

Approved by
the Resolution of
the Government of the Kyrgyz Republic and
the National Bank of the Kyrgyz Republic
No. 145/6/1 dated March 24, 2016

**Joint Statement
of the Government of the Kyrgyz Republic and
the National Bank of the Kyrgyz Republic
on Main Directions of Economic Policy for 2016**

The ambiguous situation in the international economy and the financial market in 2014-2015 as well as the slowdown/decline in economic growth of main trading partner countries started against the background of deterioration in the external economic environment set difficult tasks for the Government of the Kyrgyz Republic (hereinafter referred to as the “Government”) and the National Bank of the Kyrgyz Republic (hereinafter referred to as the “National Bank”) and became a challenge in pursuing economic policy in general.

Despite the emerging trend, the pursued concerted economic policy of the Government and the National Bank allowed to maintain macroeconomic and social stability in the country in 2015.

The main result of 2015 was demonstrated preservation of positive dynamics of the economic growth.

According to preliminary estimates of the National Statistical Committee of the Kyrgyz Republic, the economic growth of the country accounted for 103.5%, while the volume of gross domestic product (hereinafter referred to as the “GDP”) amounted to Som 423.6 billion in 2015. Excluding the Kumtor gold mine enterprises, the rate of real GDP growth amounted to 104.5%.

The economic growth was ensured by all sectors of the economy (the growth of agriculture made 6.2%, construction - 13.9%, services - 3.8%) except for the industry where output fell by 4.4%.

In 2015, the inflation was managed to reduce to single digits (the consumer price index accounted for 103.4% in December 2014, and the average annual value - 106.5% (January to December 2015 against January to December 2014).

The positive dynamics of economic growth was actively promoted by the Action Plan of the Government of the Kyrgyz Republic for Strengthening the National Economy in 2015 (the Kyrgyz Republic Government Resolution No. 78 dated 20, 2015) mainly aimed at ensuring sustainable economic development and

social stability in the periods of the most severe impact of the adverse external and internal factors, into which the anti-crisis measures were integrated.

In order to stimulate agricultural production, the Financing of Agriculture-3 Project was implemented (the Kyrgyz Republic Government Resolution No. 113 dated March 11, 2015); in 2015, within the Project, the commercial banks issued a total of 9,980 credits for the amount of Som 3.8 billion. Som 392.6 million was provided for in the 2015 budget (Som 271.36 million was actually transferred) for subsidization of the commercial banks' interest rates applied to provision of soft credits to farmers.

The activities of the Russian-Kyrgyz Development Fund (hereinafter referred to as the "Fund") have been launched. In order to support the small and medium-sized businesses, the Fund allocated Som 1.2 billion to two banks – the Open Joint Stock Company Aiyl Bank and the Open Joint Stock Company RSK Bank.

To develop export transactions, the Action Plan of the Kyrgyz Republic Government for the Development of Exports of the Kyrgyz Republic in 2015-2017 has been implemented (Resolution of the Kyrgyz Republic Government No. 174 dated March 31, 2015). The plan serves as a "road map" to expand the country's export capacity and includes priority sectors with high export capacities.

To ensure favorable conditions for doing business, the Program of the Kyrgyz Republic Government for the Private Sector Development in the Kyrgyz Republic in 2015-2017 has been implemented (Resolution of the Kyrgyz Republic Government No. 129 dated March 18, 2015); the Program suggests implementation of a series of reforms in five areas: trade, customs, tax administration, reforming the labor and antitrust laws.

There has been carried out the work on creation and maintenance of favorable conditions for entrepreneurship. The number of permits and licenses was reduced from 500 to 98. The period of inspections was decreased by half – from 30 to 15 working days, for small businesses – to 5 working days; new businesses were exempted from non-tax inspections for 3 years. The work has been done for improvement of the Rear Pro – 3 Program, which allows to collect data on all types of inspections carried out by the supervisory authorities on-line by accessing the Internet. The reform of the System Analysis of Regulation has been launched.

