

**National Report of the Republic of Kyrgyzstan
On Implementation of the Vienna Programme of Action
for Landlocked Developing Countries for the Decade 2014-2024**

The Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 was adopted at the Second United Nations Conference on Landlocked Developing Countries, held on November 3-5, 2014 in Vienna, Austria. The Vienna Programme of Action was approved by General Assembly Resolution 69/137 of December 12, 2014.

A corresponding Plan of Measures was developed to implement the Vienna Programme of Action, and this plan was approved by order of the Vice Prime Minister of the Republic of Kyrgyzstan, number 18-12769, dated May 26, 2015.

The economic and foreign-trade policies of the Government of Kyrgyzstan are concordant with the priorities and objectives of the Vienna Programme of Action.

The priorities of the Vienna Programme of Action are reflected, to one degree or another, in the documents dedicated to specific sectors and industries, implemented by the Republic of Kyrgyzstan, such as: the concept, strategy and programme. These documents have differing timelines and scopes, and cover multiple objectives.

The goals and objectives set forth in the strategic documents echo the priorities of the Vienna Programme of Action, and for this reason it can be considered that a sufficient number of priority objectives of the Vienna Programme of Action can already be found within strategic documents already adopted.

The Government of the Republic of Kyrgyzstan is continuing its efforts in the following priority areas:

- 1: Fundamental policy issues in the area of transit transport;
- 2: Infrastructure development and exploitation;
- 3: International trade and trade facilitation;
- 4: Regional integration and cooperation;
- 5: Economic restructuring.

Priority area 1: Fundamental policy issues in the area of transit transport.

The Republic of Kyrgyzstan transport sector is actively acceding to international conventions and agreements on the development of international transport links. Bilateral and multilateral agreements to conduct coordinated policies in the transport sector have been concluded with almost all contiguous states, as well as those further abroad.

To create conditions that are favorable for persons crossing the border of the Republic of Kyrgyzstan at checkpoints, border checks on the Kyrgyzstan side followed a more streamlined procedure than those conducted by neighboring states.

The time taken to perform border checks for light vehicles is regulated to be no more than 15-20 minutes, or 30 minutes for coaches with passengers, and 20 minutes for freight vehicles, while for aircraft, the times are: narrow-body aircraft: up to 20 minutes, medium-body aircraft: up to 30 minutes, wide-body aircraft: up to 40 minutes, railroad rolling stock: up to one hour.

In addition, our analysis has shown that the time taken at checkpoints of contiguous states continues to exceed the norms established in the Republic of Kyrgyzstan, the reason for this being the deployment of multiple control agencies at these checkpoints.

When the Republic of Kyrgyzstan joined the Eurasian Economic Union (EAEU), several comprehensive measures were undertaken to equip and reinforce the state borders of the Republic. Planning, construction, reconstruction, retrofitting and the formation of transport and engineering infrastructure at the state border, technical refurbishing is underway for buildings, premises, installations and ICT systems required to organize control at checkpoints, and to protect the state border of the Republic of Kyrgyzstan.

To build effective, bilateral or regional mechanisms to resolve and eliminate problems associated with international transit, the Republic of Kyrgyzstan has concluded bilateral agreements with the following countries: Russia, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, Ukraine, Azerbaijan, Latvia, Georgia, Armenia, Moldova, Belarus, Turkey, Germany, Iran, China, Pakistan, Poland, Mongolia and Austria.

For Kyrgyzstan, as a landlocked country, our transit countries are China, Iran, Turkey and Russia, as well as Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan, the territory of which also needs to be crossed to reach the sea. Bilateral road transport agreements have been concluded with China, Iran, Turkey and Russia, including a permissions system, limiting the annual exchange of permissions sheets (quotas). The exchange of permissions sheets is conducted with Russia for the transit of cargo to and from third countries.

At the current time, the road transport sector has the following problem areas, which are the focus of work under the framework of the EAEU.

The activation on November 15, 2015, of the Platon payments system (SVP) on the territory of the Russian Federation, in violation of article 11 of the Agreement between the Government of the Republic of Kyrgyzstan and the Government of the Russian Federation on international road connections, dated April 16, 2002.

On December 15, 2015, the Russian Federation activated a system (SVP Platon) for taking payments from vehicles with a maximum permitted weight of over 12 tons, to compensate for damage to federal public roads. This application of charges violates article 11 of the Agreement between the Government of the Republic of Kyrgyzstan and the Government of the Russian Federation on international road connections, of April 16, 2002. The levying of a charge from vehicles with a weight exceeding 12 tons is understood to be a payment for the use of international roads.

