

KYRGYZ REPUBLIC

Statement by the EBRD Governor for the Kyrgyz Republic

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Mr President of the EBRD - Sir Suma Chakrabarti,
Governors,

May I first begin by noting the efficient implementation of the Bank's programme of investments and strategic cooperation with its partner countries, which was achieved in spite of the challenging economic environment of 2016. The Bank makes a substantial contribution to the development of the private sector in its partner countries, as well as to the support of countries in the early stage of transition to sustainable development.

Please also allow me to express our gratitude to the Bank for its support to the Kyrgyz Republic in promoting market reform; to note Kyrgyzstan's positive experience in working jointly with the EBRD from the moment our cooperation began; and to mention the importance of the EBRD as a catalyst for private sector investment. To date, the Bank has implemented 153 projects with a total value of almost €700 million, with private sector projects accounting for 66 per cent of the total portfolio.

In line with its National Strategy for Sustainable Development 2013-17, the Government of the Kyrgyz Republic is taking measures intended to ensure the sustainable development of the economy and social stability at times when external and internal adverse factors have had the greatest impact. For instance, based on its 2016 performance, the Kyrgyz Republic, in spite of the region's challenging external financial and economic environment, recorded the highest GDP growth among countries in the region.

For its part, the Bank makes a significant contribution to stepping up the pace of sustainable growth in the Kyrgyz Republic, to creating the conditions for the development of small and medium-sized enterprises, to strengthening the financial sector and to modernising the country's municipal infrastructure.

We note the great efficiency and support the implementation of Bank initiatives such as the Local Currency and Capital Markets Development Initiative, the Bank's activities in the municipal and environmental infrastructure sector and

its Small Business Initiative. The Bank's efforts to strengthen the private sector in the Kyrgyz Republic deserve special mention.

At the moment, a high-priority future aim of the Government of the Kyrgyz Republic is to create an environment that promotes the growth and development of the private sector, as well as to develop and promote exports.

A variety of measures are being implemented that are designed to stimulate inward investment, develop the private sector, remove administrative burdens, reduce barriers for investors, improve legal provision and liberalise domestic and foreign trading arrangements, all of which are sound preconditions for growth in the volume of foreign trade, export and the inflow of direct investments.

It is important to note separately that in 2015 the Kyrgyz Republic was assigned a sovereign credit rating for the first time. The assignment of a sovereign credit rating will contribute to improved access to information about investment opportunities in the Kyrgyz Republic, which in turn will make it possible to attract large investments to the country and financing for Kyrgyz banks to attract investments with which to finance projects on more favourable terms.

The international credit rating agency, Moody's, assigned the country a B2 sovereign credit rating with a stable outlook, and in 2016, the rating was reconfirmed at B2 with a stable outlook. These data are relatively good for a country with a low GDP.

In addition, it is important to note that Kyrgyzstan has been granted user status for the European Union Generalised Scheme of Preferences (GSP+). The experience of other countries suggests that this status offers the opportunity to increase export volumes significantly, diversify the range of goods supplied, increase the country's investment appeal and create new jobs. We are already seeing the first results of the use of the GSP+ scheme by Kyrgyz entrepreneurs. Statistical data for 2016 show an increase in the volume of vegetable exports to the European market. Kyrgyzstan can supply high-quality organic agricultural products and good-quality textiles to the EU market.

Therefore, to promote exports further, including to EU countries, comprehensive assistance must be provided to small and medium-sized enterprises and to entrepreneurs regarding questions of certification, technical regulation, increasing value added and ramping up output volumes.

I should also like to emphasise that the Kyrgyz Republic is the only country in its region that has adopted a parliamentary system of government and that is consistently pushing ahead with reforms to further embed and strengthen parliamentary democracy in our country.

In an environment in which information and communication technologies are spreading rapidly, the Government is launching a new nationwide high-tech project to build a truly democratic state, in which digital technologies promote development, offering greater opportunities for integration, efficiency and innovation. The project is called *Taza Koom*.

This ambitious project to digitally transform the state will cover the executive, legislative and judicial branches of power, including the whole justice system. *Taza Koom* will become an effective preventive tool in the eradication of corruption in the state sector, by minimizing the impact of human factors through the automation of administrative processes and procedures and the provision of digital government services.

We hope that the EBRD will also take an active part in the implementation of this nationwide project of strategic importance to the Kyrgyz Republic.

In the last few years the EBRD has greatly increased its participation in municipal infrastructure projects, and has introduced a model based on a combination of loans, capital grants and technical cooperation. Municipal infrastructure modernisation projects are of great importance to the Republic.

In addition, a highly topical and important issue is the need to implement regional projects on environmental protection, climate change initiatives, renewable energy projects etc. As part of its sustainable development effort, the Kyrgyz Republic is also taking account of the principles of the “green economy”, as an approach which should significantly reduce burdens on natural resources.

The resources of the Green Climate Fund are of great importance to the Kyrgyz Republic in terms of the need to preserve both our country’s biodiversity and investment in climate-sensitive infrastructure. Funds should be channelled to industries such as mining, energy, transport, agriculture and others. In all these sectors, climate funds can become the source of significant levels of investment designed to achieve climate-sensitive results.

Bearing in mind that the subject of this year's Annual Meeting is "Targeting Green and Inclusive Growth", we call on the EBRD to participate more actively in securing resources for climate funds so as to implement national and regional climate-sensitive projects.

In conclusion, please allow me to thank the Bank once again for providing support to the efforts of the Kyrgyz Republic to make the transition to sustainable economic development. We look forward to continued and mutually beneficial cooperation.

Thank you for your attention.