In order to reduce the scale of shadow economy, the Action Plan for Reducing Shadow Economy in the Kyrgyz Republic for the period of 2015-2017 (Resolution of the Kyrgyz Republic Government No. 170 dated March 30, 2015) aimed at addressing the conditions and causes of the shadow component of the economy as well as its legalization has been adopted.

To enhance the efficient use of public assets, the Program for State Property Privatization in the Kyrgyz Republic for 2015-2017 (the Kyrgyz Republic Jogorku Kenesh Resolution No. 5408-V dated June 29, 2015) and the Concept of Reforming the State-Owned Property (the Kyrgyz Republic Government Order No. 244-r dated June 5, 2015) have been adopted.

The gold processing plant at the Taldy-Bulak Levoberezhny Deposit and the ore mining and processing complex at Bozymchak Deposit started to operate as well as there was made a test run of the Tokmok Oil Refinery Plant of 400 tons capacity per year. The output of the Zhongda Oil Refinery Plant increased almost twice against 2014.

As a result, the tension on the labor market was managed to be reduced, and 86,749 new jobs were created (for the first 9 months of 2015), which constituted the 2.8% increase against the comparable period of 2014.

The main event of the year was the integration of the Kyrgyz Republic in the Eurasian Economic Union (hereinafter referred to as the “EEU”).

On August 12, 2015, after all the procedures have been completed (ratification of the Treaty by the EEU Member-States, border opening), all customs procedures were canceled on the Kyrgyz-Kazakh section of the border, and the single customs tariff, the uniform nomenclature of the EEU foreign economic activity as well as the uniform requirements to products came into force.

On August 21, 2015, the Council of the Eurasian Economic Commission took a decision about abolition of sanitary and phyto-sanitary control on the Kyrgyz-Kazakh state border, which came into force on November 18, 2015. Primary checkpoints Manas, Osh, Torugart, Irkeshtam on the state border of the Kyrgyz Republic were equipped. 7 veterinary border inspection posts were equipped. 35 EEU technical regulations came into force.

To ensure smoother integration in the period of difficult external conditions for the economies of the EEU Member-States, the Action Plan for the Kyrgyz Republic Adaptation to the Conditions of the Eurasian Economic Union was developed as well as the Headquarters for Adaptation and Prompt Response to Risks related to the Kyrgyz Republic Joining the EEU were established.

The weakening of economies of the main trading partner countries of the Kyrgyz Republic, which caused a decrease in foreign trade and a reduction in capital inflows into the country coupled with the global trend of the US dollar strengthening, resulted in the increased pressure on the exchange rate during 2015.

The Government and the National Bank took effective measures to minimize the impact of the exchange rate volatility on socio-economic development. To smooth out sharp fluctuations in the exchange rate, prevent speculation in the foreign exchange market, and exclude sharp rise in prices for goods and services, the Action Plan for Mitigating Sharp Exchange Rate Fluctuations and Preventing Sharp Rise in Prices for Food, Services and POL in 2015 was adopted. The National Bank took measures to mitigate the sharp exchange rate fluctuations through foreign exchange interventions, interest rate alterations, and introduction of daily minimum threshold of the reserve requirements to commercial banks.

Based on macroeconomic parameters (for 2015), the social indicators were as follows: average monthly nominal salary per employee (excluding small businesses) amounted to Som 13,277 having increased by 9.2%, while its real size calculated based on the consumer price index increased by 2.5% (in January to December 2015).

There were increased the rates of salaries paid to non-public employees (the Kyrgyz Republic Government Resolution No. 196 dated April 6, 2015, No. 180 dated April 2, 2015, No. 197 dated April 6, 2015, and No. 201 dated April 7, 2015) and to the employees of the school and pre-school education (an increase in hourly wage rates of teachers of 5-11 grades was 50% and that of primary school teachers – 80%). Som 2.2 billion was allocated from the budget during September to December 2015 to increase the salaries of teachers and kindergarten teachers.

In order to support the living standards of pensioners, the pension benefits were increased from October 1, 2015, depending on pensionable service (the Kyrgyz Republic Government Resolution No. 411 dated June 25, 2015). After the increase, the average pension amounted to Som 4,804 having increased by 5.3% against 2014.

