** |
| Finalize the audit of DEBRA and banks under its management. | End-March, 2016 | **Not met** |
| Develop a crisis preparedness framework, including establishing a high-level financial stability council comprised of representatives of the NBKR, DPA, ministry of finance, and prime minister's office. | End-September 2016 | |
| Enact and publish in the Official Gazette ("Erkin-Too") the banking law and the supporting law on "enactment of the banking law". | End-September 2016 | |
| DEBRA to submit to the courts requests for liquidating the following banks: "Bishkek", "Mercury", "Kurulush-bank", and "Adil" banks. | End-September, 2016 | **New** |
| DEBRA to submit to the courts requests for liquidating the following banks: "Kyrgyzagroprombank" banks, "Manas", "Issyk-Kul", and "AUB" banks. | End-March, 2017 | **New** |
| Develop a strategic plan for supervision with the following components: (i) personnel policy to attract and retain qualified personnel, and decrease personnel turnover rate; (ii) training of supervisors to ensure that staff is familiar with the NBKR's supervisory approach and to improve their technical ability; (iii) enhancing the supervisory approach, including implementation of the risk based supervision; and (iv) strengthening the current regulatory framework and bring it line with international standards. | End-December 2016 | **New** |

# Attachment I. Kyrgyz Republic: Identified Fiscal Measures to Close the 2016 Fiscal Gap

| Type of measure | Details | Estimated contribution (In percent of GDP) |
|---|---|---|
| Tax policy | | 0.03 |
| | Revise VAT applicable to certain types of exports and regulate of transfer pricing. | |
| | Revise rates in mining licenses and harmonize of FEZ with EEU. | |
| Tax administration | | 0.56 |
| | Incentive to boost foreign activities through improved administrative procedures. | |
| | Improve customs payments through harmonization procedure, closer relationships with third countries and better information system. | |
| | Fight against violation of customs duties and illegal imports of goods and vehicles, and collection of arrears by improving the monitoring of operations and procedures and pursuing unscheduled inspections. | |
| | Remove prohibition of tires imports from third countries | |
| | Improve administration of tax and non tax payments by increasing the number of scheduled and non scheduled audits, and enforcing application of car stickers (group 4 vehicles). | |
| | Speed up litigation cases. | |
| | Speed up the collection of tax arrears. | |
| PFM | | 0.44 |
| | Improve efficiency of the payment system through savings in procurement operations. | |
| Expenditure | | 0.13 |
| | Streamlining of non priority goods and services. | |
| Nontax revenues | | 0.35 |
| | Higher profits from the NBKR (already received). | |
| | Privatization of state property. | |
| | Increase in proceeds from the leasing of state property and dividends. | |
| | Sales of mineral deposits. | |
| | Reimbursement of taxes from criminal procedures and fraud. | |
| | Total | 1.50 |
| | of which permanent | 0.66 |
| *Memo item:* | | |
| GDP (in billions of soms) | 455.4 | |

Sources: Authorities data and IMF staff calculations.

# Attachment II. Kyrgyz Republic: Technical Memorandum of Understanding

June 2, 2016

## Introduction

This memorandum defines the quantitative performance criteria, indicative targets and adjustors, and establishes the content and frequency of the data to be provided to IMF staff for program monitoring related to the economic program supported by an arrangement under the Extended Credit Facility (ECF). The indicators presented in Table 1 of the Letter of Intent dated June 2, 2016 reflect the understandings on quantitative performance criteria reached between the authorities of the Kyrgyz Republic and staff of the IMF.

## Performance Criteria and Indicative Targets

### A. Definitions and concepts

**Test dates.** Quantitative performance criteria are set semi-annually starting June 30, 2015 through December 31, 2018, and are to be met at the end of each period.

**National Bank of the Kyrgyz Republic (NBKR).** The NBKR is the central bank of the country and is responsible for the formulation and implementation of monetary policy, bank supervision, and the payment system. For the purpose of the program, the NBKR includes all its central and regional offices.

