

Approved by Resolution of  
the Government of the Kyrgyz Republic and  
the National Bank of the Kyrgyz Republic  
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**Joint statement  
of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic  
on the main economic policy guidelines for 2014**

In 2013, thanks to the implementation by the Government of the Kyrgyz Republic (hereinafter - the Government) and the National Bank of the Kyrgyz Republic (hereinafter - the National Bank) of the coordinated macroeconomic and monetary policy, the macroeconomic, financial and social stability was provided in the country.

According to preliminary estimates, the real growth of the gross domestic product (GDP) by the end of 2013 was 10.5 %, against a real decline by 0.1 % in 2012. Economic growth was ensured by all sectors of the economy, with the largest positive contribution to GDP made by industry structure (5.4 percentage points) and services (2.5 percentage points), where the production actually increased respectively by 34.3 % and 5.1 %. The highest growth rates are observed in agriculture – by 2.9% and construction – by 12.4%.

An increasing of production at the Kumtor mine after its repair, favorable climatic conditions, the creation of favorable conditions for business by reducing of inspections, of the number of licenses and other measures of state regulation, expanding of domestic demand and saving throughout the year enabling environment for exports contributed to the growth of volume of the economy sectors.

Growth in the economy sectors is accompanied by improvement in social indicators of the country. Incomes of population are rising and improvement in the labor market is marked. 84.6 thousand jobs were created, 39.7 thousand people were placed in a job. Average monthly nominal wage per employee in January-November 2013 (excluding small businesses) was 11085 soms, having increased by 4.9%. In the whole country on January 1, 2014, the monthly average benefits to low-income families with children increased by 5.1% due to an increase in the guaranteed minimum income (GMI); the average amount of monthly social benefits increased by 0.1 %. According to the results of the recalculation in October the average pension increased by 6.8 % due to increase of insurance part of the pensions. Ratio of average pension to the subsistence level of pensioner (SLP) increased to 109.3 %.

Social obligations within the approved parameters are fulfilled.

Effective actions of the Government and the National Bank to stabilize prices helped to keep annual inflation rate in the declared value, which does not exceed single digits. Stabilization of prices on world food markets, increase of supply on domestic market of agricultural products, coupled with the ongoing monetary policy of the National Bank aimed at limiting of excessive money supply caused the lowest rate of inflation in 2013. Inflation in 2013 to December 2012 was 4.0 %, and its average value over the period - 6.6%.

Financial stability of the country is provided with accumulations in international reserves. The amount of reserves as of December 31, 2013 was 2 238.4 million US dollars, having increased from the beginning of 2013 by 8.3 %.

A positive dynamics of development of the banking sector is marked, that is accompanied by an increase in total assets of the banking system, which in January- November 2013 increased by 23.4 % and amounted to 107.9 billion soms. The total deposit base of the banking sector amounted to 61.0 billion soms, having increased from the beginning of the year by 26.8 %, including deposits of population grew by 29.1%.

The loan portfolio of the banking sector as of November 30, 2013 amounted to 52.8 billion soms, having increased from the beginning of the year by 31.6 %. Credit to the economy

in 2013 amounted to 57.2 billion soms, having increased from the beginning of the year by 36.1% (in 2012 - 26.2 %).

The national budget deficit for January- December 2013 amounted to 0.8 % to GDP.

Government as part of the National sustainable development Strategy in 2013 implemented a detailed Action Plan for 2013 (approved by the resolution of the Government No. 111 of March 5, 2013) defining a specific list of activities for the implementation of NSDS. The plan includes 149 foreground tasks on stabilization of the situation in the economy and ways of their solution, as well as investment projects focused on the development of the economy in 2013.

The main factor of increased economic activity in 2013 was the implementation of major investment projects that have been put in the amount of 32 billion soms, such as: rehabilitation of the Bishkek- Naryn-Torugart highway (9-272 km, 272-365 km, 365-539 km), rehabilitation of Osh- Batken- Isfana highway (10-28 km, 108-123 km, 220-232 km, 232-248 km, 248-360 km), the project of modernization of the national air traffic management system (ATM), modernization and acquisition of navigational equipment and equipment for the airports “Manas”, “Osh”, “Issyk-Kul”, modernization of power transmission lines in south of Kyrgyzstan (completion of construction of power transmission lines “Datka” of 500 kV, construction of new transmission lines 220 kV and reconstruction of the 5 existing SS-220 kV), the beginning of the construction of the Upper Naryn cascade of hydropower stations, completion of the construction of refinery “China Petrol Company “Junda” as well as capital investments aimed at developing of gold deposits Kumtor, Bozymchak, Taldy-Bulak Levoberezhny, Shiraldzhin.

