

Approved by
the Resolution of
the Government of the Kyrgyz Republic and
the National Bank of the Kyrgyz Republic
No.148-1/1 dated March 13, 2017

**Joint Statement
of the Government of the Kyrgyz Republic and
the National Bank of the Kyrgyz Republic
on the Main directions of the Economic Policy for 2017**

The coordinated policy of 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”) allowed ensuring macroeconomic and social stability in the country in 2016.

The main result of 2016 was the overcoming of the decline of the national economy against the background of escalation of global economic risks.

The main constraint of economic growth from the beginning of 2016, including trade and investment activity, was deterioration of the economic situation in the countries which were the main trade partners of Kyrgyzstan: in the Russian Federation, Republic of Kazakhstan (hereinafter referred to as “Kazakhstan”), other member states of the Eurasian Economic Union (hereinafter referred to as the “EAEU”), and the People’s Republic of China (hereinafter referred to as the “PRC”), due to the tense economic situation in the world.

The dynamics of slowing down of economic growth affected the overwhelming majority of the countries of the global world. So, in the Russian Federation economic growth reduced by 0.6 %, in the Republic of Belarus – by 2.6 %, in Kazakhstan economic growth slowed down and was set at the level of 0.8 %. In the PRC the growth rate of the economy reached 6.7%, the lowest rate since the crisis year of 2009.

All these unfavorable external factors had a direct restraining influence on the indicators of the economic growth of the Republic.

During 2016, the Government and the National Bank took actions aimed at minimization of external risk factors related to reduction of the economic growth rates in the world and the EAEU countries, creation of favorable conditions for development of entrepreneurship (reduction of administrative burden; pursuing fiscal policy oriented at liberalization; improvement of access for entrepreneurs to financial resources; measures to preserve stability of the consumer price index, etc.).

Activities of the Government and the National Bank were aimed at timely and qualitative implementation of the Action Plan of the Government of the Kyrgyz Republic on implementation of the Program of the Government of the Kyrgyz Republic “Trust and Unity” for 2016 (Resolution of the Government of the Kyrgyz Republic dated August 24, 2016 No.456), Anti-Crisis Action Plan of the Government of the Kyrgyz Republic for 2016 (Resolution of the Government of the Kyrgyz Republic dated July 12, 2016 No.383), Main Trends of the Monetary Policy for the medium-term period, Resolution of the Management Board of the National Bank of the Kyrgyz Republic dated December 17, 2014 No.55/3).

According to preliminary estimates of the National Statistical Committee of the Kyrgyz Republic, the economic growth in the country at the end of 2016 reached 103.8 %, volume of the gross domestic product (hereinafter referred to as the “GDP”) amounted to KGS 458.0 billion. Without considering the enterprises operating at the Kumtor deposit, the real rate of growth of the GDP was 103.7 %.

The positive growth dynamics was observed in all sectors of the economy: in agriculture the GDP volume increased by 3.0 %, in the service sector - by 3.0 %, in construction - by 7.4 %, in industry - by 5.2 %.

The consumer price index which characterizes the inflation level reached 99.5 % (December 2016 compared to December 2015), while its average annual rate (January - December 2016 to January – December 2015) amounted to 100.4 %. Reduction of the inflationary pressure allowed supporting actions taken by state authorities to develop the real sector of the economy.

In 2016, the tax and customs policy was aimed at creation of favorable conditions for conduct of business, improvement of administration of taxation, support and development of business entities and increase of the flow of revenues to the budget.

The state budget deficit for January-December 2016 was 4.6 % in relation to the GDP. It was covered mainly from external sources.

The national debt structure remained nearly unchanged: the external debt was over 92.4 % of the national debt. At the end of the January-December 2016 period the national debt level reached 62.0 % in relation to the GDP.

Against the background of the macroeconomic indicators the social indicators in the Kyrgyz Republic were as follows: average monthly salary of one employee (without taking into account small enterprises) for the period from January to November 2016 amounted to KGS 14,017.0 which increased by 9.8% compared

to the corresponding period of 2015, while its real size calculated using the consumer price index increased by 9.3 %.