**Public sector.** For the purpose of the program, the public sector comprises the general government, the NBKR, the 10 largest nonfinancial public enterprises (enterprises and agencies in which the government owns more than 50 percent of the shares, but which are not consolidated in the budget, as listed in Table 1), and any other newly created public development institution. The State budget comprises central and local government budgets. The general government budget includes the State and Social Fund budgets.

**Foreign-financed Public Investment Program (PIP) loans and grants.** The foreign financed PIP is a program of investments in infrastructure and social sectors agreed by the general government of the Kyrgyz Republic and its donors (including but not limited to international financial organizations). The PIP is fully financed by related grants and loans.

**Program loans and grants** are loans and grants received by the general government for direct budget support from external donors and not related to PIP financing.

The stock of **external payment arrears** for program monitoring purposes is defined as the end-of-period amount of external debt service due and not paid within the grace period specified in the relevant debt contract, including contractual and late interest. For arrears to exist, a creditor must claim payment of amounts due and not paid. Amounts in dispute are not considered arrears. Arrears for which a clearance framework/rescheduling or restructuring has been agreed with the creditor are not considered arrears for program monitoring purposes. Program arrears would include any debt service due under such agreements that have not been paid.

**Concessional and nonconcessional debt.** Concessional debt is defined as debt with a grant element equivalent of 35 percent or more. The grant element of a debt is the difference between the present value (PV) of the debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is 5 percent. The debt refers also to commitments contracted or guaranteed and for which value has not been received. The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees. The calculation is performed by the authorities and verified by the IMF staff based on the data provided by the authorities.

**Variable interest rate.** For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 3.34 percent and will remain fixed for the duration of the program. The spread of six-month Euro LIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -100 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -200 basis points.[1] Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

**Valuation changes (program exchange rates).** For program monitoring, U.S. dollar-denominated components of the NBKR's balance sheets will be valued at the program exchange rates. The program exchange rate of the KGS to the U.S. dollar is set as of February 17 of 2015 exchange rate of KGS 60.7523 = US$1. The corresponding cross exchange rates and program gold price for the duration of the program are provided in Table 2.

## B. Quantitative performance criteria

**Floor on net international reserves of the NBKR in convertible currencies**

[1] The program reference rate and spreads are based on the "average projected rate" for the six-month USD LIBOR over the following 10 years from the Fall 2014 World Economic Outlook (WEO).

### *Definitions*

**Net international reserves (NIR) of the NBKR.** The floor on NIR will be calculated as the difference between total international reserve assets and total international reserve liabilities of the NBKR in convertible currencies. Total international reserve assets of the NBKR are defined as the NBKR holdings of monetary gold, holdings of SDRs, reserve position in the IMF, and any holdings of convertible foreign currencies in cash or with foreign banks, and debt instruments issued by nonresidents that are liquid. For program purposes, convertible foreign currencies refer only to: U.S. dollar, Euro, British Pound, Japanese Yen, Swiss Franc, Australian Dollar, and Canadian Dollar. Accrued interest on deposits, loans, and debt securities are included in reserve assets and liabilities, correspondingly. Reserve assets pledged as collateral or otherwise encumbered, capital subscriptions in foreign financial institutions, deposits of resident financial institutions (commercial banks and the Russia-Kyrgyz Development Fund) in foreign currency and illiquid assets of the NBKR are excluded from NIR. 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. Total international reserve liabilities of the NBKR in convertible currencies are defined as the sum of Kyrgyz Republic's outstanding liabilities to the IMF and other convertible currency liabilities to nonresidents with an original maturity of up to and including one year. NIR is not affected when foreign assets are received by the NBKR through foreign currency swaps with resident financial institutions. Total international reserves and NIR decline with the provision of foreign assets by the NBKR through foreign currency swaps with resident financial institutions.[2] For program monitoring purposes, total international reserve assets and liabilities will be valued at the program exchange rates as described in paragraph 9. Thus calculated, the stock of net international reserves in convertible currencies amounted to US$1,230 million on December 31, 2015.