Ongoing work on reducing of the administrative burden on business allowed Kyrgyzstan to improve business conditions. According to the World Bank report “Doing Business” in terms of “Protecting of investors” Kyrgyzstan takes 1<sup>st</sup> place among CIS countries and 22<sup>nd</sup> in the world. On the ease of registering of the property Republic is on the 9<sup>th</sup> place in the world.

An intensive work on the accession of the Kyrgyz Republic to the Customs Union (hereinafter - CU) and the Common Economic Space (hereinafter - CES) was carried out. According to the Action Plan the analysis of the national legislation of the Kyrgyz Republic and international treaties regulating foreign trade for compliance with the legal basis of the CU, including a comparison of the obligations of the Kyrgyz Republic to the WTO, the analysis of infrastructure of checkpoints, as well as statistical data on formats of EEC were prepared and sent to the Eurasian Economic Commission (hereinafter - EEC) by the Kyrgyz side.

Proposals on minimizing of risks in joining the CU for inclusion in the draft Roadmap were prepared.

Among the significant proposals of the Kyrgyz side, which were included in the draft Roadmap, it could be mentioned the steps to determine the list of goods and rates in respect of which the Kyrgyz Republic needs to implement the application of customs duties, different from the Common customs tariff (hereinafter - CCT) during the transition period, as well as other steps related to the harmonization of legislation on the sections, additional equipment of checkpoints and establishment of the center of food safety and testing in the Kyrgyz Republic.

For the purposes of an comprehensive and balanced governance and ensure the implementation of sustainable development priorities identified in the National sustainable development Strategy of the Kyrgyz Republic for 2013-2017, a program for the transition of the Kyrgyz Republic to sustainable development for 2013-2017 (approved by Resolution of the Government of the Kyrgyz Republic No. 128 of April 30, 2013) was developed, where a detailed Plan of the Government for the next five years with specific measures, actions, projects to address each of the objectives of the National Strategy became a major component.

Thus, in 2013, significant results were achieved. However, there are external and internal risks that may affect the development of the economy in 2014.

There is instability of the world economy on the one hand. A tendency to decline is maintaining, that could lead to a recession in the economies of the EU and the United States and to a slowdown of China growth rates in 2014. International organizations have revised their

forecasts for the development of the world economy downwards for 2014<sup>1</sup> to 3.6% at the previously projected 4% growth, the Eurozone - to 1% (previously 1.1%), countries with advanced economies - to 2% (2,2%), China - 7.3 % (previously 8.2 %). Projected indices are also revised in countries - major trade partners: Kazakhstan - from 6.2% to 6%, Russia - from 3% to 2.5%.

On the other hand, actually existing high base of 2013, as well as the volatility of the prices of gold will be the main prerequisites for the formation of macroeconomic indicators in 2014.

Under these conditions, the main objectives of economic policy in 2014 will be to maintain macroeconomic stability and securing the basic conditions for achieving sustainable economic growth.

The main directions of economic policy in 2014 will be:

- maintenance and ensure of macroeconomic stability for sustainable development;
- introduction of a coordinated monetary policy conducive to the implementation of the Government's plans for sustainable economic growth;
- fiscal policy aimed at ensuring a stable economic system and solving the tasks of the structural, regional and social policy;
- increasing the efficiency of public investment policies;
- conducting a reasonable structural policies to support long-term macroeconomic equilibrium by purposeful actions to optimize the structure of the economy through different events;
- continuation of the integration processes in the framework of the Common Economic Space;
- improving the quality of social services through the adoption of specific measures and activities aimed at the sustenance of the population;
- balanced regional development.

Macroeconomic stability will be achieved by coordinated monetary, fiscal and investment policies to the development of the real sector and the provision of social obligations.

Achieving and maintaining price stability in the medium term remains as the main objective of the National Bank **monetary policy** aimed at achieving the objectives defined in the National strategy for sustainable development of the Kyrgyz Republic for 2013-2017 years.