A ban is also practiced, against entry to the Russian Federation within a period of three years, if drivers from EAEU member countries are subject to administrative liability multiple times on the territory of the Russian Federation, even if the administrative fines have been paid. The regulation in RF Law (subparagraph 4, article 26 of Law 114-FZ) is a barrier to mutual trade between EAEU member states, as it implies that, after multiple administrative charges are brought for administrative misdemeanors (including minor infringements) against drivers of the Republic of Kyrgyzstan, when these are committed in the RF and even if the administrative fines have been paid, entry by citizens of these states into the territory of the RF will be impossible for a period of three years. This circumstance hinders the free movement of services, goods and labor across the territory of EAEU member states.

The Russian FTS published order #2568 of December 14, 2015, which confirms a limited list of checkpoints on the border of the Russian Federation for the import of goods, moved in compliance with the TIR Convention of 1975. The list includes 45 checkpoints, many of which are not located on federal roads and were never deployed for TIR procedure shipments. Moreover, the list does not include major international road checkpoints on the main transit routes (Brusnichnoye, Burachki, Nekhoteevka and Troyebortnoye international vehicle crossing points). Given the existing transport and logistics links, this is a hindrance to the effective implementation of foreign trade activities.

Priority area 2: Infrastructure development and exploitation

2.1 Transport infrastructure

The Republic of Kyrgyzstan, which occupies an important geopolitical position in the region, has transit potential and could, in future, fully achieve this potential.

At the current time, the railroads in the Republic of Kyrgyzstan have a total track length of 425 km, while the network is poorly interconnected and features many dead-ends. This network does not fully meet the transport needs in the Republic, while the absence of direct access along the shortest routes to sea ports further complicates the Republic's development of foreign-trade links.

The absence of a railroad links system crossing the entire Republic and integrated into an international railroad network, acts as a factor slowing down the development of the Republic of Kyrgyzstan's transit potential, also preventing an increase in export possibilities or expanding trade and economic ties between the Republic and the rest of the world.

The creation of a transit railroad component for the Republic of Kyrgyzstan and all of the Central Asian region is a goal supported by the implementation of the following planned projects: a project to build a China-Kyrgyzstan-Uzbekistan railroad, and a project to build a Balykchy-Kochkor-Kara-Keche railroad. The latter project is of interest to Kyrgyzstan both from the viewpoint of connecting sections of railroad to the North and South of Kyrgyzstan via a transit railroad running from Kyrgyzstan to China, but also to form a domestic railroad network.

International transport corridors on the territory of Kyrgyzstan have been identified, overhauled, and now and meet international standards and specifications. This includes the lines Bishkek-Osh, Osh-Sarytash-Irkeshtam, Osh-Sarytash-Karamyk, and Bishkek-Naryn-Torugart. At the current time, construction is underway to build a new North-South transit road artery.

The Republic of Kyrgyzstan has a bilateral agreement on road transport with the following transit countries: the Russian Federation, the People's Republic of China, Iran, Turkey and Pakistan.

Resolving the problems of landlocked developing countries, such as Kyrgyzstan, also depends directly on transit countries, crossed by transit routes to sea ports.

For example, the PRC, as a party to the Convention on the Law of the Sea, despite a bilateral road transport agreement between Kyrgyzstan and China, which contains no restriction on territorial transit or passage, does not allow Kyrgyz road carriers further than the cities of Kashgar, Artush and Urumchi, let alone reaching sea ports.

Russian sea ports are at a great distance from Kyrgyzstan.

To reach sea ports in Iran and Turkey through transit countries from Kyrgyzstan, in addition to crossing these two states themselves it is also necessary to cross Uzbekistan and Turkmenistan.

In addition, when considering the possibility of using sea ports, the current level of transit security and safety within a transit country must also be taken into account.

2.2 Energy and ICT infrastructure

The Republic of Kyrgyzstan possesses sufficient reserves of fuel and energy sources, including major coal reserves, and approximately 30% of the entire hydropower resources of Central Asia. The Republic possesses a high gross hydroelectric power potential, formed by harnessing flow from river basins, estimated to be equivalent to 245.2 billion kWh. It is estimated that the energy potential has been assimilated to a total of 10%.

To develop trans-boundary energy trade and energy transit, work is undertaken as part of the international project CASA-1000 (Central Asia-South Asia 1000 MW). The project includes the construction of a high-voltage power distribution line linking the power systems of the Republics of Kyrgyzstan and Tajikistan, as well as the Islamic Republic of Iran and the Islamic Republic of Pakistan, to allow the export of electrical power by Central Asian countries, and to develop the corresponding agreements and mechanisms to trade electrical power, in compliance with international standards.