**Net foreign assets (NFA) of the NBKR.** NFA consist of net international reserve assets plus other net foreign assets, including other net claims on CIS countries, reserve assets pledged as collateral or otherwise encumbered, capital subscriptions in foreign financial institutions, illiquid assets, and obligations of the NBKR on SDR allocation. For program monitoring purposes, other NFA will also be valued at program exchange rates.

### *Adjustors*

The floor on NIR will be adjusted upward/downward to the full extent of any excess/shortfall in program and other grants and program loans, as given in Table 3 and upward/downward to the full extent that amortization and interest payments of public external debt is less/more than the amortization and interest payments given in Table 3.

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[2] In case of a currency swap providing for receipt of foreign exchange by the NBKR and transfer of domestic currency to a resident financial institution, total international reserves increase, NIR remain unchanged, and net claims on domestic banks in soms increase. In case of a currency swap providing for transfer of foreign exchange by the NBKR and receipt of domestic currency from a resident financial institution, total international reserves and NIR decrease, and net claims by NBKR on domestic banks remain unchanged.

## Ceiling on the net domestic assets of the NBKR

### *Definitions*

Net domestic assets of the NBKR (NDA) are defined as reserve money of the NBKR (defined below), minus NFA as defined above. Items in foreign currencies will be valued at program exchange rates.

Thus defined, NDA consist of: (a) net claims to the general government from the NBKR; (b) net claims to other depositary corporations by the NBKR; (c) net claims on other financial corporations; and (d) all other net assets of the NBKR (other items net). Thus defined, the stock of NDA amounted to minus KGS 27,174 million on December 31, 2015.

### *Adjustors*

The ceiling on NDA will be adjusted downward/upward to the full extent of any excess/shortfall in program and other grants and program loans, as given in Table 3 and downward/upward to the full extent that amortization and interest payments of public external debt is less/more than the amortization and interest payments given in Table 3. The ceiling on NDA will be adjusted downward/upward to the full extent of any excess/shortfall of the Russia-Kyrgyz Development Fund net flows given in Table 3a.

## Ceiling on the cumulative overall cash deficit of the general government

### *Definitions*

The overall cash deficit of the general government will be measured from the financing side (below the line) as the net cash inflow from financing activities, defined as the net incurrence of liabilities minus the net acquisition of financial assets other than cash. These will be measured at current exchange rates and will be defined as the sum of:

- The change in the stock of net claims of the domestic banking system and nonfinancial institutions and households on the general government. 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: bank loans to the general government; any securities issued by the general government and held by domestic banks and overdrafts on the current accounts of the general government with banks;

- The change in the stock of net claims of foreign governments, banking systems, and nonfinancial institutions and households on the general government;

- Net transactions in equity, i.e., any new sales net of purchases of shares;

- Net foreign loans disbursed to the general government for budgetary support; and

- Net foreign loans disbursed to the general government for PIP financing.

The quantitative performance criteria for the fiscal balance are calculated on the projected exchange rate. Reporting and adjustments, as defined above, will be made using current exchange rates.

***Adjustors***

The ceiling on the cumulative overall cash deficit of the general government will be adjusted downward to the full extent of any excess in program grants, as given in Table 3. The ceiling on the cumulative overall cash deficit of the general government will be adjusted downward to the full extent of any shortfall in program loans, as given in Table 3 and upward/downward to the full extent that PIP loans are more/less than PIP loans given in Table 3.

**Ceiling on the present value of new external debt contracted or guaranteed, and accumulation of new external payment arrears by the public sector (continuous quantitative performance criteria).**

***Definitions***

**Debt.** In connection with the contracting or guaranteeing of short-, medium-, and long-term external debt by any entity of the public sector, for program purposes, the definition of debt is set out in Executive Board Decision No. 6230–(79/140), as amended by Decision No. 15688–(14/107), point 8, adopted December 5, 2014, and reads as follows:

- For the purpose of this guideline, the term "debt" will be 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. Debts can take a number of forms, the primary ones being as follows:

    - 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);

    - Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

    - 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 definition of debt set out in point 8 (a) in the above mentioned Executive Board Decision, 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.

For program purposes, external debt is defined based on the residency of the creditor.