To support the standard of living of pensioners the size of pensions increased from KGS 4,651 to KGS 5,142 since October 1, 2016, and this increase amounted to 10.5 % on average (Resolution of the Government of the Kyrgyz Republic dated September 23, 2016 No.502). To increase the level of social security of low-income families the size of guaranteed minimum income which is used as the basis for determination of the need of low-income families with children in monthly allowance (hereinafter referred to as the “MALIF”) increased from KGS 810 to 900 since October 1, 2016, and the size of MALIF increased from KGS 705 to 810.

Full-scale work on adaptation of the country to the conditions of functioning in the EAEU was carried out: an information-reference portal and Hot Line service for issues related to the EAEU were created. Within the framework of the EAEU 35 technical regulations of the EAEU were adopted which established requirements to the security of a wide range of consumer goods; approaches to creation of the mechanism of provision of goods traceability in the member states of the EAEU were developed; elaboration of the draft Customs Code of the EAEU was completed. Phytosanitary quarantine control (supervision) at the Kyrgyzstan-Kazakhstan point of the state border was cancelled. Temporary restriction of import of quarantined products to the Republic of Kazakhstan from the Kyrgyz Republic was also cancelled.

Therefore, as a result of creation of basic conditions for maintenance of macroeconomic stability and joint actions taken by the Government and the National Bank the positive dynamics of the economic growth was reached in 2016 and all planned social obligations were fulfilled.

During determination of the main trends of the economic policy for 2017 it is necessary to take into account the remaining external and internal challenges/risks which will influence development of the economy of the country. These challenges/risks include:

instability of development of the world economy (leading world economic organizations: the Organization for Economic Cooperation and Development, World Bank and International Monetary Fund forecast that in the medium term world economic growth will remain at the low level which has not been observed since the financial crisis of 2008-2009, in conditions of possible slowing of trade intensity);

continuation of volatility in the most important goods markets (prices for oil, gold, mercury, copper, etc.);

reduction of the consumer demand;

continuation of capital outflow which leads to weakening of positions of national currencies in relation to US dollar;

possible strengthening of the US dollar position (expectations of increase of the rate of the US Federal Reserve System (hereinafter referred to as the “FRS”) in 2017 (it is expected that in 2017 the FRS will increase the basic interest rate 3 times in the USA which will result in increase of the cost of foreign borrowings and can lead to noticeable toughening of credit conditions in developing countries, and stimulate growth of the US dollar exchange rate in relation to other currencies);

risk of growth slowdown in the markets of developing countries (Federative Republic of Brazil, Russian Federation, South African Republic, and especially the PRC) caused by reduction of excess production capacities, pressure of debt burden of key sectors, decline in real estate and stock markets;

continuation of the sanction regime (in relation to the country-partner of the Kyrgyz Republic – the Russian Federation, economic countermeasures from the Russian Federation);

risks related to possible unfavorable natural and climatic conditions;

high level of the national debt which can limit possibilities of fiscal stimulation;

slow restoration of consumer demand due to slow rates of the economic growth in the countries-main trade partners of Kyrgyzstan;

preservation or slow overcoming of barriers in border and foreign trade.

The stated factors will have a negative influence on the economy of the member states of the EAEU. Besides, there is a risk of preservation of the trend of slowing down of economic growth and increase of the inflation level in these countries.

In the Russian Federation The forecast for 2017 on GDP growth was reconsidered from 0.8 % to 0.6 % (according to the data of the Ministry of Economic Development of the Russian Federation as of November 24, 2016); in the Republic of Belarus – from 0.4 % to (-0.5) %; in Kazakhstan – from 1.1 % to 0.6 % (according to the data from “World Economic Outlook Database” of the International Monetary Fund, April 2016, October 2016). The rates of growth of the world economy were reconsidered from 3.5 % to 3.4 %, of the eurozone – from 1.6 % to 1.5 % (according to the data from “World Economic Outlook Database” of the International Monetary Fund, April 2016, October 2016). As

for the PRC, it was forecasted that in 2017 the rates of growth would reduce to the minimum for over than 25 years. According to the forecast of the Academy of Social Sciences of the PRC the economic growth will reach 6.5 % during the 1st and 2d quarters and 6.4 % during the 3d and 4th quarters of 2017.