To improve social protection of low-income families, from July 1, 2015, the amount of guaranteed minimum income (hereinafter referred to as the “GMI”), based on which the monthly allowance for low-income families (MALIF) was calculated, increased by 15% – from Som 705 to 810.

Thus, as a result of creating the basic conditions for maintaining macroeconomic stability, and joint actions taken by the Government and the National Bank, positive dynamics of economic growth was achieved during 2015 and the planned social obligations were fully implemented. When defining the main directions of economic policy for 2016, the persisting external and internal challenges/risks that have an impact on the country's economy should be taken into account. They are as follows:

- instability of the global economy. There are significant changes in the economic processes in the world influencing the redistribution of factors of economic development between countries and continents as well as the emergence of new centers of economic development;
- intensification of global competition, contraction of the commodity and geographic markets for effective positioning of member-states in the global economy, and the adverse external environment;
- high importance of technological development as a source of risks and as a factor of opportunities for economic development;
- gradual exhaustion of the existing competitive advantages of the EEU Member-States (primarily related to the raw stock orientation of the economies) and the need to create new advantages;
- ongoing downward trend in crude oil prices (fell down by almost 1.6 times compared to 2014);
- capital outflow (for example, it amounted to USD 56.9 billion in the Russian Federation in January to December 2015 according to the Central Bank of the Russian Federation); for 9 months of 2015, capital outflow increased by 15.3% to make USD 369.9 million), which caused weakening of national currencies against the US dollar. There was a rise in prices for imported goods and a decrease in net inflow of individuals' remittances in dollar equivalent carried out through the money transfer systems (in 2015, such remittances decreased by 25.8% against the comparable period of the last year);
- high volatility of major commodity markets (the price of gold, mercury, copper);
- retention of the sanctions imposed (against the trading partner country of the Kyrgyz Republic - the Russian Federation);
- risks of possible unfavorable climatic conditions.

The listed factors continue negatively influence the economies of the EEU Member-States, and still there are strong risks of downturns that can jeopardize the sustainable economic development of the EEU Member-States.

Therefore, the trends of slowdown in economic growth and rise in inflation rates in the EEU Member-States continue (for reference: in 2015, the Russian Federation and the Republic of Belarus showed negative dynamics of economic growth of (-) 3.7% and (-) 3.9% correspondingly, while in Kazakhstan and Armenia the growth slowed down by 1.2% and 3.5% correspondingly)¹. In 2016, Russia is expected to show the economic contraction of 1.0%², while economic growth in Kazakhstan will make 1.5%³.

¹ Based on the preliminary data of statistical committees of corresponding states.

² According to the International Monetary Fund.

³ According to the European Bank for Reconstruction and Development.

Growth of the world gross domestic product was revised from 3.8% to 2.9%, while that of the euro-zone - from 1.65% to 1.7%.

Under these conditions, the main goal of economic policy in 2016 will be to achieve and maintain high-quality and sustainable economic growth as a whole through implementation of competitive advantages.

In spite of the current challenges and trends as well as the internal constraints to economic progress, an active policy on forming and strengthening the economic potential will be pursued in 2016 in accordance with the guidelines and objectives laid down in the National Strategy for Sustainable Development of the Kyrgyz Republic for the period of 2013-2017 (hereinafter referred to as the “NSDS”) and the Main Directions of Monetary Policy for Medium-Term Period (the NBKR Board Resolution No. 55/3 dated December 17, 2014).

The EEU membership is a factor ensuring additional sustainability and economic development and, at the same time, is a response to the mentioned challenges thanks to integration measures and actions.

The main directions of economic policy for 2016 are as follows:

- ensuring macroeconomic stability through retention of deficit at a level that ensures financial stability and price stability owing to coherent monetary and fiscal policies;
- creating conditions for the growth of business activity and investment attractiveness;
- infrastructural development and implementation of transit potential;
- enhancing resource conservation and energy efficiency;
- implementing foreign trade capacity;
- improving the quality of social services through undertaking specific measures and activities aimed at livelihoods of population;
- regional development.