Stabilization of prices on world food markets, increase of supply on domestic market of agricultural products, coupled with the ongoing monetary policy of the National Bank aimed at limiting excessive money supply caused the lowest rate of inflation in 2013. Historical episodes of spike in prices had mainly non-monetary nature. In these circumstances, the price situation in the future will be predetermined to a greater extent by factors such as structural reform of the agricultural sector, increased production capacity, changes in the external economic situation, administratively set rates, changes in the terms of the state budget.

Monetary policy will be aimed to keep inflation around 7% in the medium term. Important factors of price stability are the preservation of moderate growth in food prices, reducing the accumulated inflation expectations of the population and the absence of significant internal and external demand and supply shocks. In case of increasing of inflationary pressures caused by the shocks of the price nature and if shocks are prolonged the National Bank will tighten the conducted monetary policy aimed at limiting the monetary component of inflation.

To further improve the effectiveness of conducted monetary policy there will be continued a work on improvement and modernization of the monetary policy instruments that should strengthen in the medium term the work of the transmission channel of interest and influence of key interest rate of the National Bank on market rates. In this regard the mechanism of determination of the discount rate of the National Bank will be changed, new tools of providing and sterilization of liquidity will be introduced. The role of communication policy of

<sup>1</sup> IMF forecast, October 2013

the National Bank will be strengthened for improving the transparency of the conducted monetary policy, public awareness and formation of adequate inflation expectations in the population. The public will be submitted in advance with the schedule of the National Bank Board meetings on monetary policy issues for the year, press releases will be issued on the results of the discussions of these issues on a regular basis.

There will be continued a work on organizing and conducting of economic researches on monetary policy and macroeconomic modeling, including in cooperation with research institutes, international organizations and foreign central banks for improving the National Bank ability to achieve the objectives of monetary policy and intermediate targets.

National Bank will continue to adhere to the floating exchange rate regime adopted by the Kyrgyz Republic and to make interventions only to mitigate the sharp exchange rate fluctuations. International reserves management will be based on the basic principles of maintaining liquidity and providing of reserve assets safety. Operations on purchase of gold on the domestic market for the national currency will be implemented in order to replenish international reserves with a glance the situation in the global financial markets.

In order to strengthen the transmission mechanism of the National Bank monetary policy the measures on increasing the share of non-cash component of money in the economy will be taken. In this direction the National Bank will continue further coordination and monitoring of the implementation of the State program on increasing the share of non-cash payments and settlements in the Kyrgyz Republic for 2012-2017. In the terms of the development and application of innovative forms of activity in the field of payments and settlements, there will be continued a work on improvement of the legal regulation of payment services market and a phased implementation of the surveillance system for payment instruments and payment systems operated by non-financial entities.

Within the framework of legal reform the National Bank intends to continue systematization and harmonization of banking legislation of the Kyrgyz Republic. For this there will be carried out activities to promote the draft of the Banking Code of the Kyrgyz Republic, the adoption of which will bring the banking legislation of the Kyrgyz Republic to a new level, to establish a clear legal regulation of relations arising in the implementation and regulation of banking activities that lead to greater confidence of public, internal and external investors to the banking system of the Kyrgyz Republic.

With passing of new edition of the Law of the Kyrgyz Republic “On prevention of terrorism financing and legalization (laundering) of proceeds from crime” the National Bank will work to bring them into line with the regulatory framework of the National Bank on supervising of banks and non-banking financial institutions on the financing of terrorism (extremism) and the legalization (laundering) of proceeds from crime.

In order to maintain the stability and integrity of the banking system there will be continued a work on implementation measures for the development of a competitive environment, strengthening the confidence in the banking sector, as well as the implementation of the principles of early warning system based on risk-oriented supervision and application of comprehensive assessment of commercial banks activities, including assessment of management and internal control system. In 2014, the National Bank will also continue its work on the preparation of the National Program on enhancement the financial literacy and improvement the legal framework to protect the rights of consumers of banking services.

In case of revision of the Government tariff policy, significant change in the situation on world commodity markets, investment policy and public finance sector the inflation rating could be revised.

In implementation of **fiscal policy** the main direction is to create an effective system of fiscal adjustment in the terms of transition of the Kyrgyz Republic to sustainable development.