In 2017, economic development of the country despite the existing challenges and trends as well as internal limitations for economic progress will be carried out on the basis of an active policy on formation and strengthening of the economic potential in accordance with the main reference points and tasks determined in the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017 (hereinafter referred to as the “NSSD”) (Decree of the President of the Kyrgyz Republic dated January 21, 2013 No.11).

The main purpose of the economic policy in 2017 will be to preserve macroeconomic stability and maintain the positive dynamics of the economic growth.

Membership of the Kyrgyz Republic in the EAEU will continue to be the factor that provides additional stability and development of the economy and will simultaneously be the response to the stated challenges owing to integration measures and actions.

The main priorities/directions of the economic policy in 2017 include:

provision of macroeconomic stability;

provision of financial stability by strengthening the financial system and banking sector;

improvement of the quality of life and rise in the standard of living as well as provision of high quality of social services by adoption of specific measures and actions aimed at life support of the population.

The main directions to ensure macroeconomic stability are the following:

maintenance of price stability by pursuing coordinated monetary policy and budget-tax policy;

maintenance of balance of budget systems;

provision of debt stability.

To consolidate the positive dynamics of development of macroeconomic indicators the work will be continued on the creation of conditions for

sustainable development and restoration of the economic growth where the main directions of the economic policy include:

stimulation of the economic growth through the even distribution of tax burden on the economy;

attraction of foreign and internal investments to the infrastructure;

increase of investment attractiveness of the Kyrgyz Republic, improvement of business climate and creation of favorable business environment;

deepening of adaptation of the economy of the Kyrgyz Republic and business to the conditions of functioning in economic integration associations;

implementation of structural reforms for development of key sectors of the economy (power engineering, mining, processing of agricultural products, transport, financial sector, etc.);

effective management of own assets;

infrastructural development and implementation of transit potential;

maintenance of liberal trade regime, establishment of new and development of traditional bilateral and multilateral economic relations, penetration of domestic products to the new markets, increase of export of products and gradual decrease of trade deficit.

Implementation of the stated directions can be supplemented with elaboration of coordinated anti-cyclic and stimulating measures.

Conceptual basics of the fiscal policy of the Kyrgyz Republic will be formed and carried out as part of the Fiscal Policy Concept of the Kyrgyz Republic for 2015-2020 (Resolution of the Government of the Kyrgyz Republic dated July 7, 2015 No.455).

The budget policy in 2017 will be oriented at the increase of opportunities of the state on fulfillment of social and economic functions and aimed at consecutive reduction of the budget deficit. The main purpose of the budget policy in 2017 will be full and timely financing of social guarantees of the Government and creation of favorable conditions for provision of the economic growth.

Continuation of optimization of state expenditures is the most important task of reformation of the budget system which is related to improvement of the administrative structure of state administration and legislative base. In this direction work will be continued on improvement of the Budget Code of the

Kyrgyz Republic and work on bringing regulatory legal acts to compliance with the Budget Code of the Kyrgyz Republic.

The main directions of the budget policy with regard to state expenditures will be aimed at achievement of the following goals:

improvement of the financial planning methodology;

improvement of budget transparency and accountability;

modernization of the existing system of Treasury;

reformation of financial bodies at the territorial level;

improvement of methods and forms of social support of the population;

provision of balance of budget income and expenditures.

To ensure progress in reduction of the negative balance of the budget, the Government will carry out strict control of transparency of spending the budget funds.

The main purpose of national debt management will be to optimize the national debt structure and minimize the risks related to procurement of funds. Efforts of the Government in this area will be aimed at raising preferential state foreign capital and development of the state securities market.

Achievement and maintenance of price stability through the corresponding monetary policy remains the main purpose of activity of the National Bank. Development and implementation of the monetary policy will be carried out as part of fulfillment of tasks determined in the NSSD.

