

KYRGYZ REPUBLIC

**Statement by the Governor of the EBRD
for the Kyrgyz Republic
Plenary Session of the Annual Meeting of the EBRD
London, 10-12 May 2016**

Mr President, Governors,

May I begin by offering my congratulations to the Bank on the 25th anniversary of its establishment, and by paying tribute to the strong results and very real achievements it has recorded over those years. In the 25 years of its existence, the Bank has made a significant contribution to the development of the private sector in its partner countries and to the support of countries at the early stages of their transition to sustainable development.

During those 25 years the Kyrgyz Republic has achieved tangible results in its transition to a market economy and in building democracy, but much remains to be done. The global macroeconomic situation has impacted significantly on our country's economy. The results for 2015 suggest that our economic development has been affected by worldwide processes, including among other things the general slow-down in the economies of our trading partners and the strengthening of the dollar exchange rate against other currencies.

We should like to highlight the effectiveness of, and express our support for, the Bank's initiatives in such areas as local currency and capital markets development, and support for small businesses as well as its work in the municipal and environmental infrastructure sector.

Special mention should be made of the work the Bank has done to strengthen the private sector during the transition period, especially in the Kyrgyz Republic. That said, we wish to express our interest in seeing the Bank's new Investment Climate and Governance Initiative implemented in our country.

Improving the investment climate is one of our country's priorities. In spite of the challenging external environment, the Kyrgyz Government has focused on making our country an "investors' paradise". Our initiatives in this area are aimed at achieving a balance between the interests of the state, investors and the people.

We are implementing a range of measures to encourage investment in our country, develop the private sector, remove administrative restrictions and barriers to investment, improve legislation and liberalise internal and external trade conditions, which will together create a sound basis for the growth of foreign trade and inflow of foreign direct investment.

Liberalisation of the investment climate and of foreign trade policy was and is a strategic priority of our Government, as demonstrated by the fact that as early as 2013 we introduced an up to 60-day visa-free travel period for citizens of 61 countries with per capita GDP exceeding US\$ 7,000.

To stimulate economic activity, we have implemented progressive reforms, such as simplifying tax administration procedures, reducing the number of checks carried out on businesses and so forth. For instance, the number of permits and licences has been reduced from 500 to 101 and the time taken to conduct checks also been reduced. Fiscal reforms mean that our country now has the most liberal tax regime in the region. The profit tax rate is 10 per cent, income tax is 10 per cent and VAT is 12 per cent, comparing favourably with the rates in Kazakhstan, Tajikistan, Uzbekistan and China.

As a result of all these reforms, the Kyrgyz Republic has obtained a number of improved international ratings. In addition, our country has been assigned a sovereign credit rating, enabling it to broaden the range of its investors, providing it with a creditworthiness assessment, and improving its global image.

Despite the slow-down in economic growth experienced by our main partner countries, which adversely affected the Kyrgyz economy in 2015 by reducing investment and export volumes, the inflow of foreign direct investment into our country rose by 12.6 per cent from its 2014 level.

An issue of the greatest urgency and importance is the need to implement regional environmental protection projects, climate change initiatives, renewable energy projects and the like. We urge the EBRD to do more to mobilise special donor funds from sources such as the Climate Investment Funds and the Global Environmental Fund for regional climate projects in the Central Asia region.

Overall, while the EBRD's total investments in Central Asia increased by 75 per cent in 2015 to reach €1.4 billion, investment in the Kyrgyz Republic has been the lowest in the region. We therefore hope that in the future the EBRD will increase the volume of financing for the Kyrgyz Republic.

In this context, it is worth noting that the Kyrgyz Republic is the only country in the region to have adopted the parliamentary form of government and is now systematically pursuing reforms aimed at the further development and consolidation of parliamentary democracy.

In conclusion, may I once again thank the Bank for its support for the efforts of countries to achieve sustainable economic development.

Thank you for your attention.