The main directions of tax policy in 2014 will be the implementation of such measures as:

- alignment of the tax burden and improvement of the investment climate;
- ensuring of taxes complete collection;
- modernization of tax and customs services;
- improvement and automation of the tax reporting system.

Tax policy will be aimed at ensuring the completeness of tax revenues, the creation of an effective management system. Tax reforms will be carried out for this in the medium term, namely:

- use of a standardized and simplified taxation in terms of its administration, stimulating a legitimate business;
- optimization and elimination of duplication of VAT and sales tax, the elimination of circulation of bogus invoices for VAT, increase of budget revenues through improving of administration and broadening of scope of VAT;
- reform of small and medium enterprises by optimizing the economic activities carried out on the basis of voluntary and compulsory patents, gradual increase in the value of patents, as well as quality management;
- revision of excise policy by gradually increasing the excise tax rate on alcohol and tobacco products and harmonization of excise tax rates with the excise tax rates of countries - members of the CU;
- improvement of property taxation aimed at revision of rates for certain types of real and personal property (luxury tax);
- increase in the rates of land tax on agricultural land;
- completion of the modernization and automation of the tax and customs services, ensuring their harmonization and integration with the Ministry of Finance of the Kyrgyz Republic including the Central Treasury.

Objectives of the public spending policy in 2014 will be full and timely funding of social safety of the state, creation of favorable conditions for economic growth, increase of effectiveness of public resources use with the implementation of their economic evaluation system.

The main objectives of fiscal policy for 2014 are:

- strengthening of financial (budgetary) discipline;
- introduction of program budgeting mechanisms;
- further improvement of targeting social benefits and transition to the defining of needs based on family;
- decentralization of intergovernmental relations and further strengthen the financial autonomy of local governments;
- transition from socially oriented budget to the budget of development;
- ensuring the effective management of public property and assets.

The main directions of budgetary policy for 2014 are:

- more efficient use of public resources;
- implementation of government commitments and social safeguards;
- reduction of regional disparities in living standards of population;
- reducing of budget deficit;
- intensification of the investment process.

There will be continued a work on improving of format and procedures for development of Medium-term budget forecast, which determines the country's fiscal policy, as well as the introduction of elements of program budgeting, which allows increasing the efficiency and transparency of budget spending.

For effective management of public finances there will be taken the measures for implementation of the Medium-term action plan on reforming of public finances management system of the Kyrgyz Republic for 2012-2015, approved by the Government resolution No. 675 of October 3, 2012.

As part of the reform of public finances management system there will be continued on promoting the draft of the Budget Code of the Kyrgyz Republic, carried out the work on the automation of the budget process and improving the system of intergovernmental fiscal relations.

To ensure efficient management of public finances the mechanism of budget costs effectiveness, assuming the planning and using of budgetary expenditures for specific programs and projects will be gradually implemented. This will allow spending the released funds for the development of the economy, which subsequently lead to increased revenues.

According to the Public Investment Program a work will be aimed at reducing and refocusing of public investments. Preference will be given to projects with the greatest financial, economic and social efficiency. Monitoring of the implementation of public investment projects (both credit and grant basis), the process of selection of investment projects will be substantially intensified.

**Public debt management** will be carried out in the direction of maintaining of sustainable level of public debt and the gradual reduction of the debt burden, also through the optimization of external borrowings, while respecting the established schedule of payments on foreign debt.

Under the acting public debt management Strategy of the Kyrgyz Republic for the medium term perspective and to achieve sustainable levels of public debt, to optimize its structure and create a framework for the effective management of public debt it is assumed:

- reduction of the foreign public debt burden;
- timely servicing of the public debt;
- consideration of the possibility of further foreign debt restructuring;
- conversion transactions with bilateral creditors;
- attracting external concessional loans with a grant element of at least 35% for the implementation of effective and economically feasible projects;
- expansion of the government securities holders through the development of both primary and secondary market of government securities;
- growth in domestic borrowing by the issuance and placement of government securities.

As part of the **investment policy** priorities are: improving of public investment policy efficiency and formation of mechanisms for attracting and supporting of investments aimed at creating a favorable investment environment by minimizing of government intervention in the conduct of business and attraction of direct investments for the development of priority sectors of the economy.