In 2017, the National Bank intends to consolidate the results of the work achieved after transition to the monetary policy based on targeting the interest rates. It is supposed that in case no shocks are observed, the inflation in 2017 will be at the level that does not exceed the medium-term goal 5-7 % stated in the NSSD.

It is expected that in 2017 business activity will increase, which will allow the economy to demonstrate sustainable growth in the medium-term period if internal demand is restored and development of economies of the countries-main trade partners of Kyrgyzstan improves. Preliminary parameters of the Republican budget for 2017 determine that the sector of state finances will remain the factor determining the inflationary dynamics related to money supply. In addition to monetary factors, inflation formation will depend on the level of production in agriculture of the country, price dynamics in the world

and regional markets of food products, degree of alignment of the account of current operations of the payment balance, practical measures on implementation of the Medium-Term Tariff Policy of the Government of the Kyrgyz Republic for electric and heat energy for 2014-2017 (Resolution of the Government of the Kyrgyz Republic dated November 20, 2014 No.660).

The discount rate (policy rate) remains the main instrument of the monetary policy. During the process of making decisions on the discount rate inflation forecasts and forecasts on economic development as a whole for the short-term and medium-term periods obtained using macroeconomic models used in the National Bank will be taken into consideration. The forward-looking approach will be applied which provides preliminary decision-making in the monetary area which in future will influence the key macroeconomic indicators of the country.

The work will be continued on improvement of the effectiveness of the transmission mechanism of the monetary policy and increasing the degree of its impact on the financial and real sectors of the economy.

During the process of implementation of the monetary policy necessity of provision of the balance of liquidity in the banking system will be taken into account which should maintain the equilibrium level of money supply in the economy to support the economic growth in the long-term period. It supposes that the banking sector will begin to take into consideration the interest rate policy of the National Bank to a greater extent when carrying out its credit activity.

Coordination of the work with the sector of financial institutions of development will be continued and the role of this sector in the development of the economy of the country will become more significant. Such coordination will allow this sector to provide resource support to the real sector of the economy taking into account the potential impact of money supply on inflation processes.

The mechanism of floating exchange rate of the national currency will still be used and this exchange rate will be determined by the correlation of supply and demand of foreign currency in the internal exchange market of the country. Currency interventions will be carried out only for evening-out of short-term fluctuations of the exchange rate. International reserves management will be based on compliance with the main principles of liquidity maintenance and provision of safety of reserve assets. The National Bank will continue operations on procurement of gold in the internal market of the country for the national currency to increase the volume of international reserves taking into account the situation in the world financial markets.

The National Bank will continue promoting wider use of the national currency in the economy. As part of implementation of the measures aimed at reduction of the level of dollarization differentiated values of norms of mandatory reserve requirements on liabilities in the national and foreign currency will be preserved to stimulate the use of the national currency as the store of value. If necessary, the requirements to new foreign currency credits will be toughened.

One of the measures on de-dollarization of the economy will be further development of the market of precious metals. To provide the population of the country with alternative instruments of saving and investment the stock of affined gold weighted bullion bars issued by the National Bank will be replenished on the regular basis and mechanisms of carrying out operations with depersonalized metal accounts will be implemented.

In 2017, the National Bank jointly with the banking and microfinancing sectors will carry out the work on development of new industry program documents for the medium-term period. The purposes of these documents will include development of a competitive environment in the financial sector; increasing the level of financial intermediation; implementation of mechanisms aimed at reduction of market interest rates on credits; attraction of internal financial resources for investment into the real sector of the economy, mainly in the rural areas, which will provide the increase of the level of financial accessibility and protection of rights of financial services' consumers. An active campaign will be continued on the increase of the level of financial literacy of economic agents and population, including as part of the Program on Increase of Financial Literacy of the Population of the Kyrgyz Republic for 2016-2020 (Resolution of the Government of the Kyrgyz Republic dated June 15, 2016 No.319).

To minimize the risks in the activity of banks special attention will be paid to improvement of the risk management system. The work will be continued on implementation of risk-oriented supervision that provides evaluation of the risk degree and quality of risk management in the activity of commercial banks and microfinancial organizations which will promote further development of the financial sector.