As it possesses significant water resources and almost zero oil and gas reserves, the Republic places fundamental importance on the rational, mutually-profitable and efficient use of water and power resources.

Work is being conducted to amend Republic of Kyrgyzstan legislation, to regulate the fields of renewable energy sources, aimed at modernizing legislation in the field of renewable energy sources, and to integrate new mechanisms to improve the investment climate in the renewable energy sector, including boosting production potential and expanding the power-generating resources in the country.

In a time of globalization of the world economy, and international economic integration, the scale of penetration and expansion of broadband access to the internet plays an ever-growing role for all states. The presence of a mainline fiber-optic network, connected to the international fiber-optic channels of bordering countries, plays a key role in the continuing development of internet services

in the Republic, and facilitates broader access to such services for the population. The laying and activation of major fiber-optic lines allows us to affirm that, today, the national communications network has been successfully integrated into the global information space has successfully been achieved, and network develop continues.

The laying of major fiber-optic lines and the installation of modern equipment will make it possible to connect all the areas of the country through a broadband telecommunications transport network, to maintain reliability, accuracy and timeliness in the delivery of information, as well as increasing the volumes and speed of data transfer.

Given that in today's world the level of development of digital technologies can dictate the level of competitiveness of a country, the transition to a digital economy is considered to be a key driving force for economic growth.

In 2017, a digital transformation began in the Republic of Kyrgyzstan began, with the launch of the Taza Koom project. Laws on Electronic Governance, E-Signatures, Amendments to the RK Law on Personal Data, and the Law on Access to Information Held by State and Local Self-Government Agencies in the RK, which together form the legislative environment of the ICT sector.

Taza Koom is a programme for the digital transformation of the country, which aims to create a strong society organized around human rights, freedoms, values and potential. The objective of Taza Koom is to improve the lives people lead, using the power of technology, digital infrastructure and the data industry.

The use of digital technologies helps to enhance the business and investment climate: by boosting the accessibility and effectiveness of state services (registration of legal entities, certification and accreditation, obtaining permits, declaration and payment of taxes, and customs processing), the development of an entire ecosystem of business services (logistical services and mobile banking), boosting the transparency of the conditions for doing business (electronic forums for conducting tenders and purchasing, and feedback portals).

At the current time, the following projects are being implemented, with the objective of building a digital economy:

1. *Projects related to the system of law enforcement agencies:*

- E-KUP: an electronic system for registering crimes, which consists of two stages:
- the automated data system 'E-ledger of crimes';
- the 'Unified Registry of Crimes and Misdemeanors.'

2. *Projects related to the private sector:*

- e-registration of legal entities;
- e-patents;
- ETP, an electronic trading floor;
- fiscalization of tax procedures.

3. *Social projects:*

- electronic waiting lists for pre-school educational establishments;
- hybrid mail.

4. *E-government projects:*

- a data system for tracking human resources;
- an electronic document processing system.

Work is also continuing to launch a State e-Services Portal, intended to simplify the procedures for receiving a state e-signature, reducing the time required to render state services, enhancing access to state services for consumers, and boosting the level of satisfaction with the state services rendered, and also raising the level of awareness amongst users of state services about the procedure, and the modalities and criteria for receiving state services.

Priority area 3: International trade and trade facilitation

On August 12, 2015, the Republic of Kyrgyzstan became a member of the Eurasian Economic Union (EAEU). The membership of the Republic in this Union implies opportunities, such as: the cancellation of customs, sanitary, veterinary and phytosanitary forms of control; expansion of our

market to the 180-million population of the EAEU (multiplying the market by a factor of 30); streamlined employment procedures and improvement of social living conditions for labor migrants and their families.

On January 29, 2016, the European Commission reported that the Republic of Kyrgyzstan had been granted user status in the Generalised Scheme of Preferences (GSP+), according to article 10 (1) of European Union Regulation 978/2012. The use of GSP+ status is important for the Republic of Kyrgyzstan, as it provides new opportunities to expand and diversify national exports to EU markets.

The Republic of Kyrgyzstan received access to engage in duty-free trade involving more than 6,000 goods to the countries of the EU. This right will mainly cover agricultural goods, such as: fruits, processed fruits (juices and preserves), dried fruits (walnuts, almonds and pistachios), raw foods (beans and peas), food products, tobacco, and textiles, including felt products, clothes, including leather clothes, carpet products, etc. Previously, exporters paid a customs duty of 14.6% on some types of fruits and vegetables, and up to 5-9% on clothing items.