Creating of an effective institutional mechanism involves the establishing of Investment Promotion Agency (IPA), which will act as a coordinating body and work on the principle of “single window” through which any potential investor will be able to obtain the necessary information and assistance during starting and implementation of the project.

In order to encourage investments in socially important sectors of the economy use of public-private partnerships mechanisms will be promoted and improvement of legislation will be implemented.

Formation of mechanisms to attract and sustain investment involves development of criteria for the identification of projects for receiving of preferences and incentives, as well as developing of normative legal acts regulating the procedure for granting investment preferences based on a map of investment incentives (MII), reduction of the threshold amount required for investment visas, ensure of investment legislation stability and more.

To reduce the level of state intervention in business regulation state regulation reform will be continued in licensing and permitting, control and supervisory areas, in technical regulation system by reducing of the number of operating licenses and permits; reduction of excessive control and supervisory functions, creating an updated supervisory mechanism based on system of risk criteria.

As part of the **foreign economic activity** the main aim is to develop the country’s image as a reliable and stable partner in the integration unions and bilateral cooperation.

The main directions will be expansion of cooperation and active promotion of the interests of Kyrgyzstan in the frame of integration unions and bilateral cooperation, formation of liberal trade and economic relations, increase of efficiency of intergovernmental trade and economic commissions in the economic feasibility.

Integration into the regional economy by joining the Kyrgyz Republic to the CU and CES is one of the foreign economic priorities.

Kyrgyz side represented by the Interdepartmental Commission of the Government for negotiations on accession of the Kyrgyz Republic to the CU and CES will continue joint work with the EEC working group according to the adopted joint action Plan on joining the Kyrgyz Republic to the CU. Kyrgyzstan will participate in the integration processes with other states in accordance with national interests of the country and not to the detriment of social stability in Kyrgyzstan, there will be continued work in this direction with the Eurasian Economic Commission for final formation of points and approval of Roadmap of accession of the Kyrgyz Republic to the CU.

There will be made maximum use of the opportunities for further integration and development of trade relations through building the long-term economic relations on the principles of ensuring the economic stability and protecting the interests of each country.

Coordinated implementation of monetary, fiscal, investment and foreign economic policies will provide a positive trend and create conditions for sustainable growth of the **real sector of economy**.

In 2014, economic development will be built on the basis of the existing economic base today, with access to a stable position in the development through the promotion of priority investment projects in the sectors of economy based on guidelines of the National Sustainable Development Strategy of the Kyrgyz Republic for 2013-2017.

For the growth of industrial production there will be continued realization of Program of development of the manufacturing industry of the Kyrgyz Republic for 2013-2015 (resolution of the Kyrgyz Republic Government No. 133 of March 14, 2013), Program of development of textile and garment production of the Kyrgyz Republic for 2013-2015 (resolution of the Kyrgyz Republic Government No. 123 of March 6, 2013), Medium Term Strategy of electricity development of the Kyrgyz Republic for 2012-2017 (resolution of the Kyrgyz Republic Government No. 330 of May 28, 2012).

Action plans for idle enterprises, enterprises with state participation, existing businesses and start-up of new industries will be implemented for effective capacity utilization and further development of the industrial potential of the country.

There will be continued a work on the deposits of gold Kumtor, Makmal, Solton-Sary and Terekkan. To ensure sustainable economic growth and reduce the impact of the project “Kumtor” diversification will be continued through the launch of new fields and industries. Implementation of investment projects will begin, such as: commissioning the gold deposits Bozymchak, Taldybulak Levoberezhny, Ishtamberdy, that will increase gold production, commissioning and increasing of volume of “China Petrol Company “Junda” LLC refinery and Tokmok refinery, that will allow to create additional jobs and to ensure uninterrupted supply of fuel and lubricants in the sectors of economy and population.

Increasing of production of “Interglass” LLC will allow reaching its designed production capacity. Increased production of raw materials for the production of construction materials in accordance with the dynamics of demand on domestic market and import substitution will allow the development of capacities of “South Kyrgyz Cement” CJSC, “Southern Construction Materials Plant” LLC, “Kant Cement Factory” OJSC, “Ak-Sai Cement” LLC.

Program for Development of food and processing industry for 2014-2018 and the Strategy for development of the mining industry of the Kyrgyz Republic before 2020 will be developed.