As part of the reform of the banking legislation of the Kyrgyz Republic the work will be continued on further development and improvement of regulatory legal acts in this area on the basis of the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity".

In 2017, conclusions will be made on implementation of the State Program on the Increase of the Share of Cashless Payments and Settlements in the Kyrgyz Republic for 2012-2017 (Resolution of the Government of the Kyrgyz Republic dated May 14, 2012 No.289/5/1) and the main trends of the payment system development for the new medium-term period. Development of the retail

payment market, implementation of innovative payment technologies and increase of the penetration of payment services to all regions of the Republic remain the priority trends. Special attention will be paid to development of proximity cards, mobile payments and other technological solutions which expand the geography of payment services and reduce their cost for the population and business entities.

To form the unified coordinated macroeconomic policy of the state, and as a financial adviser of the Government, the National Bank will continue close cooperation with state agencies in the financial and economic areas. Coordination of measures of the monetary and budget-tax policy will be carried out on the regular basis jointly with the Ministry of Finance of the Kyrgyz Republic.

To further develop the integration processes the work will be continued on interaction with central (national) banks of the member states of the EAEU on trends provided by the corresponding agreements.

Great attention will be paid to the communication policy. Active fulfillment of this function as part of conducting the monetary policy will allow increasing the level of public understanding of changes taking place in the economic and financial environment, thus forming the optimal market behavior of entities of the economy, including rational inflationary expectations and expectations related to future decisions in the monetary area.

To support entrepreneurs working in the handicraft sector a draft Handicraft Sector Development Concept will be elaborated which will allow solving urgent problems of craftsmanship, identifying the needs of the sector and the role of the state in preservation and development of craftsmanship of the Kyrgyz nation and other nations residing in the territory of the country.

It is planned to introduce a new instrument to the market of the Kyrgyz Republic – a warehouse certificate. For this purpose a draft Law of the Kyrgyz Republic “On Warehouses and Warehouse Certificates” will be elaborated that will regulate the legal status of warehouses and legal relations related to warehouse certificates. Introduction of the new instrument will allow improving the access to finances for the sector and implement the new system of financing on the security of warehouse receipts which will allow producers of agricultural products to receive short-term bank loans by using agricultural products as a security.

The work will be actively continued on optimization of processes of regulatory impact analysis (hereinafter referred to as the “RIA”) and improvement of the RIA Methodology. During elaboration of draft laws and resolutions the quality of RIA for draft decisions related to entrepreneurial activity will be improved.

With regard to improvement of investment attractiveness, business climate and creation of favorable business environment in 2017 primary attention will be paid to improvement of investment potential and attractiveness of the regions of the country taking into account advantages and specificity of each region; further improvement of the legislation which regulates the investment activity; improvement of the mechanism of attraction of foreign workforce; simplification of the procedure to provide investment visas; increasing effectiveness of state support of entities of entrepreneurial and investment activity; elimination of administrative barriers which limit intensive development of entrepreneurship and investment in the territory of the regions.

The Program on Attraction of Direct Foreign Investment will be elaborated and adopted which will allow prioritizing efforts of the Government aimed at attraction of investments through analysis of the situation and opportunities and determine priority sectors for investment promotion.

To improve the investment climate of the country the work will be continued on implementation of the Medium-Term Plan on Improvement of Indicators of the Kyrgyz Republic in “Doing Business” Rating for 2016-2017 and Program of Development of State-Private Partnership in the Kyrgyz Republic for 2016-2021 (Resolution of the Government of the Kyrgyz Republic dated June 16, 2016 No. 327). For the purpose of preparation of high-quality investment projects on a turnkey basis up to financial closing, provision of assistance in search and attraction of off-budget financing of projects, the work will be carried out on creation of a financing fund for preparation of projects of the Kyrgyz Republic.