Based on the current customs duty rates of the EU, by participating in the GSP+ system, the Republic's exporters will be able to export the above goods into the territory of the EU at zero duty.

The actual use by Kyrgyz exporters of GSP+ status, according to EU statistics, is as follows:

- Total volume of imports into the EU from the Republic of Kyrgyzstan in 2016:
€ 72 289 000
 - Of which, covered by GSP+: € 6 089 000
 - Actual use of GSP+: € 3 244 000
 - Level of use of GSP+: 53.3%
- The total volume of imports into the EU from the Republic of Kyrgyzstan in 2017:
€ 164 933 000
 - Of which, covered by GSP+: € 7 978 000
 - Actual use of GSP+: € 4 795 000
 - Level of use of GSP+: 60.1%

Growth was seen in the level of use of GSP+ from 53% in 2016 to 60% (not including gold). This indicates that the level of business circles' awareness of and interest in the scheme and its benefits is gradually increasing.

To expand export possibilities and boost the level of competitiveness of domestic manufacturers on foreign markets, the Republic of Kyrgyzstan Government Plan to Develop Exports from the Republic of Kyrgyzstan in 2015-2017 and the Republic of Kyrgyzstan Private Sector Development Plan for 2015-2017 were implemented.

The Republic of Kyrgyzstan Economy Ministry developed a new Export Development Programme for 2018-2022, which will be focused on adopting measures to increase the volume of export of products in all sectors where the greatest export potential is seen (the textiles industry, fruit and vegetable products processing, the dairy sector, green and innovative equipment manufacture, and educational services). The Programme also includes three cross-sectoral areas: access to finances, export stimulation and quality of infrastructure.

It is expected that the implementation of this Programme will facilitate a doubling of export volumes by 2023, through diversification of supply markets and development of competitive sectors integrated into regional/global added-value chains.

Overall, the successful implementation of the Programme will deliver a positive impact for the country's economic growth (GDP growth, influx of investment into the country), increased employment (job creation), improvement of the balance of payments (inflow of capital into the country, improved national trade balance).

As of today, the draft Programme is being reviewed/finalized by the Republic of Kyrgyzstan Government.

Priority area 4: Regional integration and cooperation

Considering historical bonds, many years of friendly relations, geographical proximity, shared borders, as well as similarity in our economic development paths, the highest-priority partners of Kyrgyzstan in trade and economic development are the countries of Central Asia.

In 2017, the trade balance between the Republic of Kyrgyzstan with the countries of Central Asia amounted to 1,231 million USD, and grew by 32% compared to 2016 (in 2016 it was 933.4 million USD). This includes exports amounting to 459 million USD, which grew by 10% (418.1 million USD in 2016), and imports amounting to 771.5 million USD, showing growth of 49% (in 2016 the figure was 515.3 million USD).

The Republic exported to the countries of Central Asia: live animals, milk and dairy products, vegetables and fruits, tobacco, clothes, cement, glass, incandescent lamps, oil products, inorganic chemicals, ores and concentrations of precious metals, plastic products, resins, paper, vehicles and vehicle parts, various metal devices, etc.

The Republic imported from the countries of Central Asia: wheat, flour, vegetable oil, tobacco products, coal, oil products, natural gas, electrical power, fertilizers, ores and antimonial products, ferrous metals, equipment and mechanic devices, electrotechnical equipment and devices, etc.

Of the countries of Central Asia, Kyrgyzstan and Kazakhstan are members of the Eurasian Economic Union. The countries of Central Asia also engage in economic cooperation within the framework of the Shanghai Cooperation Organization, under bilateral relations, and through CAREC (Central Asia Regional Economic Cooperation, ABD) and SPECA programmes (Special Programme for the Economies of Central Asia, UN).

To make use of the possibilities provided by the International Think Tank for LLDCs, to exchange experience, innovation, research and other resources in areas concerning trade, transit, transport and capacity-building between LLDCs, the Republic of Kyrgyzstan acceded to the multilateral agreement to form the International Think Tank for LLDCs, signed on September 24, 2010, in New York.

Priority area 5: Economic restructuring

In 2015, the Government actively conducted a policy to form and reinforce economic potential in line with the main guidelines and objectives, set forth in the NSUR (national Strategy for Sustainable Development) for 2013-2017, as well as the Governmental Plan of Actions for 2015 to Strengthen the National Economy.