Achievement of the macroeconomic sustainability will ensure the stability of macroeconomic indicators that determine the sustainability of economic development and the predictability of economic policy as well as will and provide an insight into the availability of sufficient resources and tools in the state for a timely response to emerging imbalances.

Implementation of this direction by achieving macroeconomic indicators, preventing macroeconomic imbalances, and assessing mutual interference effects can be complemented by the development of coordinated and countercyclical stimulus measures.

Fiscal policy of 2016 will be aimed at ensuring the outstripping growth rates of the government revenues compared with its expenditures, so that by the end of the period, the planned decrease in the budget deficit could have been achieved. The main directions of fiscal policy will be implemented within the framework of the Action Plan for Implementation of the Fiscal Policy Concept in the Kyrgyz Republic for 2015-2020 (the Kyrgyz Republic Government Resolution No. 455 dated July 7, 2015) that covers the following measures:

- ensuring completeness of tax collection;
- modernization of tax and customs services;
- improvement and automation of the tax reporting system, reducing the number of reports and ordering periodicity of their submission;
- identifying and minimizing factors that give rise to systemic corruption, opening its genuine socio-economic roots, promoting law-abiding lifestyle, and implementing the anti-corruption policy of the state in fiscal sphere.

In order to maintain a balanced budget there should be taken measures to increase the Kyrgyz Republic state budget revenues and, on a priority basis, to improve administration and replenishment of the budget due to the entities and operations of shadow economy.

The stimulating role of fiscal policy aimed at diversification, technological renovation and modernization of production will be maintained as well as increasing the competitiveness of economy including within the framework of the Kyrgyz Republic participation in the EEU.

In 2016, the activities in the field of public finances will be aimed at ensuring the effective and transparent management of public finances. The main directions are:

- improvement of public finance management where the main measures are to strengthen fiscal discipline, improve budget planning, decentralize inter-budgetary relations, automate the budget process, implement program budgeting on a step-by-step basis, introduce monitoring of effectiveness of the public bodies' activities, and increase the transparency of public finances. For this purpose, the Development Strategy of Public Finance Management in the Kyrgyz Republic for 2016-2025 and the Medium-Term Action Plan for Public Finance Management in 2016-2019 have been developed;
- modernization of the public bodies' activities and increasing transparency of public finances. In this regard, the Treasury System of the Ministry of Finance of the Kyrgyz Republic will be modernized, the process of budget planning will be improved, the electronic government system will be introduced, and the public access to budget information will be provided;
- gradual increase in the development budget aimed at implementing infrastructure projects and commissioning new production facilities, ensuring employment growth and, consequently, improving the living

standards of the population, which will contribute to the solution of social problems. In order to increase the investment component of public spending the growth of consumer spending will be restrained;

- further reforming of public sector that provides for more efficient use of public resources. For this purpose, it is necessary to optimize the costs of public services, improve the system of targeted social benefits, and ensure effective management of the state property and assets.

The purpose of the public expenditure policy in 2016 will be to maintain the social orientation of public expenditures along with the reduction of inefficient and non-priority expenditures.

The main directions of public expenditure policy implementation include:

- improving the budget planning;
- external debt management of the country taking into account the ongoing work of the Kyrgyz Republic Government aimed at ensuring tight discipline of spending and attracting foreign credits;
- managing and monitoring the use of external and internal funds of direct public investment;
- ensuring an acceptable level of the state budget deficit.

To implement the abovementioned directions, the following measures will be taken:

- strengthening fiscal discipline: tightening the ministries' and departments' expenditures provided for in the budget with their clear prioritization;
- improving the efficient use of public resources;
- ensuring balance of the national budget;
- implementing the system of assessing economic efficiency of the budgetary resources use;
- applying the result-oriented approach to financing of institutions;
- strengthening the targeting of social benefits;
- minimizing risks through the implementation of program budgeting mechanisms;
- containing and imposing a moratorium on the adoption of new spending initiatives of ministries and departments that do not have corresponding corroboration as well as prohibiting the increase in the expenditure obligations of the ministries and departments through shifting budget allocations.