**External debt ceilings.** A performance criterion (ceiling) applies to the present value (PV) of new external debt, contracted or guaranteed by the public sector with original maturities of one year or more. The ceiling applies to debt contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended. The ceiling is subject to an adjustor defined below.

An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

**Exclusions from the external debt limits.** Disbursements by the IMF are excluded from the ceilings on external debt. Also excluded from external debt ceilings is the contracting or guaranteeing of new external debt that constitutes a rescheduling or refinancing of existing external debt on the terms more favorable to the debtor.

**Guarantees.** For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any implicit legal or contractual obligation of the public sector to finance partially or in full a shortfall incurred by the debtor.

**New external payments arrears.** The ceiling on accumulation of new external payments arrears is a continuous quantitative performance criterion.

## C. Indicative targets

**Ceiling on reserve money**

**Reserve money** is defined as the NBKR's national currency liabilities to the economy, which includes currency issued and liabilities to other depositary corporations.

**Cumulative floor on state government tax collections**

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. Tax collections include collections of tax arrears but exclude tax offsets.

**Cumulative floor on state government spending on targeted social assistance**

Targeted social assistance spending comprises state government spending on Unified Monthly Benefit (UMB) and Monthly Social Benefit (MSB) programs.

**Ceiling on the new non concessional external debt contracted or guaranteed**

An indicative target applies to the contracting or guaranteeing by the public sector of nonconcessional external debt, i.e. external debt with grant element of less than 35 percent, except normal short-term import-related credits and the NBKR international reserve liabilities.

# Reporting Requirements Under the Arrangement

The government and the NBKR will provide the IMF with the necessary economic and financial statistical data to monitor economic developments and the quantitative targets (see Table 4). In particular, the government and the NBKR will provide the following specific information.

## A. Analytical balance sheet of the NBKR

The NBKR will provide to the IMF its analytical balance sheet on a daily basis. The information provided will clearly identify the following items in the definitions specified above: the net foreign assets of the NBKR; the net international reserves of the NBKR; total reserve assets and total reserve liabilities of the NBKR ; the net domestic assets of the NBKR; net credit from the NBKR to the general government, disaggregated by state government and special funds of the KR; net credit from the NBKR to other deposit corporations and other financial corporations (including Russia-Kyrgyz Development Fund); other items net; and reserve money. The balance sheet will be provided using both actual and program exchange rates. The above information will be provided to the IMF Resident Representative and/or transmitted by e-mail to the IMF.

## B. Monetary survey

Monthly banking system data, in the form of monetary surveys of the banking sector and other depository corporations, will be reported to the IMF by the NBKR within 16 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, net credit from the banking system to the general government disaggregated by the state government, the social fund and the KRDF, net claims to the rest of the economy, other items net, and broad money. The monetary survey will be provided using both program and actual exchange rates.

The NBKR will provide monthly data to the IMF within seven days after the end of the month on the amount of holdings of treasury bills, treasury bonds and other securities issued by the state government, differentiated by the following categories of holders: the NBKR; resident banks; resident nonbanks (including separately the social fund and deposit protection agency); 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

The NBKR will provide monthly data within 20 days from the end of the month on its gross and net international reserves within the framework of reporting "International Reserves and Foreign Currency Liquidity" (IMF's SDDS). The report on foreign assets and liabilities by currency will be provided 20 days after the end of each quarter. 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; and second, at those specified in the program (see Section I). The NBKR will also provide data on net foreign financing flows, including disbursements of program loans and grants, amortization, interest payments on external debt, interest income on reserves, other direct foreign currency payments by the government and the NBKR. In addition, reports should be sent to the IMF on nominal 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 domestic interbank market and with other parties, on a daily basis. Reports on treasury bill yields and the amount of treasury bill sales and redemptions on a weekly basis every Monday. On the twenty-fifth 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, nonperforming loans by sector and by currency, restructured and prolonged loans by sector and by currency, return on equity, liquidity, earning and profitability, loans and deposits ratios in domestic and foreign currency, foreign currency exposure and dollarization as well as data on bank deposits and loans by maturity and sector, and bank deposit and lending rates by maturity. On the twentieth day of the month following the reference quarter the NBKR will provide data on nonperforming loans for micro-finance organizations and credit unions

## D. External debt

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, nonfinancial public enterprises, 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

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.