On August 12, 2015, The Republic of Kyrgyzstan became the fifth full-fledged member of the EAEU, when it acceded to the Agreement on the Eurasian Economic Union of May 29, 2015. 2015 saw the cancellation of customs, sanitary, quarantine, and phytosanitary controls at the Kyrgyzstan-Kazakhstan section of the state border, on the territory of the Republic a unified customs tariff came into force, as well as a unified list of goods for EAEU foreign trade activities, unified specifications for products, established by the Union regulations, and other norms and provisions of the EAEU Agreement.

At the current stage of development of the economy, Kyrgyzstan is showing moderate growth rates and mainly takes the form of a service economy. The largest part of the Kyrgyzstan GDP relates to the service sector. Within the total GDP for 2017, the share of services amounted to 48.0%, while industry amounted to 18.2%, agriculture 12.3% and construction 8.2%. As a result of the last five years, the GDP has increased gradually, by 4-5%, and the average wage is consistently growing. Monetary and fiscal policies, despite insignificant seasonal fluctuations, generally maintain a stable national currency exchange rate.

With the attraction of domestic resources and reasonable levels of foreign borrowing, Kyrgyzstan has greatly expanded and modernized its basic growth infrastructure: transport routes and air connections, as well as power and communications networks. Accession to EAEU has made it possible to begin assimilating the potential for integration with our key bilateral partners, and brought the country's manufacturers onto a 180 million-strong market. The Government has consistently optimized regulatory frameworks for the development of private enterprise in key fields, and provided access to funding for the most enterprising small and medium-sized businesses in agriculture, light

industry and the services sector. A balanced monetary and fiscal policy has made it possible to hold back inflation and support a stable national currency exchange rate.

Structural changes to the economy have been completed: a transition from a consumer economy system to an investment-based system. The export strategy has made it possible to enter EAEU markets, as well as expanding markets that serve as alternatives to the EAEU. This has also made it possible to stimulate projects in industrial and agricultural production with high added-value. Priority areas were chosen: equipment manufacture and small machine building, processing agricultural products and food product manufacture, the textiles sector; supporting and stimulating small and medium-sized business and self-employment have made it possible to create additional jobs and reduce unemployment. Refusal to regulate sectors where there is competition; overhauling of tariff and pricing policies in key infrastructure sectors of the economy (energy, communal and municipal services) made it possible to greatly increase the influx of foreign direct investment.

Programmes have been successfully implemented, that are of fundamental importance for development (expanding export markets and capital mobilization markets; systemic support of industrialization and industrial production as economic priorities; reinforcing vocational education with an emphasis on technical specializations; strengthening the institution of property, and associated guarantees).

National development projects are a priority amongst Government policies, and complement systemic and structural reform of the economy, with the goal of achieving an optimal solution of economic development challenges. The Republic is integrating a process for assessing the level of effectiveness of implementation of investment projects, and these assessments are accessible to the public at large, and include a definition of the personal responsibility of managers of state agencies for their implementation. The active role of local communities, citizens and business circles is also demarcated.

Based on predictable, transparent and stable rules, projects launched in the public-private sector will make it possible to improve public services and infrastructure in the most critical areas of life, including the communal services sector. Raising private capital to implement state objectives has made it possible to reduce the burden for the state budget.

Major measures are being taken to boost the potential of the regions, especially through the development of infrastructure.

2018 was declared the *Year of Development of the Regions* in the Republic of Kyrgyzstan. A concept for regional policies in 2018-2022 was adopted, which includes the following main objectives:

- the formation of 20 urban growth points. The creation at these locations of conditions for an enhanced business climate;
- integration of mechanisms to stimulate the development of the regions, by their specialization, forming clusters, and implementing investment projects, including under PPPs;
- boosting the quality of state services at the local level, via the development of digital infrastructure;
- boosting the quality of medical and educational services in the regions, and many other objectives.

Most of the efforts are focused on developing urban infrastructure, modernizing public transport and water supply systems, improving systems for processing solid domestic waste, and other areas.

For example, roads are being laid or overhauled, power grids are being assembled, and educational institutions built. The regions have also seen a growth in the number of new primary medical and sanitary facilities. Goals have been set to provide clean drinking water to every town and village. Public access to information has improved, including using digital TV broadcasting and the internet. The first steps have been taken towards providing state services locally using digital technologies, without citizens being required to visit state agencies.

The Government of the Republic of Kyrgyzstan will continue its efforts on key objectives of Kyrgyzstan's national economic policies, inter alia: to enhance the prosperity of the people of Kyrgyzstan, to ensure stable economic growth, and to achieve economic and financial independence.

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