The goal of public debt management will be to optimize the formation of public debt structure and minimize the risks associated with credit attraction. The efforts of the Kyrgyz Republic Government in public debt management will be targeted at attraction of only the concessional external public borrowings and development of the government securities market.

The maintaining of price stability will be achieved through coordinated economic policies of the Government and the National Bank.

The favorable price situation in the international food and raw stock markets will continue to have the restraining influence on domestic prices. It's noteworthy that the change in tariffs for electric and heat energy in the Kyrgyz Republic is in compliance with the Medium-Term Tariff Policy of the Kyrgyz Republic for Electric and Heat Energy in 2014-2017 (the Kyrgyz Republic Government Resolution No. 660 dated November 20, 2014). Despite some improvement in the forecasts of macroeconomic development of the main trade partner countries of Kyrgyzstan, the external background may remain stressful leading to the retention of high inflationary pressure.

In compliance with the Main Directions of Monetary Policy for the Medium-Term Period, the main objective of the monetary policy for 2016 will be to maintain moderate inflation as one of the basic conditions for sustainable economic growth in the medium term. The quantitative target of the monetary policy for 2016 is to keep inflation at the level of single digits defined by the NSDS of the Kyrgyz Republic for the period of 2013-2017.

The National Bank will continue its activities for developing the monetary policy framework that applies the discount rate of the National Bank as an intermediate target of the policy, and for modernization of the applied monetary policy tools. This will further strengthen operation of the interest rate transmission channel and the effect of the National Bank's discount rate on the market rates.

The National Bank's monetary policy will continue to be pursued in accordance with the country selected floating exchange rate regime. The interventions will be carried out only with the purpose of mitigating the sharp exchange rate fluctuations. The international reserves will be managed taking into account the fundamental principles of maintaining liquidity and ensuring safety of reserve assets. In order to replenish international reserves, taking into account the situation in the international financial markets, the National Bank will continue to perform operations on purchase of gold for national currency in the domestic market.

To limit currency risks in the financial sector of the country, the National Bank will undertake measures to reduce the dollarization level of the economy. To encourage the use of the national currency as a store of value, the National Bank will continue to use a differentiated approach to establishing the mandatory reserve requirements on liabilities in the national and foreign currencies. The efforts to tighten requirements for new foreign currency credits will continue. One of the economy de-dollarization measures will include further development

of the market of gold weighted bullion bars in order to provide alternative instruments of savings and investment of the population.

With view of strengthening the transmission mechanism of monetary policy, the National Bank will continue activities to increase the share of non-cash payments. In this regard, the National Bank will undertake further coordination and monitoring of the State Program for Increasing the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic in 2012-2017 (Resolution of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic No. 289/5/1 dated May 14, 2012). The priority direction is the development of retail payments market and the increased involvement of payment services into the Kyrgyz Republic.

In order to maintain the stability and integrity of the banking system, the efforts to ensure banks' fulfillment of the prescribed requirements for gradual increase in the share capital will continue. Strengthening the protection of the consumers of banking, microfinance and payment services and introduction of risk-based supervision providing for assessment of risks and the quality of risk management in commercial banks will promote development of the financial sector.

Within the framework of the legal reform in the banking sector, the National Bank jointly with the Government of the Kyrgyz Republic will hold events to promote the Draft Law On the National Bank of the Kyrgyz Republic, Banks and Banking Activities; its adoption will help in bringing the banking legislation of the country to a whole new level, in eliminating contradictions and gaps, and in establishing a clear legal regulation of the relations arising from implementation and regulation of banking activities.

The National Bank will continue to implement the key objectives identified by the NSDS of the Kyrgyz Republic for the period of 2013-2017 in terms of developing the competitive environment in the financial sector and introducing the mechanisms to reduce interest rates on credits issued by commercial banks, which will create conditions for increasing the level of financial intermediation of financial institutions in 2016.

The National Bank jointly with the Ministry of Finance of the Kyrgyz Republic continues to conduct regular coordination of monetary and fiscal policy in the framework of the permanent Interagency Coordinating Council.