## F. Balance of payments data

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 three-month lag. The NBKR will also provide monthly foreign trade data with a two-month lag.

## G. Other general economic information

The National Statistics Committee will notify the IMF of the monthly Consumer Price Index by category by the fifteenth business day of the following month, and convey monthly GDP estimates within 30 days of the end of each month.

## Table 1. Ten Largest SOE's

(Included in the public sector)

| | Name of SOE |
|---|---|
| 1 | JSC KyrgyzAltyn |
| 2 | JSC KyrgyzNefteGaz |
| 3 | JSC "Electrical Stations" |
| 4 | JSC "National Electrical Grid of Kyrgyzstan" |
| 5 | JSC "Manas International Airport" |
| 6 | JSC KyrgyzTelecom |
| 7 | JSC SeverElectro |
| 8 | SOE "National Company Kyrgyz Temir Jolu" |
| 9 | JSC KyrgyzGaz |
| 10 | JSC BishkekTeploset |

Sources: Authorities data and IMF staff calculations.

## Table 2. Program Cross Exchange Rates and Gold

| Abbreviation | Currency Name | Currency/US$ | US$/Currency |
|---|---|---|---|
| AUD | Australian Dollar | 1.2926 | 0.7736 |
| AMD | Armenian Dram | 479.6865 | 0.0021 |
| CAD | Canadian Dollar | 1.2525 | 0.7984 |
| CNY | Chinese Yuan | 6.2477 | 0.1601 |
| CNH | Chinese Yuan | 6.2517 | 0.1600 |
| JPY | Japanese Yen | 119.0568 | 0.0084 |
| KZT | Kazakh Tenge | 185.0512 | 0.0054 |
| KWT | Korean won | 1,100.5851 | 0.0009 |
| KWD | Kuwati dinar | 3.3824 | 0.2956 |
| KGS | Kyrgyz Som | 60.7523 | ... |
| NOK | Norweigan Crown | 7.6020 | 0.1315 |
| RUB | Russian Ruble | 62.6635 | 0.0160 |
| SAR | Saudi Rial | 4.6076 | 0.2170 |
| SGD | Singapore Dollar | 1.3585 | 0.7361 |
| SEK | Swedish Crown | 8.4426 | 0.1184 |
| CHF | Swiss Franc | 0.9293 | 1.0760 |
| AED | UAE Dirham | 3.6779 | 0.2719 |
| GBP | UK Pound Sterling | 0.6508 | 1.5366 |
| SDR | SDR | 0.7096 | 1.4092 |
| XAG | Silver | 0.0579 | 17.2700 |
| BYR | Belarusian Ruble | 15,318.2804 | 0.0001 |
| EUR | Euro | 0.8757 | 1.1420 |
| XAU | Gold (US$/troy ounce) | 1,229.2500 | ... |

Sources: Authorities data and IMF staff calculations.

## Table 3. Projected Budget Support, PIP and Amortization

(In millions of U.S. dollars)

| | 2015 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | March | June | September | December | March | June | September | December |
| Program grants | 0.0 | 27.6 | 27.8 | 50.5 | 30.0 | 0.0 | 0.0 | 40.0 |
| Program loans | 0.00 | 6.76 | 0.00 | 21.4 | 0.8 | 14.5 | 2.4 | 27.7 |
| Grants in-kind | 32.3 | 32.3 | 32.3 | 32.3 | 28.8 | 28.8 | 28.8 | 28.8 |
| PIP grants excl. grants in-kind | 5.4 | 6.6 | 10.4 | 12.5 | 8.8 | 34.0 | 39.9 | 56.7 |
| PIP grants incl. grants in-kind | 37.6 | 38.9 | 42.7 | 44.8 | 37.6 | 62.8 | 68.6 | 85.5 |
| Other grants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PIP loans | 12.5 | 31.0 | 26.5 | 178.9 | 51.0 | 112.8 | 170.6 | 162.1 |
| PIP loans, excl. onlending | 8.4 | 12.5 | 21.9 | 93.6 | 49.0 | 81.1 | 72.3 | 66.9 |
| Amortization of public external debt | 16.5 | 18.7 | 18.8 | 18.0 | 34.3 | 34.3 | 34.3 | 34.3 |
| Interest payments | 12.3 | 9.1 | 12.7 | 9.1 | 13.7 | 13.7 | 13.7 | 13.7 |