Creation of conditions for formation, development and protection of competition remains one of the important priorities of the state policy; that is why in 2017 the main trends of the antimonopoly and competitive policy will be implemented by continuation of the work on:

creation of attractive and transparent conditions for formation, development and protection of competition in goods markets. Within the framework of this direction efforts will be aimed at the analysis of goods markets for evaluation of the state of competitive environment and elaboration of mechanisms of economic and statistical supervision of activities of market entities which occupy dominant positions, revelation of collusions, agreements and coordinated actions in goods markets;

reaching the balance of interests of consumers and entities of natural monopolies, accessibility of goods for consumers and effective functioning of entities of natural monopolies. Within the framework of this direction the work will be continued on elaboration of the rules to provide the access for consumers to the services of natural monopolies, coordinate the methodologies of keeping separate records of income, expenditures and involved assets on each type of

regulated goods (works, services) which will allow the entities of natural monopolies to optimize expenditures and influence the level of tariffs;

increasing the role of the antimonopoly body in the area of protection of consumer rights and advertising activity;

creation of conditions for provision of consumers with accessible state and municipal services.

Increase of effectiveness of state property management in 2017 will be carried out through performing such activities as reduction of state participation in the economy by optimizing the number of state enterprises, increasing effectiveness of use and provision of transparency and openness of disposition of state property objects, etc.

In addition, as part of grant project of the World Bank “Improvement of State Property Management” financed by the International Development Association from funds of the Program Multilateral Specialized Fund of Donors for management of state finances in Europe and Central Asia Interagency Automated Information System “Unified Register of State Property of the Kyrgyz Republic” will be elaborated.

Implementation of the aforementioned policy will serve as the basis for further development of sectors of the economy.

The agro-industrial sector of the economy will remain the key sector in provision of food security of the country and employment of the population. The main purpose of this sector will be creation of conditions for growth of production and improvement of the quality of products.

Development of agriculture will be focused on the following priority directions: provision of the population with necessary volume of basic food products; provision of processing enterprises with raw materials; increasing profitability of agricultural production; increasing the share of processing of domestic agricultural raw materials and production of food products; support of growth of production and export of agricultural products; provision of agricultural production with services; increasing effectiveness of rational use of water and land resources.

For provision of food security of the country and state support of agriculture a draft project of the Agriculture Development Program in the Kyrgyz Republic for 2017-2020 will be elaborated.

The work will be continued on provision of preferential credits according to the “Agriculture Financing” Program; rational use of the gene pool of livestock;

increasing effectiveness of selection-pedigree work; creation in each aiyl aimak points of artificial insemination using valuable genetic material; increasing the number of livestock pedigree population; attraction of direct investments and own funds to develop the sector. Opening the boundaries with the member states of the EAEU will allow purchasing necessary material and technical resources, mineral fertilizers, plant-protecting agents, etc. However, there are still risks related to unfavorable natural and climatic conditions which can influence provision of agriculture with water resources; unfavorable epizootic situation; lack and unsatisfactory level of quality of the agricultural machinery; ineffective use of directed preferential credit resources of the state, etc.

For development of industrial production under technical support of the United Nations Industrial Development Organization (UNIDO) a draft Program of Industrial Development of the Kyrgyz Republic for 2017-2020 will be elaborated. For the purpose of effective use of production capacities and further development of industrial potential of the Republic action plans on idle enterprises, enterprises with state share of participation, operating enterprises and commissioning of new enterprises will be implemented.

Development of hydropower engineering is an important trend that provides sustainable development of the country. The main actions on provision of energy security of the Kyrgyz Republic include commission of new and modernization of existing power generating capacities, construction of new 110-500 kV high-voltage power transmission lines and substations, development of distribution networks, implementation of automated systems of electric power metering. In addition, actions will be taken to complete the project "Modernization of Bishkek Heating Plant" with increase of capacity by 300 MW which will allow replacing worn equipment which was put into operation 50 years ago, to create basic guarantee electric capacity which is not subject to influence of water regimes, expand the use of local coal at the heating plant of Bishkek and promote the "CASA-1000" project for diversification of export corridors.

For effective management of the power sector, rational use of power resources and provision of energy security the work will be continued on implementation of the adopted Program of the Government of the Kyrgyz Republic on Energy-Saving and Energy Efficiency Policy Planning in the Kyrgyz Republic for 2015-2017 (Resolution of the Government of the Kyrgyz Republic dated August 25, 2015 No.601), Medium-Term Tariff Policy of the Kyrgyz Republic for Electric and Heat Energy for 2014-2017 (Resolution of the Government of the Kyrgyz Republic dated November 20, 2014 No.660).