The efforts will continue to organize and conduct economic research including those in cooperation with research institutes, international organizations, and central banks of other countries.

The National Bank will continue the practice of active communication policy, which provides access to the information about the pursued monetary policy. The timely and transparent disclosure to the public will assist in reducing the inflationary expectations of the public.

The conditions to enhance business activity and investment attractiveness will be created by reducing excessive regulation of entrepreneurial business that creates additional costs for economic entities to be incurred for the organization and conduct of entrepreneurial business, by improving efficiency and reducing costs of the state functions and public services performed by the authorized bodies as well as by promoting the participation of economic entities in investment forums and exhibitions and by increasing the information support level of the economic entities and prospective investors.

As to the licensing system, the efforts will be aimed at reducing the total number of licensed activities to 91, cancelling payment for issuance of licenses, except for the activities implying the use of scarce public resources, and launching the pilot project for the introduction of electronic licensing online.

The regulatory reform “System Control Analysis” will be actively continued. Such effort is expected to eliminate unreasonable and non-market-based regulatory legal acts with the use of the “Guillotine” Principle, that is, all the rules that create artificial barriers and establish excessive and unreasonable demands for business will be excluded from the legislation.

When developing the draft laws and regulations there will be improved the quality of the analysis of regulatory impact on draft decisions applied to entrepreneurial business.

For the first time, a new system of financing secured by warehouse receipts will be introduced enabling farmers to obtain short-term bank credits using agricultural products as collateral. The main objectives are to regulate the activities of warehouses that will allow farmers to use movable property and material assets as collateral, which, in turn, will keep the necessary fixed assets that can be used to provide long-term credits.

To improve the investment climate of the country it is planned to develop the Medium-Term Action Plan for Improving the Performances of the Kyrgyz Republic in the «Doing Business» Rating for 2016-2017 and increase the rating by 10 points. The efforts to improve the legal framework of public-private partnerships as one of the priority areas will continue. Work has also started on development of the Public-Private Partnership Program (hereinafter referred to as the “PPP”) in the Kyrgyz Republic, which is a “road map” for the development of public-private partnership in the country. This program will determine the basic conditions and objectives for the implementation of PPPs,

promote modernization of the existing infrastructure and services and create the new ones to ensure long-term economic growth and efficiency of the country. It is planned to introduce a mechanism of selection and prioritization of the investment projects aimed at solving problems related to ensuring the purposefulness and transparency of the processes to attract foreign assistance and focusing of the attracted assistance on achieving the national and sectoral priorities.

In order to increase the overall production, start-up idle enterprises, revitalize the existing and create new industries, there have been developed the Development Program of Textile-Clothing Production for 2016-2018 and the Draft Law of the Kyrgyz Republic On the Industrial Park, which involves development of the legislative framework for organization of the industrial technological parks providing special conditions for investors.

Agricultural development will be focused on the following priority directions: provide population with necessary amount of basic foodstuffs; provide processing enterprises with raw stock; increase profitability of agricultural production; reduce poverty in rural areas, support the increase in production and export of agricultural products; provide maintenance services for agricultural production; improve efficiency of water and land management.

There will be continued activities for strengthening the state support of agriculture, improving and developing cooperation between the production and processing of agricultural products, creating favorable conditions for export of agricultural raw materials, establishing cooperation with international organizations, rendering technical assistance to agriculture, and attracting domestic and foreign direct investment.

Infrastructural development and implementation of transit potential are the priority directions in the context of economic performance within the EEU. Freedom of movement of goods, services, capital and labor is dependent on the level of infrastructure development.

The issues of implementing the transit potential are not limited to the development of transport infrastructure. Improvement in the quality of transport services as well as perfection of customs and border procedures and transport control procedures taking into account functional specifications of transport modes play the key role. Formation of transport corridors on potentially demanded routes with possible creation and development of future transport and logistics centers will improve the competitiveness of products.