## Table 3a. Projected flows of the Russia-Kyrgyz Fund

(In millions of U.S. dollars)

| | 2016 | | | |
|---|---|---|---|---|
| | March | June | September | December |
| Inflows | 50.0 | 100.0 | 0.0 | 0.0 |
| Lending | 0.0 | 30.0 | 65.0 | 65.0 |
| Net | 50 | 70 | (65) | (65) |

## Table 4. Reporting Requirements and Frequency Under the Arrangement

| Reporting Agency | Data | Frequency | Timing |
|---|---|---|---|
| NBKR | Analytical balance sheet of NBKR at actual and program exchange rates | Daily | The following working day |
| NBKR | Monetary surveys of the banking sector and other depository corporations at actual and program exchange rates | Monthly | Within 16 days of the end of each month |
| NBKR | The amount of holdings of treasury bills, treasury bonds and other securities issued by the state government | Monthly | Within 7 days of the end of each month |
| NBKR | The gross and net international reserves<br>Net foreign financing flows | Monthly | Within 20 days of the end of each month |
| NBKR | Reserve composition by currency and instrument | Quarterly | Within 10 days of the end of each quarter |
| NBKR | Nominal exchange rates<br>Foreign exchange interbank market turnover<br>Volume of NBKR foreign exchange sales and purchases in the domestic interbank market on a daily basis | Daily | The following working day |
| NBKR | Treasury bill yields and the amount of treasury bill sales and redemptions, and operations with other parties | Weekly | Every Monday |
| NBKR | Balance sheet and income statement of banks (aggregated); data on capital assessment of the commercial banks and the data on the main factors of the loan portfolio's growth of the banking system and separately of the group of banks with a significant share of the Kazakh capital | Monthly | Within 25 days of the end of each month |
| NBKR | Balance sheet and income statement by individual bank and banking groups; sectoral distribution of loans and NPLs by currency and by bank; restructured and renewed loans; largest exposures by bank; loan classification by banks and by groups; | Monthly | Within 25 days of the end of each month |
| NBKR | Nonperforming loans for microfinancing organization and credit unions | Quarterly | Within 20 days of the end of each quarter |
| NBKR | Indicators of financial soundness of the banking system (capital adequacy, liquidity, asset quality, earning and profitability, loans and deposits ratios, foreign currency exposure and dollarization) | Monthly | Within 25 days of the end of each month |
| State Property Fund | Balance sheets of the 10 largest SOEs | Annually | Within 91 days after the end of the year |
| MOF | Revenues, expenses , net lending and on-lending of financial assets and liabilities of the central government | Monthly | Within 26 days of the end of each month |
| MOF<br>NBKR | Disbursements, principal and interest payment (external debt)<br>Contracting and guaranteeing of medium- and long-term external loans | Monthly | Within 21 days of the end of each month |
| MOF | Details (amount, currency, and financing terms) on new loans contracted on public external debt, including SOEs. | Quarterly | Within 25 days of the end of each quarter |
| Social Fund | Social Fund operations report | Monthly | Within 26 days of the end of each month |
| MOF | Disbursements and use under the public investment program, budgetary grants, and grants in kind. | Monthly | Within 30 days of the end of each month |
| NBKR | Current account and capital account data | Quarterly | Within 90 days of the end of each quarter |
| NBKR | Foreign trade data | Monthly | Within 60 days of the end of each month |
| NBKR | Remittances by country of origin and currency. | Monthly | Within 45 days of the end of each month |
| NSC | Consumer Price Index by category | Monthly | Within 15 days of the end of each month |
| NSC | GDP | Monthly | Within 30 days of the end of each month |