The main purpose of the development of agriculture is to create conditions for the growth of production, improving product quality and ensuring of food security of the country. Agricultural development will be focused on the following priorities:

- creating of effective systems of agriculture management and staff training, of prerequisites for the concentration of agricultural production;
- supporting the growth of production and exports of agro products;
- providing agricultural production with service activities;
- improving the efficiency of the management of water and land resources.

For output growth of agro products there will be promoted increasing of the availability of financial, material and technical resources, expansion of product markets. To do this, providing with benefits in access to financial resources will be continued. Access to credit will be provided by the implementation of the government program “Financing of agriculture” for concessional lending of farmers and processing enterprises.

Promoting the growth of environmentally friendly production of crop and livestock products with using of technologies of organic agriculture, developing and adopting of appropriate regulations will become an important direction.

The measures for enhancement of the productive capacity of seed and breed farms, improving of accounting of breed animals, support of agricultural technology development will promote increasing of crop and livestock production, improving of protection of plants and animals. For this there will be continued a work on improvement of efficiency of established seed and breed farms, as well as artificial insemination of farm animals.

Cooperatives development will be supported by improvement of legislation regarding the protection of property and interests of potential participants in cooperative relations. There will be developed the procedures for primary state support of rural cooperatives, export-oriented clusters providing production growth and creating new jobs through the adoption of State program of cooperatives development in agriculture of the Kyrgyz Republic and the State program for the conservation and improvement of soil fertility in the Kyrgyz Republic.

The main purpose of the construction sector is to create conditions for attracting investments in the economy and the social sphere with regard of requirements on using of urban and architectural solutions safe for life of citizens.

In 2014 capital investments will be directed as a priority for the construction and reconstruction of objects of social and economic implication, including education, health, housing, and the construction and reconstruction of roads and hydroelectric power in the republic.

The main focus will be at providing settlements with urban planning documentation, optimization of current operations through the development and implementation of new regulatory requirements in construction. Implementation of these directions will allow providing coverage of settlements with construction documentation; availability of land for new construction; adherence to plans of utilities device; planned development of infrastructure of settlements; transport interchanges, junctions; development of more modern seismic safety requirements; reform of the pricing system, adapted to the current market; formation of a more perfect system of permits for construction.

The priority areas in the construction in 2014 the will be the objects of individual housing construction; transport line objects (continuation of realizing of rehabilitation projects of road Bishkek- Naryn- Torugart (9-272 km, 272-365 km, 365-539km), Taraz- Talas- Suusamyr (Phase III), Bishkek- Osh (Phase IV), Osh- Batken- Isfana, road rehabilitation project Isfana- Sulukta- Khujand (to the border with Tajikistan, reconstruction of airports “Batken”, “Isfana”, “Jalalabad”), energy facilities (construction of Upper Naryn cascade of hydroelectric power stations, Kambarata hydroelectric power station-1, “Construction of power line 500 kV “Datka- Kemin” project and substation 500 kV “Kemin”, start of the 2<sup>nd</sup> hydro unit of Kambarata hydroelectric power station-2 by means of “Electric stations” OJSC, the project “Improvement of electricity of Bishkek and Osh”). In 2014, it is planned to start the project of building a highway

North-South, phase 1 parts of Aral- Kyzyl-Jyldyz (183-195 km) and Kazarman- Jalal-Abad (291-433 km). Investment will be utilized for mining objects, implementation of the State program of construction of water facilities and development of new irrigated land in the Kyrgyz Republic for 2011-2015 (approved by the Government resolution No. 229 of May 16, 2011) will be continued.

Scope of services remains as a primary sector in formation of GDP, which share in the GDP will reach nearly 50%.

The main areas of the service sector will be:

- improvement of regulatory policy in the field of trade and creation of a favorable business environment;
- introduction of modern forms of trade;
- ensuring of growth of consumer markets availability for the general population;
- expansion of large shopping centers and creation of cross-border trade centers in the south of the country - in Leilek region of Batken oblast and in the north of the country - in the Chaldovar village of Jayil region of Chui oblast;
- providing of favorable conditions for passenger and freight traffic, creating of conditions and taking measures to protect the interests of the Kyrgyz carriers on the international market of motor transport services;
- improving of quality of services and increasing of remittances through the branch network of the state enterprise “Kyrgyzpochtasy” by the introduction of the National system of electronic money transfers;
- creating of a modern digital broadcasting system of the Kyrgyz Republic by upgrading and replacing of analog transmitters and equipment by digital transmitters;
- creating of conditions for the development of a competitive tourism product that can meet the needs of tourists from many countries.