The main directions of the road sector in 2016 are as follows: continuation of works to ensure the repair and maintenance of public roads as well as improvement of the internal road networks; in the field of rail transport – promote the project for construction of the China-Kyrgyzstan railway; in the

field of civil aviation – develop transit potential of air transport, modernization of navigation equipment, technical equipment and machinery at the international airports Manas, Osh, Issyk-Kul as well as improving flight safety; in the communication industry - modernization and development of the Kyrghyzpochtasy State Enterprise under the Ministry of Transport and Communication of the Kyrgyz Republic, and completing introduction of digital broadcasting in the Kyrgyz Republic.

In the context of the current difficult situation related to water accumulation in the Toktogul Reservoir, the issues of energy conservation and efficiency are of special topicality. Aiming at effective management of the energy sector and far-sighted use of energy resources there will be implemented the adopted Program of the Government of the Kyrgyz Republic for Energy Conservation and Planning the Energy Efficiency Policy in the Kyrgyz Republic for 2015-2017 (Kyrgyz Republic Government Resolution No. 601 dated August 25, 2015) and the Concept of Small Hydropower Development in the Kyrgyz Republic until 2017 (Kyrgyz Republic Government Resolution No. 507 dated July 20, 2015). The main activities to ensure energy security of the Kyrgyz Republic include introduction of new generating facilities and modernization of the existing ones as well as construction of new high-voltage transmission lines and substations of 110-500 kV; development of distribution networks and introduction of automated electricity metering systems. Besides, measures will be taken for:

- implementation of the Project Modernization of Bishkek TPP with 300 MW increase in capacity that will allow to replace the deteriorated equipment put into operation 50 years ago to create basic and guaranteed electric power not dependent on water regimes and increase the use of local coal for the TPP of Bishkek;

- construction of 500 kV Transmission Line Datka-Khujand (Tajikistan) within the framework of the CASA-1000 Project for diversification of export corridors.

Moreover, with view of developing the small hydropower of the country, the efforts are needed to attract investors for the construction of small hydropower plants, to implement a series of projects for rehabilitation and reconstruction of hydropower plants as well as transmission and distribution networks both out of the credit funds and out of the own funds of energy companies, and to develop the coal-mining industry (support for domestic coal enterprises and increase in coal production of the Kavak Lignite Basin up to 942.0 thous. tones per year).

Implementation of the external trade capacity in 2016 will be aimed at creation of favorable conditions for the growth and development of export potential of the country and at bringing the regulatory legal acts of the Kyrgyz Republic into line with the EEU documentation (in the field of technical regulation).

Economic development under the EEU operation conditions involves ongoing modernization of the economy including that through the intensification of products competitive in the domestic market and the third country markets as well as geographic diversification of trade flows, and support for partnership relations with third countries and integration associations; ensuring favorable conditions for attracting investment in the economy and reduction of transaction costs including those for foreign trade.

Imbalances in the economy along with the limitations of the internal and external demand caused a slowdown trend in the foreign and mutual trade of the member-states.

The escalating competitive struggle for the international sales markets makes exports provision a separate task for the state economic policy with specific approaches and tools to address it. This requires implementation of the Kyrgyz Republic Government Plan for the Development of Exports of the Kyrgyz Republic in 2015-2017 (Kyrgyz Republic Government Resolution No. 174 dated March 31, 2015) and the expansion of functions of the State Enterprise Single Window Center for Foreign Trade Operations for export development and promotion.

The Social Development Policy for 2016 will focus on full implementation of guaranteed social obligations of the state as well as raising living standards and improving the situation of socially vulnerable categories of citizens taking into account the real capacities of the state. The efforts for implementation of the Development Program for Social Protection of the Kyrgyz Population in 2015-2017 (Kyrgyz Republic Government Resolution No. 87 dated February 27, 2015) aimed at providing social assistance to the most vulnerable categories of citizens, stimulation of economic activity of the working population and assistance in overcoming hardships will continue.

Steps will be taken to ensure financial stability of the pension system, increase pension benefits and improve legal relationships in the field of social insurance specified in the Concept of Pension System Development in the Kyrgyz Republic and the Action Plan for its implementation (Kyrgyz Republic Government Resolution No. 670 dated November 24, 2014).