Infrastructure development and realization of transit potential remain the priority directions in conditions of functioning of the economy within the framework of the EAEU.

In 2017, development of the construction sector of the economy will become one of the significant trends which provides sustainable growth of the national economy at the expense of continuation/completion of implementation of large investment projects in the transport and energy sectors which will make major contribution into development of construction.

The priority directions in construction in 2017 will include: construction of individual residential houses, traffic arteries and energy facilities (works on construction of power transmission lines), agricultural facilities (irrigation facilities), etc.

Capital investments financed from the state budget in 2017 will be directed primarily to construction and reconstruction of social and economic facilities, including in the area of education, healthcare, culture and sports, housing construction.

The main directions in the road sector in 2017 will include: continuation of works on repair and maintenance of public roads, improvement of the internal road network; in the railway area – provision of access to railway transport services of private carriers and carriers of the members states of the EAEU, and alignment of the internal tariff of the Kyrgyz Republic for carriage of goods with the export-import tariff for creation of equal conditions for all owners of goods both in the Kyrgyz Republic and the member states of the EAEU, i.e. application of a unified railway tariff; in the civil aviation area – creation of mechanisms of subsidization of regional air transportation for solution of social problems of the regions on internal flight directions and stimulation of air companies to reduce tariffs for carriages. Such state programs on subsidization of air tickets for separate categories of citizens for certain flight directions will help to provide interrelation with various regions of the countries, including for tourism development.

The policy in the area of tourism development in 2017 will be targeted at creation of favorable conditions for development of domestic tourist industry to improve the image of the country at the international level and provide contribution of tourism into the economy through the increase of its share in the GDP, and for overall development of various types of tourist activities for all-year-round use of rich natural potential of the Republic with annual growth of the flow of tourists by 20 %. The Unified Register of Tourist Services will be created for improvement of the quality of tourist service. For development of infrastructure of tourism it is planned to establish additional internal air communications.

Development of foreign trade potential in 2017 will be aimed at creation of favorable conditions for growth and development of export potential of the Republic.

The main directions of the activity will include creation of favorable conditions for development of export by implementation of actions provided in the Plan of the Government of the Kyrgyz Republic for Export Development of the Kyrgyz Republic for 2015-2017 (Resolution of the Government of the Kyrgyz Republic dated March 31, 2015 No.174) targeted at increase of growth of export volumes, improvement of export structure by expansion of assortment and improvement of the quality of exported products, expansion of the geographical structure of export. The work will be continued on further formation of the quality infrastructure, additional equipping of test laboratories and implementation of other actions and increase of export of domestic products to the territory of the members states of the EAEU. For the purpose of increasing export volumes to the countries of the far abroad the Government will elaborate actions for promotion of export products, including by using advantages of the beneficiary status GSP+ (Generalized System of Preferences).

The social development policy in 2017 will be targeted at full fulfillment of guaranteed social obligations of the state, increasing the standard of living and improvement of life of socially vulnerable categories of the population taking into account real possibilities of the state.

The main directions of the activity are determined in the Program of Development of Social Protection of the Population of the Kyrgyz Republic for 2015-2017 (Resolution of the Government of the Kyrgyz Republic dated February 27, 2015 No.85). The main purpose of this Program is to provide high-quality services and create equal opportunities for socially vulnerable citizens. The Program provides social support to the most vulnerable categories of citizens, ensures stimulation of economic activity of employable population and provides assistance in overcoming hardships.

The main directions of the activity in the area of promotion of employment of the population are determined in the Program of Employment Promotion and Internal and External Labor Migration Regulation up to 2020 (Resolution of the Government of the Kyrgyz Republic dated September 3, 2013 No.485). This Program is targeted at creation of conditions for productive employment of the population, reduction of unemployment and imbalance of supply and demand in the labor market by activation of measures of employment promotion of the population taking into account fuller and more effective use of labor resources, protection of rights of citizens of the Kyrgyz Republic who work abroad.