**Regional development** will be directed to overcoming of infrastructural and institutional constraints, creating of equal opportunities for citizens to exercise their social and economic rights and promotion of human potential development, formation of system of public administration and local self-government, identification of priorities in the development of regions taking into account their specificities, as well as development of mechanisms that allow to implement such a policy. There will be developed a new Concept of regional policy aimed at diversifying the economy of the regions through active business development and increasing labor mobility, increasing of efficiency of their own resources use and rational distribution of productive forces.

**Social policy** will be focused on continuation of qualitative buildup of human capital through the further developing of system of social protection, education and health, improving the pension system.

Settlement of questions connected with human development and poverty reduction will be one of the key areas of public policy for the transition to sustainable development. Program document in the field of social protection is the Strategy of social protection development of the Kyrgyz Republic population for 2012-2014.

Social development policy in 2014 will be focused on:

- provision of social guarantees and obligations in full, including support for socially vulnerable groups;
- development and effective delivery of social services to vulnerable categories of people, including families and children in difficult situations, senior citizens and persons with disabilities, the homeless;
- maintaining of positive dynamics and further development of the social development.

In order to improve the quality of social services there will be continued a work on development and implementation of minimum social standards and methodology for calculating the cost of social services. In addition, there will be made efforts to develop mechanisms of accreditation of organizations providing services to socially vulnerable categories of citizens.

For the development of alternative social services the development and implementation of support mechanism for families and children in difficult situations are planned.

Work on the development and introduction of various forms of dealing with children in difficult situations (foster care, ward and guardianship, adoption as a son (adoption as a daughter), day-care centers, etc.) will be continued.

In order to improve the level of social support for poor families the size of the monthly benefit for low-income families with children is planned to increase for account of annual growth of the guaranteed minimum income by 10%. Also to provide measures for the timely and comprehensive social support for families with children there will be made efforts to improve the mechanisms of social certification.

There will be continued a work to optimize managing and financing of child care institutions of boarding type. This work will be carried out in stages.

Work on changing of approaches to identify and solve problems of disability in accordance with international standards and norms will be continued. In addition, work on reforming the medical and social expert commission (MSEC) will be undertaken. At the same time reform is aimed at personal work with each person with disabilities in particular.

For the introduction of alternative social services for senior citizens it is planned to develop mechanisms for the provision of paid social services.

Work on the development of a network of social services, working with people of no fixed abode will be continued.

In order to improve the quality, targeting and efficiency of social services to the population work on the implementation of the developed software “Corporate information system of social assistance” in the departments of the Ministry of social development of the Kyrgyz Republic will be continued.

The main purpose of development of the state pension social insurance is fulfillment of state guarantees to provide for citizens with pensions in old age, in case of sickness, widowhood, on the basis of the economic potential of the state.

Pension policy in 2014 will be focused on the following priorities:

- provision of state guarantees in the field of pensions;
- capacity building of the pension system to provide population with qualitative services.

The main objectives for 2014 are to ensure the financial sustainability of the pension system, increasing of pensions for state social insurance and improvement of legal relations in the field of state social insurance.

To ensure the financial sustainability of the pension system the following activities will be carried out:

- 1) ensuring of insurance contributions increase;
- 2) amending and supplementing to the Law of the Kyrgyz Republic “On rates of insurance premiums for state social insurance”, aimed at equalizing tariff rates of premiums for individual entrepreneurs operating in the markets and the agricultural sector, and amending to the legislation for the raid control and presentation of a claim for payment to the bank accounts of taxpayers in arrears;
- 3) expansion of the investment portfolio of the Social fund of the Kyrgyz Republic;
- 4) development and conclusion of international agreements to involve migrants in the state social insurance.