The main efforts within the framework of the pension policy development will be taken in the following directions:

- optimization of national budget expenditures for pension benefits;
- reassessment of the role of the basic pension and compensatory payments for electricity in the pension system;
- tariff policy of the state social insurance;

- amendments to the legislation providing for an increase in the retirement age for certain privileged categories of beneficiaries of pensions;
- revision of the terms of setting and paying supplementary pension;
- pension benefits of migrant workers.

Employment policy will be specified by the Program for Promoting Local Employment and Regulation of Internal and External Labor Migration until 2020 (Kyrgyz Republic Government Resolution No. 485 dated September 6, 2013) with the following main policies:

- facilitating active measures to promote employment of the unemployed citizens and vulnerable social groups of the population by improving the regulatory framework in the field of employment as well as developing and implementing a number of measures to meet the specific needs of individual vulnerable groups;
- promoting manpower quality and competitiveness in the labor market by improving the system of training, retraining and advanced training as well as developing social partnership when applying the mechanisms of independent evaluation and certification of staff training by employers;
- ensuring robust system to protect the rights and interests of the Kyrgyz Republic citizens engaged in labor activity abroad;
- forming and developing an efficient system of state regulation of labor migration by means of the legislation perfection, information and educational support, and provision of services to the Kyrgyz Republic citizens wishing to carry out labor activity abroad;
- developing the forms and methods of labor migration regulation based on the development of bilateral and multilateral inter-state relations.

The main activities in the health care system will be implemented in accordance with the National Program for the “Den Sooluk” Healthcare Reforming in the Kyrgyz Republic in 2012-2016 (Kyrgyz Republic Government Resolution No. 309 dated May 24, 2012).

Creating social, economic and administrative conditions needed for effective prevention of various diseases, improving the quality and accessibility of health services in the healthcare facilities and the health system sustainability driven by the interests of the people and every person (on the basis of a cross-cutting approach) as well as observing the principle of solidarity have been specified in the Strategy of Protecting and Promoting Public Health in the Kyrgyz Republic until 2020 (“Health – 2020”) (Kyrgyz Republic Government Resolution No. 306 dated June 4, 2014).

Reforming the education system of the Kyrgyz Republic will be carried out within the framework of the Strategy of Education Development in the Kyrgyz

Republic for 2012-2020 (Kyrgyz Republic Government Resolution No. 201 dated March 23, 2012). Its implementation is aimed at building a flexible, open, and up-to-date national education system based on the best traditions of the national education and international experience.

With view of development and subsequent implementation of the state policy of socio-economic development of the Kyrgyz Republic regions through the formation of regional economic city centers of development, the Program City as the Points (Steps) of Regional Development will be developed, which involves local infrastructural transformations through the revision of tax policy for the benefit of the region, expansion of crediting and access to finance resources in rural areas for small and medium-sized businesses, enhancement of the coordination level of external assistance targeted at regional development and strengthening of economic specialization of cities – the “growth points” – subject to the geographical and climatic conditions as well as a number of other measures aimed at socio-economic development of the regions.

Thus, the economic policy pursued by The Government and the National Bank in 2016 will ensure the preservation of the positive levels of economic growth, which will be supported by all sectors of the economy that form the country's GDP, and keep inflation at single digits.

The possible recurrence of the crisis in the global economy with the attendant reduction in consumption can slow down the growth of the domestic economy.

The Government and the National Bank of the Kyrgyz Republic will take active joint steps to minimize the influence of risk factors and develop up-to-date competitive banking sector that conforms to the strategic interests of the economy. Stable operation of the banking sector as well as the growth of credit activity will contribute to further development and expansion of crediting to priority sectors of the economy and to economic growth stimulation.

The basic condition for achieving macroeconomic stability will be to ensure social and political stability in the country, the effective use of internal resources and capacity, and the formation of an effective public administration system.

In turn, the Government and the National Bank count on the support of the legislature and the entire business community in the implementation of the main directions set out in the Joint Statement and the program documentation.