The primary task in the area of social security in 2017 will be provision of financial stability of the pension system, increasing the size of pensions and improvement of legal relations in the area of state social insurance.

Increase of the size of pensions will be carried out taking into account the opportunities of the budget of the Social Fund of the Kyrgyz Republic and the Republican budget.

The migration policy in 2017 will be focused on the following main directions:

creation of a network of pre-migration training centers which provide legitimacy, information awareness, safety and training of migrants;

creation of a unified migration database;

launch of projects on creation of crisis centers, hot lines and centers for support of migrants in host countries;

support of existing and assistance in creation of new associations/organizations of labor migrants for mobilization of their efforts on provision of overall support to labor migrants;

provision of comprehensive and accessible information awareness to the population on existing employment opportunities in the host country;

creation of an open information portal for obtaining of necessary information about labor markets, conditions, transportation, employment and residence, rules of stay and employment in the host country;

counteraction to illegal use of labor of migrants by employers.

The policy in the area of healthcare in 2017 will be aimed at implementation of the Action Plan on implementation of the Strategy for Protection and Improvement of Health of the Population of the Kyrgyz Republic up to 2020 (Resolution of the Government of the Kyrgyz Republic dated March 16, 2015 No.106-p); implementation of the Electronic Healthcare Program of the Kyrgyz Republic for 2016-2020 (Resolution of the Government of the Kyrgyz Republic dated March 18, 2016 No.134).

The main directions in the area of education and science development are stated in the Education Development Concept of the Kyrgyz Republic up to 2020 and Education Development Strategy of the Kyrgyz Republic for 2012 - 2020 (Resolution of the Government of the Kyrgyz Republic dated March 23, 2012 No.201).

For the purpose of elaboration and further implementation of the state policy for social and economic development of the regions of the Kyrgyz Republic and formation of a basic structure for preparation of detailed programs of development of specific settlements the Regional Policy Concept of the Kyrgyz Republic (hereinafter referred to as the “Concept”) will be elaborated and adopted which will contain the information on the main approaches and trends of development of the regions. Besides, a new approach to development of the regions is suggested – transition from the policy of alignment of the social and economic state of all territories with the policy of polarized development through development of specially selected settlements which will become the points of development of the regions. As part of this Concept it is suggested to allocate 20 settlements as reference territories for formation of points of growth of the regions. After the draft Concept is approved for each selected settlement development programs will be elaborated based on the principles of business planning. These development programs will be elaborated during three stages, 5-6 settlements for each stage.

In 2017, conclusions will be made on implementation of the NSSD which will serve as a foundation for preparation of projects of the Development Program of the Kyrgyz Republic for 2018-2023. This Program will be elaborated within the framework of an interagency work group (approved by Resolution of the Government of the Kyrgyz Republic dated July 10, 2015 No.323-p) and the Long-Term Sustainable Development Concept of the Kyrgyz Republic for the period of up to 2040.

Therefore, the economic policy of the Government and the National Bank pursued in 2017 will allow providing macroeconomic stability and preservation of the positive dynamics of the economic growth, without taking gold production into consideration, at the level not lower than 3% which will be supported by all sectors of the economy that form the GDP of the country. Inflation will be maintained at the level which does not exceed the medium-term goal of 5-7 %.

However, occurrence of additional imbalances/risks in the world economy and the main trade partners of the Kyrgyz Republic can affect the national economy and have a negative influence on the economic growth.

The Government and the National Bank will take joint active efforts for minimization of influence of risk factors, formation of a modern competitive banking sector which complies with the strategic interests of the economy. Stable functioning of the banking sector and growth of credit activity will promote further development and expansion of crediting of priority sectors of the economy and stimulation of the economic growth.

Provision of social and political stability in the country, effective use of internal resources and own potential, formation of an effective system of state administration will become the main conditions for obtaining macroeconomic stability.

In their turn, the Government and the National Bank depend on support of the legislative power and the entire business community in implementation of the main directions stated in the Joint Statement and policy documents.