To solve the problem on increase of pensions, taking into account the financial ability of the Social fund of the Kyrgyz Republic and the national budget it is necessary:

- to ensure the annual indexation of insurance part of pension;
- to make amendments and additions to the Law “On State Pensions Social Insurance”, aimed at improving the targeting and effectiveness of national budget expenditure on pensions, increasing of insurance principle of granting pensions, improving of regulations granting pensions, considering the possibility of reducing the provision of benefits under a pension.

The task of improving legal relations on state social insurance involves the development of the draft Program of further reform of the pension system in the Kyrgyz Republic.

Within the priority of capacity-building pension to provide the public with qualitative services it will be continued a work on implementation of the policy of openness and transparency in relation to payers of insurance premiums, build a unified information system in the state pension social insurance; on automation of collecting process of insurance premiums, appointment and recalculation of pensions.

In order to provide employment on a full-scale based program there will be launched a Program on promoting population employment and regulating of foreign labor migration to 2020, aimed at training and employment assistance, the promotion of entrepreneurship in rural areas, increasing labor mobility. Policy measures in the field of employment are:

- increasing of employment and reducing of unemployment by introducing techniques and mechanism of vocational guidance at the local level, mechanisms of partnerships to implement programs and projects for the organization of socially significant civil gainful occupations, creation of new jobs by issuing microloans for their own businesses, in small businesses and farmers, training of unemployed occupations in demand in the local labor markets;

- providing of wide access to qualitative information about local and foreign employers by introducing into the employment services in all regions of the republic of software for labor market information systems, equipping and starting up of 10 information and consultative centers at regional services, carrying out of systematic career guidance among youth and “Job Fair”;

- improving of competitiveness of working specialties graduates of vocational education system through the development and implementation of curricula based on the new standards; development and implementation of map of the economy objects location, requiring trained human resources and relevant institutions of vocational education system; introduction of simplified training programs on folk crafts for unemployed women and youth in remote, mountainous and border crossings areas; development and implementation of flexible learning programs by age, date and specialties;

- enhancement of opportunities and standardization of procedures for employment abroad through the introduction of organized recruitment, which will allow the reception of labor from Kyrgyzstan on official employment, social security and protection of the migrant workers rights. There will be continued a work on the implementation of a system of mutual recognition of diplomas/ certificates (working professions) through initiatives in the framework of bilateral intergovernmental agreements, on the development and adoption of minimum requirements for labor contracts of migrants on the basis of fundamental principles and rights at work;

- creating of conditions for further self-actualization and realization of the young people potential in socio-economic development of the Kyrgyz Republic.

The purpose of developing the education system is to ensure the development of personal and professional skills of the individual through the effective use of internal and external resources and providing the state and society with personnel which is necessary for sustainable growth. The goal will be achieved through the realization of the following priorities in accordance with the Education development Strategy for 2012-2020:

- increasing of effectiveness of state regulation of education system development;
- providing of qualitative and affordable education in accordance with the age requirements of the person;
- reorientation of the realm of science, including the university, to work with a specific customer oriented for the promotion of sustainable development of the country.

The purpose of the health sector is to improve the quality of health services aimed at reducing the level of disease in population, including those related to the influence of environmental factors. Public health policy will be aimed at solving problems in the following priority areas:

- strengthening the capacity of the health system, aimed at providing of the population with qualitative health services;
- creating of the necessary conditions for the protection and promotion of public health and every individual.

There will be continued the implementation of the National health care reform program “Den sooluk” for 2012-2016, the National Program “Tuberculosis IV» for 2012-2016, the Program “Immunoprophylaxis” for 2013-2017, the Concept of improving of the health system with the development of private medicine and intersectoral treaty relations.”

Thus, the economic policy of the Government and the National Bank conducted in 2014 will provide a real GDP growth of at least 5 %. Inflation rate will be maintained at a value not exceeding the single digits.

The main condition for achieving macroeconomic stability is ensuring of social and political stability in the country, the efficient use of internal resources and own capacities, the formation of an effective system of governance.

The government and the National Bank will take joint active steps for the minimization of the impact of risk factors, the formation of the modern competitive banking sector, corresponding to the strategic interests of economy. Stable functioning of the banking sector, as well as growth in credit activity will contribute to the further development and expansion of lending to priority sectors of the economy and stimulating the economic growth.

Targeted quantitative macroeconomic indicators for 2014 may be revised in case of appearance of new risk factors and favorable backgrounds affecting the functioning of the economy as a whole.